

*Consolidated Financial Statements*

***TRANSELEC S.A.***

*Santiago, Chile*

*September 30, 2007 and 2006*

Consolidated Financial Statements

**TRANSELEC S.A. AND SUBSIDIARY**

(Translation of financial statements originally issued in Spanish)

September 30, 2007 and 2006

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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 Sheets  
As of September 30,  
(Translation of financial statements originally issued in Spanish)

	<b>2007</b>	<b>2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	498,811	43,224,320
Time deposits	39,702,583	14,452,400
Securities	8,682,016	-
Trade accounts receivable, net	18,029,685	12,831,037
Sundry debtors	866,306	665,662
Notes and accounts receivable from related companies	32,841,826	-
Inventories (net)	42,397	45,300
Recoverable taxes	2,427,767	-
Prepaid expenses	106,688	259,466
Deferred taxes	4,315,424	1,526,352
Other current assets	10,693,747	32,010,762
<b>Total Current Assets</b>	<b>118,207,250</b>	<b>105,015,299</b>
<b>Fixed Assets</b>		
Land	15,774,687	9,338,137
Buildings and infrastructure, works in progress	721,871,737	555,224,169
Machinery and equipment	288,918,050	436,058,246
Other fixed assets	1,423,810	1,657,865
Increase in value from technical reappraisal of fixed assets	-	2,343
Accumulated depreciation (less)	(39,042,298)	(7,070,071)
<b>Total Fixed Assets</b>	<b>988,945,986</b>	<b>995,210,689</b>
<b>Other Assets</b>		
Investments in other companies	144,512	73,544
Goodwill	246,154,089	377,121,408
Long-term receivables	9,229,413	9,403,735
Long-term notes and accounts receivable from related companies	28,967,792	-
Long-term deferred taxes	55,795,199	-
Intangibles	144,377,355	141,639,410
Amortization of intangibles (less)	(4,562,173)	(706,525)
Other	9,490,362	525,534
<b>Total Other Assets</b>	<b>489,596,549</b>	<b>528,057,106</b>
<b>Total Assets</b>	<b>1,596,749,785</b>	<b>1,628,283,094</b>

The accompanying notes form an integral part of these financial statements

## TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets  
As of September 30,  
(Translation of financial statements originally issued in Spanish)

<b>Liabilities and Shareholders' Equity</b>	<b>2007 ThCh\$</b>	<b>2006 ThCh\$</b>
<b>Current Liabilities</b>		
Bonds payable – short-term portion	14,647,089	144,187,463
Non distributed dividends	-	-
Accounts payable	26,388,296	17,821,696
Sundry creditors	12,256,766	6,189,512
Notes and accounts payable to related companies	1,158,508	236,288,434
Provisions	2,256,081	1,902,426
Withholdings	2,161,941	2,269,945
Income taxes	-	1,378,986
Deferred taxes	-	-
Other liabilities	546,365	113,096
Total Current Liabilities	59,415,046	410,151,558
<b>Long-term Liabilities</b>		
Long-term bonds payable	733,007,166	380,413,644
Miscellaneous accounts payables	10,100,095	9,147,637
Provisions	1,486,861	2,824,004
Long-term deferred taxes	-	45,206,168
Other long-term liabilities	1,501,084	6,354,091
Total Long-term Liabilities	746,095,206	443,945,544
Minority Interest	4,404	76,931
<b>Shareholders' Equity</b>		
Paid-in capital	733,545,501	771,064,253
Price-level restatement of capital	37,410,821	-
Retained earnings	87,568	-
Net income	27,592,332	3,044,808
Interim dividends (less)	(7,401,093)	-
Total Shareholders' Equity	791,235,129	774,109,061
Total Liabilities and Shareholders' Equity	1,596,749,785	1,628,283,094

The accompanying notes form an integral part of these financial statements

## TRANSELEC S.A. AND SUBSIDIARY

Consolidated Income Statement  
For the period ended September 30,  
(Translation of financial statements originally issued in Spanish)

	<b>2007</b>	<b>2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Operating Results</b>		
Revenues	97,465,677	32,720,970
Cost of sales (less)	<u>(36,811,544)</u>	<u>(11,535,058)</u>
Gross margin	60,654,133	21,185,912
Administrative and selling expenses	<u>(2,980,515)</u>	<u>(852,440)</u>
Operating income	<u>57,673,618</u>	<u>20,333,472</u>
<b>Non-operating Results</b>		
Financial income	4,152,524	820,253
Other non-operating income	3,901,041	408,355
Amortization of goodwill (less)	(4,911,905)	(4,543,652)
Financial expenses (less)	(26,331,311)	(11,200,202)
Other non-operating expenses (less)	(3,522,642)	(192,507)
Price-level restatement, net	944,631	(417,631)
Foreign exchange rate differences, net	<u>(96,058)</u>	<u>(1,736,810)</u>
Non-operating results	<u>(25,863,720)</u>	<u>(16,862,194)</u>
Income before income taxes	31,809,898	3,471,278
Income taxes	<u>(4,217,418)</u>	<u>(424,181)</u>
Income before Minority Interest	27,592,480	3,047,097
Minority Interest	<u>(148)</u>	<u>(2,289)</u>
<b>Net income</b>	<u><b>27,592,332</b></u>	<u><b>3,044,808</b></u>

The accompanying notes form an integral part of these financial statements

## TRANSELEC S.A. AND SUBSIDIARY

Consolidated Cash Flow Statement  
For the period ended September 30,  
(Translation of financial statements originally issued in Spanish)

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	<b>2007</b>	<b>2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Cash Flows from Operating Activities:</b>		
NET INCOME	27,592,332	3,044,808
Results from sale of assets: (Income) on sale of fixed assets	(312,999)	(70,492)
<b>Charges (credits) to income that do not represent cash flows:</b>		
Depreciation for the period	23,106,231	7,054,486
Amortization of intangibles	2,624,839	705,174
Write offs and provisions	318,155	-
Amortization of goodwill	4,911,905	4,543,652
Price-level restatement, net	(944,631)	417,632
Foreign exchange rate differences, net	96,058	1,736,810
Other credits to income other than cash flows (less)	(4,728,624)	-
Other charges to income other than cash flows	-	-
<b>Changes in assets, that affect cash flows (increase) decrease:</b>		
Trade accounts receivable	(5,928,996)	1,887,400
Inventories	2,198	1,380
Other assets	(9,470,100)	1,035,782
<b>Changes in liabilities that affect cash flows increase (decrease):</b>		
Accounts payable related to operating income	806,488	14,145,401
Interest payable	5,472,192	1,866,454
Income taxes payable	216,552	5,204
Accounts payable related to non operating income	-	-
Value added tax and other similar taxes payable	618,290	1,016,290
Minority Interest	84	2,289
Net cash provided by operating activities	44,379,974	37,392,270

The accompanying notes form an integral part of these financial statements

## TRANSELEC S.A. AND SUBSIDIARY

Consolidated Cash Flow Statement  
For the period ended September 30,  
(Translation of financial statements originally issued in Spanish)

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	<b>2007</b>	<b>2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Cash Flows from Financing Activities:</b>		
Payment of the subscribed shares of Rentas Eléctricas III Ltda.	-	771,064,254
Bond Issuance	113,288,974	-
Loan from related company	-	-
Dividends paid	(20,461,278)	-
Capital reduction	-	-
Amortization of Debts	(115,704,805)	-
Net cash flows provided by (used in) financing activities	(22,877,109)	771,064,254
 <b>Cash Flows from Investing Activities:</b>		
Sale of fixed assets	2,051,028	129,637
Collection of related companies loans	39,198,819	-
Other investing	-	-
Purchase of fixed assets (less)	(11,321,342)	(2,291,859)
Payment of capitalized interest (less)	(616,853)	(167,218)
Permanent Investments	(77,150)	(771,064,254)
Loans to related companies	(56,775,021)	-
Other investment disbursements	-	-
Net cash flows provided by (used in) investing activities	(27,540,519)	(773,393,694)
<b>Total Net Cash Flows for the Year</b>	<b>(6,037,654)</b>	<b>35,062,830</b>
<b>Effect of Inflation and Currency Exchange Rate on Cash and Cash Equivalents</b>	<b>(3,007,847)</b>	<b>(1,618,362)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(9,045,501)</b>	<b>33,444,468</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>67,675,436</b>	<b>56,156,386</b>
<b>Cash and cash equivalents, end of the year</b>	<b>58,629,935</b>	<b>89,600,854</b>

The accompanying notes form an integral part of these financial statements.

## **TRANSELEC S.A. AND SUBSIDIARY**

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

September 30, 2007 and 2006  
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### **Note 1 – Registration**

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 an incorporated company and 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, the total number of shares issued, subscribed and fully paid.

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

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.

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.

### **Note 2 – Accounting Principles**

#### **a) Accounting period**

These Consolidated Financial Statements relate to the nine-month period between January 1 and September 30, 2007, and June 6 and September 30, 2006.

## **TRANSELEC S.A. AND SUBSIDIARY**

Notes to the Consolidated Financial Statements  
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### **Note 2 – Accounting Principles (continued)**

#### **b) Basis of preparation**

The financial statements of Transelec S.A. and Subsidiary as of September 30, 2007 and 2006 have been prepared in accordance with generally accepted accounting principles in Chile (“Chilean GAAP”) issued by the Chilean Institute of Accountants, and specific instructions and regulations issued by the Superintendency of Securities and Insurance Companies (SVS). In case of discrepancies, specific instructions and regulations issued by the Superintendency of Securities and Insurance Companies will prevail.

Regarding the proforma Consolidated Financial Statements as of September 30, 2006, this reorganization basically comprised the incorporation of all the activities developed at that time by the company Transelec S.A. and its Subsidiary in the company Rentas Eléctricas III Limitada (activity that, at the present time, is developed by the absorption of the companies Rentas Eléctricas III S.A. and Transelec S.A. as of June 30, 2007).

#### **c) Basis of presentation**

For comparison purposes, the figures from the former financial statements were restated by the percentage variation of the Consumers Price Index for the twelve-month period ended September 30, 2007, which was 4.7%.

#### **d) Basis of Consolidation:**

The effects on Non Realized Income, transactions and balances with the subsidiary, have been eliminated, and the participation percentage of the minority investor has been recognized and presented as Minority Interest.

In connection with the investment in the Subsidiary Transelec Norte S.A., the difference between the investment in Chilean pesos and the Subsidiary’s Shareholders Equity in United States Dollars, has been recognized with a charge to the account Accumulated Adjustment by Difference of Conversion Difference, in the account Other Reserves of the Shareholders Equity.

## TRANSELEC S.A. AND SUBSIDIARY

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

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### Note 2 – Accounting Principles (continued)

The Company has considered, as allowed by Technical Bulletin No. 64 of Chilean Institute of Accountants, bonds issued abroad up to the amount invested of US\$30,002,000 as a hedge instrument of the risk associated to the exchange fluctuation. The exchange difference, net of monetary correction, has been registered as it matching against the account Accumulated Adjustment by Difference of Conversion, in the account of Other Reserves of the Shareholders Equity.

Company	Direct Participation	
	30/09/2007 %	30/09/2006 %
Transelec Norte S.A	99.99	99.99

#### e) Price-level restatement

These financial statements have been restated in order to reflect the effect of changes in the purchasing power of the Chilean peso during the respective periods. Accordingly, non-monetary assets and liabilities and shareholders' equity variation have been restated against income results. The restatements have been determined on the basis of the official Chilean Consumer Price Index (CPI) issued by the National Institute of Statistics, applied one month in arrears, which was 5.1% (1.4% in 2006) for the period January 01 – September 30, 2007. In addition, income and expense accounts have been restated to their end of period values.

#### f) Foreign currency balances

Balances in foreign currency have been considered as monetary items and have been converted at the current exchange rate at financial statement closing date. Indexed balances have been adjusted by the item's adjustability index or by the index agreed upon for that purpose.

## TRANSELEC S.A. AND SUBSIDIARY

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

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### Note 2 – Accounting Principles (continued)

As of each end of period, assets and liabilities in foreign currency and UF have been translated into Chilean pesos at the following period closing exchange or conversion rates:

	30/09/2007	30/09/2006
	Ch\$	Ch\$
Unidad de Fomento	19,178.94	18,401.15
United States dollar	511.23	537.03
Euro	729.29	680.99

#### g) Time deposits

Investments in time deposits are recorded at cost price-level restatement and accrued interest at each end of period.

#### h) Allowance for doubtful accounts

The Company believes that it is unnecessary to record an allowance for doubtful accounts at each end of period.

#### i) Fixed assets

Fixed Assets are valued at their purchase cost or contribution based on the fair value as of June 30, 2006, price level restated at end of period. The costs of financing works in progress have been capitalized during construction period. Consequently, financial expenses amounting to ThCh\$616,853 were capitalized during 2007.

#### j) Fixed assets depreciation

Depreciation is calculated using the straight-line method based over the estimated useful lives of the assets.

## **TRANSELEC S.A. AND SUBSIDIARY**

Notes to the Consolidated Financial Statements  
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### **Note 2 – Accounting Principles (continued)**

#### **k) Lease contract**

Financial leases correspond to assets that have been built by the Company upon the express petition of the lessee. On termination of the lease the ownership will be transferred to the lessee, with payment of an amount equal to the last installment. This contract is recorded in accordance with Technical Bulletin No. 22 and classified under “sundry debtors” and “long-term receivables”.

#### **l) Intangibles**

In this item are included the rights-of-way which are valued at their purchase cost or contribution based on the fair value as of June 30, 2006, price level restated at end of period. These rights-of-way are amortized on the straight-line basis over 40 years, in conformity with Technical Bulletin No. 55 issued by the Chilean Institute of Accountants.

#### **m) Goodwill**

The amount presented as Goodwill represents the difference between the purchase value of shares of HQI Transelec Chile S.A. (dissolved company) and Transelec Norte S.A., and the proportional equity value of the investment on the purchase date, in conformity with Technical Bulletin No. 72 issued by the Chilean Institute of Accountants. This difference is amortized over a 40-year period. This period term has been authorized by the SVS on July 23<sup>rd</sup>, 2007, through Official Letter No. 7749.

As per the Purchase Agreement of the shares of HQI Transelec Chile S.A. (dissolved company), certain price adjustments are pending. These adjustments will be fixed after the final results of the tariff process of the trunk systems that are currently being developed as per the Short Law (N°19,940, issued on March 13, 2004) stated. The finalization of the tariff process is expected at the end of the fourth quarter 2007, opportunity when the adjustment of the purchase price, pending as of September 30, 2007, could be reasonably fixed.

#### **n) Resale agreements**

Other current assets include purchases of securities under resale agreements, which are recorded at their initial investment value at purchase date plus interest and price-level restatement.

## **TRANSELEC S.A. AND SUBSIDIARY**

Notes to the Consolidated Financial Statements  
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### **Note 2 – Accounting Principles (continued)**

**o) 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 September 30, 2007. The difference between the book value and the placement value is recognized over the duration of these liabilities and is shown in Other Current Liabilities and Other Long-term Liabilities.

**p) Income taxes and deferred taxes**

The Company and its Subsidiary provides for income taxes in accordance with current legislation.

In conformity with the Technical Bulletin No. 60 issued by the Chilean Institute of Accountants, deferred taxes have been recorded for all temporary differences between accounting balances for assets and liabilities and the corresponding tax balances, considering the tax rate at the estimated date of reversal.

**q) Staff severance indemnities**

The provision for severance payments to Company staff upon reaching 15 years of service is presented at present value on an accrual basis, using an annual interest rate of 6.5% and considering an average tenure of 40 years. An average of 75% of the benefit, for staff with less than 15 years of service, has been accrued at present value.

**r) Staff vacation**

In conformity with Technical Bulletin No. 47 issued by the Chilean Institute of Accountants, the annual cost of employee vacations is recorded as an expense in the financial statements on an accrual basis.

## **TRANSELEC S.A. AND SUBSIDIARY**

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### **Note 2 – Accounting Principles (continued)**

#### **s) Revenues**

Revenues mainly correspond to the income of the commercialization of the capacity of electrical transmission of the facilities of the Company and its subsidiary, which includes the transmission service rendered but not invoiced at the closing of each period, the one valued at the cost of sale according to the outstanding contracts and the toll reports issued by the Center of Economic Dispatch of Load of the Central Interconnected System (CDEC-SIC) and by the Center of Economic Dispatch of Load of Norte Grande Interconnected System (CDEC-SING). These amounts are displayed in the current assets under the item trade accounts receivable.

#### **t) Operating estimates**

During the process of its operations, the company must make accounting estimates to determine its accounts receivables and payables associated with the tariff income. Final settlements of these accounts may extend beyond one fiscal year and can result in losses or gains for amounts not expected to be significant.

#### **u) Derivative contracts**

The hedging contracts subscribed by the Company include foreign exchange forward contracts and swaps and have been recorded at fair value in conformity with Technical Bulletin No. 57 issued by the Chilean Institute of Accountants.

#### **v) Computer software**

The Company's computer software has been acquired as computer packages, and is amortized over a three-year period.

#### **w) Cash flow statement**

Cash and cash equivalents correspond to cash and banks, time deposits, marketable securities and investments under resale agreements.

Cash flows from operating activities include all business-related cash flows and, in general, all cash flows not defined as from financial or investment activities. The concept of operations used in this statement is broader than the one used in the Income Statement.

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### Note 2 – Accounting Principles (continued)

#### x) Debt security issuance and placement expenses

The Company has deferred the expenses incurred in the issuance and placement of debt securities. These deferred charges are recorded under Other long-term and short-term assets, and are amortized using the straight-line method until maturity of the obligations.

### Note 3 – Accounting Changes

As it is mentioned in Note 2 b), the effects of the reorganization has been registered off balance sheet in this financial statements proforma as of September 30, 2006, presented just for comparison purposes, simulating as the reorganization had took place on September 30, 2006.

There have been no changes in accounting policies for the period January 1 to September 30, 2007, that could significantly affect the interpretation of these financial statements.

### Note 4 – Securities

The securities are detailed as follows:

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Banco Santander Santiago	4,005,520	-
Banchile	4,676,496	-
Total	<u>8,682,016</u>	<u>-</u>

	<b>Accounting Value</b>	
	<b>30/09/2007</b>	<b>30/09/2006</b>
Bonds	-	-
Installments of Securities	8,682,016	-
Total	<u>8,682,016</u>	<u>-</u>

## TRANSELEC S.A. AND SUBSIDIARY

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### Note 5 – Short and Long-term Debtors

The breakdown of short and long-term receivables corresponds to transactions for the following items:

a) Trade accounts receivable short-term

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Trade accounts receivable from tolls	18,029,685	12,831,037
<b>Total</b>	<u>18,029,685</u>	<u>12,831,037</u>

b) Trade Accounts receivable short and long-term:

DESCRIPTION	Current assets					Long-term			
	Up to 90 days		90 days to 1 year		Subtotal	Total Current (net)		30/09/2007	30/09/2006
	30/09/2007	30/09/2006	30/09/2007	30/09/2006	2007	30/09/2007	30/09/2006		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade accounts receivable	10,650,601	12,831,037	7,379,084	-	18,029,685	18,029,685	12,831,037	-	-
Sundry debtors (1)	866,306	665,662	-	-	866,306	866,306	665,662	9,229,413	9,403,735
<b>Total</b>	9,723,855	8,174,907	7,379,084	-	15,976,059	15,976,059	14,910,863	9,229,413	9,403,735

(1) As of September 30<sup>th</sup>, 2007, provisions receivable for the differences in the value related to tariff income of up to 90 days and 90 days to 1 year and in the long term, amounted to ThCh\$7,379,084 (ThCh\$5,498,755 during the comparison period of 2006). In addition, short and long-term in Sundry Creditors, the provisions payable are shown for the differences in the value related to tariff income of ThCh\$10,832,857 and ThCh\$10,100,095, respectively, as of September 30<sup>th</sup>, 2007, which is explained in greater detail in Note 33.

## TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements  
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### Note 6 – Balances and transactions with related companies

The most important balances and transactions with related companies are summarized as follows:

#### Rentas Eléctricas I Limitada

The balance is related to expenses and payments made on behalf of Rentas Eléctricas I Limitada for ThCh\$29,104.

#### Rentas Eléctricas II Limitada (current Transelec Holdings Rentas Limitada)

The balance as of September 30, 2007 is mainly related to a series of loans, credited as a mercantile account, amounted to ThCh\$22,420,924. These loans are denominated in USD dollars, at an annual (360 days) interest rate of 5.6%.

Also, certain expenses and payments have been made on behalf of Rentas Eléctricas II Limitada for ThCh\$10,391,798. These loans are denominated in UF, at an annual (360 days) interest rate of 6.5%.

In addition, it includes a long term loan granted on December 15, 2006, amounted UF 1,436,230.55, at an annual (360 days) interest rate for 6.5%. As of September 30, 2007, this loan amounted ThCh\$28,967,792.

Accounts Payable to related companies, short term.

The balance owed to Transelec Holdings Rentas Limitada corresponds to a portion of the non paid and accrued interest of the loan granted on June 30, 2006, amounted USD400,000,000.00, at an annual interest rate of 6.24%, principal that was paid on December 14, 2006.

#### a) Notes and accounts receivable

Taxpayer No.	Company	Short-term		Long-term	
		30/09/2007 ThCh\$	30/09/2006 ThCh\$	30/09/2007 ThCh\$	30/09/2006 ThCh\$
76,560,200-9	Transelec Holding Rentas Limitada.	32,812,722	-	28,967,792	-
76,559,580-0	Rentas Eléctricas I Limitada	29,104	-	-	-
	TOTAL	32,841,826	-	28,967,792	-

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### Note 6 – Balances and transactions with related companies (continued)

#### b) Notes and accounts payable

Taxpayer No.	Company	Short-term		Long-term	
		30/09/2007 ThCh\$	30/09/2006 ThCh\$	30/09/2007 ThCh\$	30/09/2006 ThCh\$
76,560,200-9	Transec Holding Rentas Limitada.	1,158,508	236,288,434	-	-
	TOTAL	1,158,508	236,288,434	-	-

#### c) Transactions

Company	Taxpayer No.	Nature of the relationship	Description of transaction	30/09/2007		30/09/2006	
				Amount ThCh\$	Effect on income (Charge) Credit ThCh\$	Amount ThCh\$	Effect on income (Charge) Credit ThCh\$
Transec Holdings Rentas Limitada	76,560,200-9	Parent Company	Loan granted	60,425,995	-	-	-
		Parent Company	Reimbursements of Loans	41,805,327	-	-	-
		Parent Company	Interest to receive	2,512,918	2,512,918	-	-
Rentas Eléctricas I Limitada	76,559,580-0	Indirect Parent Company	Loans granted	28,579	-	-	-
		Indirect Parent Company	Interest to receive	526	526	-	-

### Note 7 –Deferred taxes and Income taxes

#### a) General information

As of September 30, 2007, as it is explained in Note 2p), the Company had not made provisions for income taxes, due to the application of the current regulations that state if the tax income is negative, then no provision for this concept is allowed. As a matter of fact, the tax income amounted to ThCh\$(23,842,931).

The subsidiary Transec Norte S.A. has provisioned an amount of ThCh\$334,847 as of September 30, 2007, considering a taxable base of ThCh\$1,969,690.

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### Note 7 –Deferred taxes and Income taxes (continued)

As of September 30, 2007, the income tax provision is recorded in current assets and shown under Recoverable Taxes; in the same period of 2006 income tax provision is recorded under Income Taxes on the account current liabilities. The detail is as follows:

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
First category tax	(334,847)	(1,291,964)
Single article No. 21 tax	(3,287)	(8,361)
Prepayments due to absorbed net incomes	322,967	(78,661)
Monthly prepaid tax installments	2,442,934	-
Total	<u>2,427,767</u>	<u>(1,378,986)</u>

#### b) Deferred taxes

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

As described in Note 2 p), deferred taxes have been adjusted as of September 30, 2007 to recognize the effect of the changes in the rate introduced by the tax reform published in September 2001.

#### c) Income taxes

The composition of the net charge to income, after recognizing the effect of deferred taxes as stated in S.V.S Circular No. 1,466 and Technical Bulletin No. 60 and complementary bulletins issued by the Chilean Institute of Accountants, is as follows:

<b>Item</b>	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Common tax expense (income tax provision)	(338,134)	(1,300,325)
Effect of deferred tax on assets or liabilities for the period	(3,879,284)	876,144
Effect of amortization of deferred complementary assets accounts and deferred liabilities.	-	-
<b>Total</b>	<u>(4,217,418)</u>	<u>(424,181)</u>

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### Note 7 – Deferred taxes and Income taxes (continued)

Description	30/09/2007				30/09/2006			
	Deferred tax assets		Deferred tax liabilities		Deferred tax assets		Deferred tax liabilities	
	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$
<b>Temporary Differences</b>								
Staff vacation accrual	110,833	-	-	-	94,248	-	-	-
Leased assets	-	-	-	-	-	-	-	-
Fixed Asset Depreciation	-	44,557,810	-	-	-	-	-	10,297,587
Staff severance indemnities	-	-	-	215,268	-	5,140	-	-
Other events	9,125	37,992	-	-	104,155	-	-	-
Tax Looses	4,053,298	-	-	-	1,212,747	-	-	-
Difference in valuation, fixed assets	-	4,995,161	-	-	-	-	-	-
Difference in valuation, other assets	-	335,292	-	-	-	-	-	-
Fair value Bonds and Swaps	-	4,568,908	-	-	96,916	5,706,728	-	-
Bonds discounts and prices	-	580,201	-	-	-	-	-	-
Forward contracts	78,928	-	-	-	18,286	-	-	-
Leasing contracts	-	-	-	183,679	-	-	-	-
Prepaid expenses bond issuances	-	-	-	1,323,939	-	351,965	-	-
Goodwill adjustment	-	2,442,721	-	-	-	-	-	-
Lower revenues	63,240	-	-	-	-	-	-	-
Write off of fixed assets	-	-	-	-	-	213,679	-	-
Swap contracts	-	-	-	-	-	34,860	-	-
Others	-	-	-	-	-	18,357	-	-
Capitalization of financial expenses	-	-	-	-	-	-	-	1,398,751
Higher value of fixed assets (absorption)	-	-	-	-	-	-	-	35,327,413
Fixed asset former leasing	-	-	-	-	-	-	-	4,513,146
<b>Others</b>								
Complementary accounts – net of amortization	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,315,424</b>	<b>57,518,085</b>	<b>-</b>	<b>1,722,886</b>	<b>1,526,352</b>	<b>6,330,729</b>	<b>-</b>	<b>51,536,897</b>

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### Note 8 – Other current assets

Other current assets are summarized as follows:

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Securities under resale agreements	9,746,525	31,924,134
Bond issuance expenses	776,454	-
Other	170,768	86,628
<b>Total</b>	<u>10,693,747</u>	<u>32,010,762</u>

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### Note 9 – Information about investments under repurchase (VCR) and resale agreements (CRV) of securities

As of September 30, 2007 these transactions are summarized as follows:

Code	Dates		Counterpart	Currency of origin	Subscription value ThCh\$	Rate	Final value ThCh\$	Identification of instruments	Market value ThCh\$
	Inception	Maturity							
CRV	21-09-2007	05-10-2007	BANCO DE CHILE	PESOS	2,116,000	0.43%	2,120,246	BCP	2,118,832
CRV	27-09-2007	09-10-2007	BANCO DE CHILE	PESOS	2,000,000	0.45%	2,003,600	PDB	2,000,900
CRV	11-09-2007	10-10-2007	BANCO SANTANDER SANTIAGO	PESOS	109,483	0.42%	109,928	BCD	109,774
CRV	13-09-2007	12-10-2007	HSBC	PESOS	2,028,000	0.46%	2,036,920	BCU	2,033,229
CRV	20-09-2007	12-10-2007	CITIBANK	PESOS	782,700	0.47%	785,398	BCP	783,926
CRV	21-09-2007	12-10-2007	CITIBANK	PESOS	600,000	0.47%	601,974	BCP	600,846
CRV	26-09-2007	17-10-2007	CITIBANK	PESOS	504,000	0.49%	505,729	BCP	504,329
CRV	27-09-2007	17-10-2007	BANCO SECURITY	PESOS	500,000	0.45%	501,500	BCD	500,225
CRV	27-09-2007	18-10-2007	HSBC	PESOS	710,000	0.47%	712,336	PRC	710,334
CRV	27-09-2007	22-10-2007	BANCO DE CHILE	PESOS	361,800	0.45%	363,157	BCP	361,963
CRV	20-09-2007	11-10-2007	BANCO SANTANDER SANTIAGO	DOLLARS	22,136	0.42%	22,201	BR0	22,167

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#### Note 10 - Fixed Assets

Fixed Assets are summarized on the table below.

Depreciation for the period 2007 totaled ThCh\$23,106,231 (ThCh\$7,054,486 in the same period 2006). The amount of ThCh\$22,978,900 was charged to Cost of sales (ThCh\$7,054,378 in 2006) and ThCh\$127,331 (ThCh\$108 in 2006) was recorded in Administrative and selling expenses.

	Gross Value ThCh\$	30/09/2007 Accumulated Depreciation ThCh\$	Net Value ThCh\$	Gross Value ThCh\$	30/09/2006 Accumulated Depreciation ThCh\$	Net Value ThCh\$
<b>Land</b>	15,774,687	-	15,774,687	9,338,137	-	9,338,137
<b>Buildings and infrastructure</b>						
Buildings	13,121,464	(492,231)	12,629,233	10,548,281	(65,926)	10,482,355
Access roads	585,927	(7,868)	578,059	820,800	(5,130)	815,670
Lines	557,341,051	(16,933,902)	540,407,149	467,935,220	(2,891,169)	465,044,051
Houses and apartments	87,048	(2,718)	84,330	198,749	(178,874)	19,875
Non-hydraulic civil projects	109,759,091	(3,889,570)	105,869,521	49,038,609	(306,492)	48,732,117
Works in progress	40,977,156	-	40,977,156	26,682,510	-	26,682,510
<b>Total Buildings and infrastructure</b>	721,871,737	(21,326,289)	700,545,448	555,224,169	(3,447,591)	551,776,578
<b>Machinery and equipment</b>						
Telecommunications equipment	6,836,913	(1,181,993)	5,654,920	12,096,104	(104,277)	11,991,827
Furniture, machinery and office equipment	138,298	(22,359)	115,939	94,344	(814)	93,530
Service furniture and equipment	28,389	(3,051)	25,338	25,010	(216)	24,794
Tools and instruments	1,158,056	(96,615)	1,061,441	1,351,793	(11,653)	1,340,140
Power generation unit	1,103,703	(95,097)	1,008,606	1,083,062	(6,769)	1,076,293
Electrical equipment	246,509,635	(11,191,417)	235,318,218	369,564,722	(3,024,605)	366,540,117
Mechanical, protection and measurement equipment	30,464,266	(4,453,028)	26,011,238	50,188,228	(432,657)	49,755,571
Transport and loading equipment	334,828	(55,879)	278,949	354,779	(3,058)	351,721
Computers	643,214	(190,810)	452,404	352,174	(30,258)	321,916
Software	1,700,748	(425,760)	1,274,988	948,030	(8,173)	938,857
<b>Total Machinery and equipment</b>	288,918,050	(17,716,009)	271,202,041	436,058,246	(3,622,480)	432,435,766
<b>Subtotal Fixed Assets</b>	1,026,564,474	(39,042,298)	987,522,176	1,000,620,552	(7,070,071)	993,550,481
<b>Other Fixed Assets</b>						
Increased value from technical reappraisal	-	-	-	2,343	-	2,343
Construction materials	1,423,810	-	1,423,810	1,657,865	-	1,657,865
<b>Total other Fixed Assets</b>	1,423,810	-	1,423,810	1,660,208	-	1,660,208
<b>Total Fixed Assets</b>	1,027,988,284	(39,042,298)	988,945,986	1,002,280,760	(7,070,071)	995,210,689

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### Note 11 – Investment in other companies

This balance corresponds to a 6.6666667% of Sociedad Centro de Despacho Económico de Carga del Sistema Interconectado Central Limitada (CDEC-SIC), whose exclusive objective is to administrate the operations of the power stations and transmission lines that are interconnected within the SIC electric system. The value of the investment as of September 30, 2007 is of ThCh\$ 16,940. It also includes the 14.29% participation that the subsidiary has in the Center of Economic Dispatch of Load of Norte Grande Interconnected System Ltda. (CDEC-SING), whose exclusive objective is to manage and operate the Center of Economic Dispatch of Load of Norte Grande Interconnected System (CDEC-SING) and coordinate the direction and operation of the SING electrical system. The value of this investment at September 30, 2007 is of ThCh\$127,572 (ThCh\$73,544 as of September 30, 2006).

Taxpayer No.	Company	Ownership interest Percentage	Book value	
			30/09/2007 ThCh\$	30/09/2006 ThCh\$
77286570-8	CDEC - SIC LTDA	6.6667	16,940	-
77345310-1	CDEC – SING LTDA	14.2900	127,572	73,544
<b>Total</b>			144,512	73,544

### Note 12 – Goodwill

a) Goodwill is summarized as follows:

	30/09/2007 ThCh\$	30/09/2006 ThCh\$
HQI Transelec Chile S.A.	261,530,835	381,664,415
Adjustment due to absorption June 30, 2007	(2,442,720)	-
Amortization of goodwill	(12,934,026)	(4,543,007)
<b>Total</b>	<u>246,154,089</u>	<u>377,121,408</u>

Corresponds to goodwill generated in the acquisition of the shares of HQI Transelec Chile S.A. (company dissolved), after the adjustments of the financial statements to fair value accordingly to the Technical Bulletin No. 72 issued by the Chilean Institute of Accountants.

This difference is being amortized in 40 years during 2007. On 2006, this difference was amortized in 20 years.

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### Note 12 – Goodwill (continued)

The purchase of the shares of HQI Transelec Chile S.A. amounted to ThCh\$942,160,997 (historical value, non price level restated).

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

Taxpayer No.	Company	30/09/2007		30/09/2006	
		Amortization during the year	Balance of goodwill	Amortization during the year	Balance of goodwill
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
77498870-K	HQI Transelec Chile S.A.	4,911,905	246,154,089	4,543,652	377,121,408
	Total	4,911,905	246,154,089	4,543,652	377,121,408

### Note 13 – Intangibles

Intangibles are summarized as follows:

	30/09/2007	30/09/2006
	ThCh\$	ThCh\$
Rights-of-way	144,377,355	141,639,410
Accumulated amortization	(4,562,173)	(706,525)
<b>Net value</b>	<u>139,815,182</u>	<u>140,932,885</u>

The amortization charge to income amounted to ThCh\$2,624,839 (ThCh\$705,174 in the same period 2006).

### Note 14 – Other Assets

The balance at each end of period is summarized as follows:

	30/09/2007	30/09/2006
	ThCh\$	ThCh\$
Prepaid general expenses	179,251	232,262
Prepaid expenses on bond placements UF Series D	9,287,714	-
Other	<u>23,397</u>	<u>293,272</u>
Total	<u>9,490,362</u>	<u>525,534</u>

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### Note 15 – Short and long-term obligations (promissory notes and bonds)

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

- On April 2, 2001 the Company registered the first bond issue 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.

As of September 30, 2007, the risk ratings obtained for this issue are the following:

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

The terms of issuance of these bonds are as follows:

Issuer: HQI Transelec Chile S.A. (now Transelec S.A.)

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

Maximum issued: 10,000,000 Unidades de Fomento divided into:

#### Series A

- Series A-1: Up to UF3,000,000 (3,000 bonds of UF1,000 each).
- Series A-2: Up to UF4,000,000 (400 bonds of UF10,000 each).

#### Series B

- Series B-1: Up to UF1,000,000 (1,000 bonds of UF1,000 each).
- Series B-2: Up to UF3,000,000 (300 bonds of UF10,000 each).

Indexation: Variation of the Unidades de Fomento.

Amortization period: Series A, 6 years and Series B, 21 years (6-year grace period and 1 and 15 years for capital amortization, respectively).

Capital amortization: Series A, in a single installment, upon maturity and Series B, payable semi-annually, in increasing amounts, and effective from September 1, 2007.

Early redemption: Series A without advanced redemption and Series B effective from September 1, 2009, on any of its denominated dates of payment of interest or interest and capital amortization.

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### Note 14 – Short and long-term obligations (promissory notes and bonds) (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 as of September 30, 2007 amounts to ThCh\$1,536,653 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 Superintendency of Securities and Insurance Companies.

On March 01, 2007, capital of the Series A-1 and the Series A-2 were fully paid.

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

As of September 30, 2007, the risk ratings obtained are the following:

Rating Agency	Rating
Standard and Poor's Rating Group	BBB-
Fitch Ratings Ltd.	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 dollar.

Capital amortization: At maturity on April 15, 2011.

Nominal interest rate: 7.875% annual.

Interest payments: On April 15 and October 15 each year, effective from October 15, 2001. Interest accrued as of September 30, 2007 amounts to ThCh\$8,937,788 and is presented in Current liabilities.

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### Note 14 – Short and long-term obligations (promissory notes and bonds) (continued)

c) During 2006, the absorbed 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 September 30, 2007, the risk ratings obtained are the following:

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

The terms of issuance of these bonds are as follows:

Issuer: Nueva Transelec S.A.

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

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

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

Amortization period: 21 years

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

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

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

Payment of interest: Payments of interest will be due every six months, after the period, on June 15, and December 15 of each year starting on June 15, 2007. Interest accrued as of September 30, 2007 amounts to ThCh\$3,206,330 and is presented in Current liabilities.

It has no specific guarantee, except a general guarantee on all of the Issuer's assets.

Placement term: 36 months from the date of registration in the SVS's Securities Registry.

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

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

- On January 22, 2007 the Company registered 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 September 30, 2007, the risk ratings obtained are the following:

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

The terms of issuance of these bonds are as follows:

Issuer: Transelec S.A.

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

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

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

Amortization period: 9.5 years

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

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

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

Payment of interest: Payments of interest will be due every six months, after the period, on March 1, and September 1 of each year starting on September 1, 2007. Interest accrued as of September 30, 2007 amounts to ThCh\$332,745 and is presented in Current liabilities.

It has no specific guarantee, except a general guarantee on all of the Issuer's assets.

Placement term: 36 months from the date of registration in the SVS's Securities Registry.

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### Note 15 – Short and long-term obligations (promissory notes and bonds) (continued)

c) 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		Placement in Chile or abroad
						Interest payment	Amortization payment	30/09/2007	30/09/2006	
<b>Short-term portion of long-term bonds</b>										
								ThCh\$	ThCh\$	
249	A1	10,178	UF	6.2%	01/03/2007	Semiannually	AT THE END	-	198,177	CHILE
249	A2	20,356	UF	6.2%	01/03/2007	Semiannually	AT THE END	-	392,177	CHILE
249	B1	1,008	UF	6.2%	01/03/2008	Semiannually	Semiannually	19,325	19,609	CHILE
249	B2	15,114	UF	6.2%	01/03/2008	Semiannually	Semiannually	289,875	294,133	CHILE
First issuance	SINGLE	17,482,910	US\$	7.88%	15/10/2007	Semiannually	AT THE END	8,937,788	9,830,123	ABROAD
SWAP contracts	5 CONTRACTS	33,035	UF	6.94%	12/10/2007	Semiannually	AT THE END	633,581	-	CHILE
SWAP contracts	1 CONTRACTS	567,628	UF	9.53%	14/10/2006	Semiannually	AT THE END	-	10,935,919	CHILE
SWAP contracts	1 CONTRACTS	208,624	UF	9.50%	14/10/2006	Semiannually	AT THE END	-	4,019,347	CHILE
SWAP contracts	2 CONTRACTS	6,387	UF	7.01%	14/10/2006	Semiannually	AT THE END	-	123,061	CHILE
SWAP contracts	3 CONTRACTS	80,545	UF	8.48%	14/10/2006	Semiannually	AT THE END	-	1,551,788	CHILE
249	A1	2,000,000	UF	6.2%	01/03/2007	Semiannually	AT THE END	-	38,735,539	CHILE
249	A2	4,000,000	UF	6.2%	01/03/2007	Semiannually	AT THE END	-	77,471,078	CHILE
249	B1	2,000	UF	6.2%	01/03/2008	Semiannually	Semiannually	38,358	38,532	CHILE
249	B2	30,000	UF	6.2%	01/03/2008	Semiannually	Semiannually	575,368	577,980	CHILE
249	B1	2,000	UF	6.2%	01/09/2008	Semiannually	Semiannually	38,358	-	CHILE
249	B2	30,000	UF	6.2%	01/09/2008	Semiannually	Semiannually	575,367	-	CHILE
481	D	167,180	UF	4.25%	15/12/2007	Semiannually	AT THE END	3,206,325	-	CHILE
480	C	17,350	UF	3.5%	01/03/2007	Semiannually	AT THE END	332,744	-	CHILE
<b>Total – short-term portion</b>								14,647,089	144,187,463	

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### Note 15 – Short and long-term obligations (promissory notes and bonds) (continued)

Registration or identification No. of the instrument	Series	Current nominal amount placed	Indexation unit	Interest rate	Maturity date	Periodicity		Par value		Placement in Chile or abroad
						Interest payment	Amortization payment	30/09/2007	30/09/2006	
								ThCh\$	ThCh\$	
<b>Long-term bonds</b>										
249	B1	194,000	UF	6.2%	01/03/2022	Semiannually	Semiannually	4,253,981	4,387,353	CHILE
249	B2	2,910,000	UF	6.2%	01/03/2022	Semiannually	Semiannually	63,809,718	65,810,283	CHILE
First issuance	SINGLE	465,000,000	US\$	7.88%	15/04/2011	Semiannually	AT THE END	248,243,453	276,261,690	ABROAD
481	D	13,500,000	UF	4.25%	15/12/2027	Semiannually	AT THE END	258,915,690	-	CHILE
480	C	6,000,000	UF	3.5%	01/09/2016	Semiannually	AT THE END	115,073,640	-	CHILE
SWAP contracts	2 CONTRACTS	3,473,602	UF	7.01%	14/04/2011	Semiannually	AT THE END	18,945,156	12,935,039	CHILE
SWAP contracts	2 CONTRACTS	2,303,243	UF	6.94%	10/10/2011	Semiannually	AT THE END	12,939,020	9,257,302	CHILE
SWAP contracts	1 CONTRACT	1,906,538	UF	6.81%	14/04/2011	Semiannually	AT THE END	10,826,508	11,761,977	CHILE
<b>Total – Long-term</b>								<u>733,007,166</u>	<u>380,413,644</u>	

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### Note 16 – Provisions and write offs

Provisions at each end of period are as follows:

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
a) Short-term provisions		
Staff severance indemnities (Note 17)	274,426	65,119
Accrued payroll	1,329,696	1,204,921
Accrued vacations	651,959	552,763
Cost of fixed assets accidents	<u>.....-.....</u>	<u>79,623</u>
Total	<u>2,256,081</u>	<u>1,902,426</u>
b) Long-term provisions		
Staff severance indemnities (Note 17)	1,486,861	2,824,004
Total	<u>1,486,861</u>	<u>2,824,004</u>

### Note 17 – Staff severance indemnities

As of September 30, the balance of staff severance indemnities during each period is as follows:

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Opening balance	1,717,451	2,834,317
Price-level restatement	87,590	39,177
Provision for the period	147,941	51,776
Payments of the period	<u>(191,695)</u>	<u>(36,147)</u>
Total	<u>1,761,287</u>	<u>2,889,123</u>
Short-term	274,426	65,119
Long-term	<u>1,486,861</u>	<u>2,824,004</u>
Total	<u>1,761,287</u>	<u>2,889,123</u>

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### Note 18 - Minority Interest

As of September 30, 2007:

a) The Minority Interest corresponds to the other Shareholders participation in the subsidiary Transelec Norte S.A. as follows:

<b>Subsidiary</b>	<b>Equity 09/2007 ThCh\$</b>	<b>Participation 09/2007 %</b>	<b>Participation 09/2007 ThCh\$</b>
Transelec Holdings Rentas Limitada	44,034,486	0.01%	4,404

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

<b>Subsidiary</b>	<b>Net Income Of The Year 09/2007 ThCh\$</b>	<b>Participation Percentage 09/2007 %</b>	<b>Participation 09/2007 ThCh\$</b>
Transelec Holdings Rentas Limitada.	1,476,381	0.01%	148

As of September 30, 2006:

a) The Minority Interest corresponds to the other Shareholders participation in the subsidiaries as follows:

<b>Subsidiary</b>	<b>Equity 09/2007 ThCh\$</b>	<b>Participation 09/2007 %</b>	<b>Participation 09/2007 ThCh\$</b>
Rentas Eléctricas IV Ltda.	750,939,126	0.01%	75,094
HQI Transelec Norte S.A.	18,367,698	0.01%	1,837

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### Note 18 - Minority Interest (continued)

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

<b>Subsidiary</b>	<b>Net Income Of The Year 09/2007 ThCh\$</b>	<b>Participation Percentage 09/2007 %</b>	<b>Participation 09/2007 ThCh\$</b>
Rentas Eléctricas IV Ltda.	2,245,000	0.01%	2,245
HQI Transelec Norte S.A.	435,970	0.01%	44

### Note 19 – Changes in the Shareholders' Equity

During 2006 and 2007, equity accounts had the following movements:

#### a) Capital

On June 6, 2006, Rentas Eléctricas III Ltda. was formed with stock 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.

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. On the other hand, 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, which the partners are obligated to contribute pro rata to their participation in the Company, US\$14,154,854 and US\$1,416 respectively. As of September 30, 2007 those contributions were fully paid.

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### Note 19 – Changes in the Shareholders' Equity (continued)

As per public deed dated March 26, 2007, the Company was transformed from a Limitada to an open stock corporation (Sociedad Anónima), under the name Rentas Eléctricas III S.A., with a capital amounted to ThCh\$733,545,501, divided in 1,000,000 common shares, with no face value. The referred capital is entirely subscribed and paid 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 amounted to 1,000,000.

#### b) Dividends

On April 30<sup>th</sup>, 2007, the First Ordinary General Shareholders' Meeting agreed to the distribution of 2006 final and definitive dividends amounted to ThCh\$12,509,756, which will be paid from May 10, 2007. As of September 30, 2007, this dividend is fully paid.

On May 04, 2007, the distribution of an interim dividend amounted to ThCh\$ 7,130,147 (non price level restated), corresponding to the Net Income for the period between January 01<sup>st</sup> and March 31<sup>st</sup>, 2007, was agreed in Third Extraordinary Board Meeting held that day. As of September 30, 2007, this dividend is fully paid.

#### c) Ownership changes

The current and solely owners of the Company are:

- 1.- Transelec Holdings Rentas Limitada with 999,900 shares representing 99.99% of the capital stock and
- 2.- Rentas Eléctricas I Limitada with 100 shares representing 0.01% of the capital stock.

All the shares are entirely subscribed and paid.

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### Note 19 – Changes in the Shareholders' Equity (continued)

Description	Paid-in capital ThCh\$	Retained Earnings ThCh\$	Interim dividends ThCh\$	Net income ThCh\$	Total Shareholders' equity ThCh\$
Beginning balance as of September 30, 2006	736,451,054	-	-	2,908,126	739,359,180
Distribution of prior year's income	-	-	-	-	-
Final dividend, prior year	-	-	-	-	-
Price-level restatement of capital	-	-	-	-	-
Net income	-	-	-	-	-
Ending balance as of September 30, 2006	736,451,054	-	-	2,908,126	739,359,180
Ending balance as of September 30, 2007 restated for comparison purposes	771,064,253	-	-	3,044,808	774,109,061
Beginning balance as of January 1, 2007	733,545,501	-	(2,338,890)	14,848,646	746,055,257
Distribution of prior year's income	-	12,509,756	2,338,890	(14,848,646)	-
Final dividend, prior year	-	(12,509,756)	-	-	(12,509,756)
Capital decrease	-	-	-	-	-
Prior year's adjustment (1)	-	-	-	-	-
Price-level restatement of capital	37,410,821	87,568	-	-	37,498,389
Net income	-	-	-	27,592,332	27,592,332
Interim dividends	-	-	(7,401,093)	-	(7,401,093)
Ending balance as of September 30, 2007	770,956,322	87,568	(7,401,093)	27,592,332	791,235,129

Series	No. of shares subscribed	No. of paid shares	No. of voting shares
Single series	1,000,000	1,000,000	1,000,000

Series	Subscribed capital ThCh\$	Paid-in capital ThCh\$
Single series	733,545,501	733,545,501

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### Note 20 – Other non-operating income and expenses

These are summarized as follows:

#### a) Other non-operating income

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Prior year income	932,031	380,185
Extraordinary incomes	917,982	-
Income on disposal of materials	<u>2,051,028</u>	<u>28,170</u>
Total	<u>3,901,041</u>	<u>408,355</u>

#### b) Other non-operating expenses

Prior year expenses	327,401	209
Directors' remuneration	139,866	-
Loss on Fixed assets write offs	318,351	178,182
Cost of sale of materials	291,225	-
Amortization of prepaid expenses	38,559	13,206
Fiscal and judicial fines	1,839,661	910
Extraordinary expenses	<u>567,579</u>	<u>-</u>
Total	<u>3,522,642</u>	<u>192,507</u>

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

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#### Note 21 – Price-level restatement

The net effects of price-level restatements, as described in Note 2 e), resulted in a net credit to income amounting to ThCh\$944,631 (ThCh\$417,631 on the same period of 2006) and is summarized below:

ASSETS (CHARGES) / CREDITS	Indexation	30/09/2007	30/09/2006
		ThCh\$	ThCh\$
INVENTORIES	CPI	72,111	-
FIXED ASSETS	CPI	42,410,207	12,435,157
INVESTMENTS IN RELATED COMPANIES	CPI	2,281,907	8,943,981
ACCOUNTS RECEIVABLE FROM RELATED COMPANIES	UF	8,181,693	578,441
GOODWILL	CPI	12,225,820	5,191,065
DEFERRED TAXES	CPI	3,062,334	46,972
RIGHTS-OF-WAY	CPI	6,610,159	1,970,768
CASH AND BANKS	CPI	1,531,274	470,052
OTHER NON-MONETARY ASSETS	CPI	697,657	16,824
EXPENSE AND COST ACCOUNTS	CPI	1,433,304	495,382
TOTAL (CHARGES) CREDITS		78,506,466	30,148,642
 <b>LIABILITIES (CHARGES) / CREDITS</b>			
SHAREHOLDERS' EQUITY	CPI	(37,227,443)	(21,870,017)
ACCOUNTS PAYABLE TO RELATED COMPANIES	UF	(3,855,294)	-
BONDS PAYABLE	UF US\$	(33,234,608)	(6,580,972)
NON-MONETARY LIABILITIES	CPI	(9,735)	(914,358)
REVENUE ACCOUNTS	CPI	(3,234,755)	(1,200,926)
TOTAL (CHARGES) CREDITS		(77,561,835)	(30,566,273)
PRICE-LEVEL RESTATEMENT (LOSS) NET INCOME		944,631	417,631

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#### Note 22 – Exchange Differences

The effects of exchange differences during the period 2007 amounted to a net charge to income of ThCh\$96,058 (net charge of ThCh\$1,736,810 in 2006) and is summarized as follows:

<b>ASSETS (CHARGES) / CREDITS</b>	<b>Currency</b>	<b>30/09/2007 ThCh\$</b>	<b>30/09/2006 ThCh\$</b>
TIME DEPOSITS	DOLLARS	(638,859)	49,369
BANKS	DOLLARS	(1,299,380)	(716,062)
NOTES AND A/R FROM RELATED COMPANIES	DOLLARS	(5,595,966)	(772,733)
INVESTMENTS IN RELATED COMPANIES	DOLLARS	(4,065,582)	(300,404)
FORWARD CONTRACTS	DOLLARS	(753,065)	111,982
ACCOUNTS RECEIVABLE	DOLLARS	(4,498)	(709)
Total (Charges) Credits		(12,357,350)	(1,628,557)
 <b>LIABILITIES (CHARGES) / CREDITS</b>			
NOTES AND A/P TO RELATED COMPANIES	DOLLARS	31,180	-
BONDS PAYABLE	DOLLARS	22,957,302	1,473,691
SWAP CONTRACTS	DOLLARS	(10,861,519)	(1,576,343)
LEASE CONTRACT	DOLLARS	(45,019)	(5,519)
ACCOUNTS PAYABLE	DOLLARS	179,348	(82)
Total (Charges) Credits		12,261,292	(108,253)
Exchange differences		(96,058)	(1,736,810)

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### Note 23 – Debt Issuance and placement costs

The expenses for issuance and placement of the bonds in the domestic market, mainly include the following elements: stamp tax expenses, placement commissions, legal advisory expenses, financial advisory expenses, risk rating reports and printing expenses.

<b>Composition</b>	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>Local ThCh\$</b>	<b>Local ThCh\$</b>
Bond issuance costs	10,324,712	5,658,985
Amortization	<u>(260,544)</u>	<u>(935,808)</u>
Total	<u>10,064,168</u>	<u>4,723,177</u>
<b>Balance Sheet Presentation</b>		
Other current assets	776,454	1,247,742
Other assets – Other	<u>9,287,714</u>	<u>3,475,435</u>
Total	<u>10,064,168</u>	<u>4,723,177</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.

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#### Note 25 – Derivative contracts

As of September 30, 2007, the Company has forward and swap contracts to hedge the exchange rate position of the long-term debt for the bond issuance abroad, according to the following detail:

Type of derivative	Type of contract	DESCRIPTION OF CONTRACTS						Affected accounts				
		Contract Value	Maturity or Expiration Date	Specific Item	Purchase Sale Position	Covered item or transaction Name	Value of covered items ThCh\$	Asset / Liability		Effect on Income		
								Name	Amount ThCh\$	Realized ThCh\$	Unrealized ThCh\$	
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	C	Dollar Bonds	25,622,000	25,561,500	Obligations with the public	12,927,065	(101,070)	(2,842,801)
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	C	Dollar Bonds	25,622,000	25,561,500	Obligations with the public	6,317,776	18,802	(2,499,597)
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	C	Dollar Bonds	35,830,500	25,561,500	Obligations with the public	7,849,607	(6,160)	(2,532,905)
S	CCTE	20,000,000	2nd quarter of 2011	Exchange rate (US\$)	C	Dollar Bonds	14,110,000	10,224,600	Obligations with the public	3,196,905	(31,227)	(1,002,796)
S	CCTE	50,000,000	2nd quarter of 2011	Exchange rate (US\$)	C	Dollar Bonds	32,375,000	25,561,500	Obligations with the public	13,052,903	(84,253)	(2,884,385)
FR	CCTE	5,000,000	4th quarter of 2007	Exchange rate (US\$)	C	Dollar Bonds	2,603,500	2,556,150	Other current liabilities	47,350	-	(47,350)
FR	CCTE	7,400,000	4th quarter of 2007	Exchange rate (US\$)	C	Dollar Bonds	3,815,810	3,783,102	Other current liabilities	32,708	-	(32,708)
FR	CCTE	12,086,480	4th quarter of 2007	Exchange rate (US\$)	C	Dollar Bonds	6,369,575	6,178,971	Other current liabilities	190,604	-	(190,604)
FR	CCTE	12,277,870	4th quarter of 2007	Exchange rate (US\$)	C	Dollar Bonds	6,470,437	6,276,815	Other current liabilities	193,622	-	(193,622)

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### **Note 26 – Contingencies and restrictions**

#### **a. Management restrictions**

Due to the obligations assumed pursuant to the issuance of bonds, the Company must comply with certain indicators and obligations, among which we emphasize:

- During the full term of the bond issuances, maintain free of any type of encumbrances any assets whose book value is equal to or higher than 1.2 times the book value of all obligations and debts of the Issuer that are not backed by real guarantees over goods and assets owned. These assets include debts arising from the Bond Issuances.
- Not to sell, assign, transfer, contribute or dispose, in any manner, of the Essential Assets of the Investee, whether onerous or free title.
- Maintain a level of indebtedness at an individual and consolidated level in which the ratio of Total Mandatory Liabilities/Total Capitalization does not exceed 0.7 times.
- Maintain at all times during the term of the bond issuance a minimum individual and consolidated shareholders' equity of fifteen million Unidades de Fomento.

#### **b. Direct commitments.**

There are no direct commitments.

#### **c. Indirect commitments**

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

#### **d. Pending lawsuits**

On August 11, 2003, in the arbitration case against Sociedad Austral de Electricidad S.A. (Saesa) for an annual and preliminary base amount of US\$2,300,000, the Company was notified of the resolution of the arbitration, which rejected the suit filed by the Company. Currently, the recourse to overturn this decision remains outstanding before the Santiago Court of Appeal. The purpose of this trial is to determine the amount that Saesa must pay to Transelec for basic use and additional. As of September 30, 2007, the Company has recognized and/or received part of this revenue, in conformity with Ministerial Resolution N° 88 of 2001, of the Ministry of Economic Development and Reconstruction.

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### **Note 26 – Contingencies and restrictions (continued)**

As of September 30, 2007, there are lawsuits pending against the Company for which the corresponding defense has been filed, which altogether represent an amount of ThCh\$67,337.

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

#### **e. Fines**

1. On May 15, 2000, the Superintendency of Electricity and Fuel fined Transelec with a fine of 300 annual tax units (“UTA”), which as of September 30, 2007, amounted to ThCh\$120,175. through Exempt Resolution No. 876, for its alleged responsibility in the power failure of the SIC on July 14, 1999, caused by the untimely withdrawal from service of the San Isidro Plant of San Isidro S.A.. On May 25, 2000, an administrative motion was filed before the Superintendency of Electricity and Fuel, which is pending resolution.
2. On December 5, 2002, the Superintendency of Electricity and Fuel in Ordinary Official Letter No. 7183, charged the Company for its alleged responsibility in the interruption of electrical supply in the Sistema Interconectado Central (SIC) on September 23, 2002. The Company presented the answers in a timely manner and these were added to the corresponding evidence. By Exempt Resolution No. 1438 of August 14, 2003, the Superintendency applied various fines to Transelec for a total of UTA 2,500 equivalent as of September 30, 2007, to ThCh\$1,001,460 As of September 30, 2007, the Company had appealed the complaint before the Santiago Court of Appeals, and placed a deposit of 25% of the original fine. The Company maintains that it is not responsible for this situation since it considers it a case of force majeure.
3. The Superintendency of Electricity and Fuel in Ordinary Official Letter No. 1210, dated February 21, 2003, filed charges for the alleged responsibility of Transelec in the interruption of electric service in the Sistema Interconectado Central (SIC), on January 13, 2003. By Resolution No. 808, of April 27, 2004, the Superintendency of Electricity and Fuel imposed a fine of UTA 560 equivalent as of September 30, 2007, to ThCh\$224,327, 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.

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### Note 26 – Contingencies and restrictions (continued)

4. 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 September 30, 2007, to ThCh\$224,327, 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 September 30, 2007, to ThCh\$224,327, in the Company's condition as the owner of the installations, for allegedly operating the installations without adhering to the operation scheduling set forth by the CDEC-SIC, without justified cause, as determined in the investigation of the general failure of the SIC on November 7, 2003. As of September 30, 2007, the Company had appealed the charges before the SEC, which is pending resolution. Management believes it has no responsibility in these events.
5. On December 17, 2004, the Superintendency of Electricity and Fuel (SEC) through Exempt Resolution No. 2334 fined the Company 300 UTA equivalent as of September 30, 2007, to ThCh\$120,175, 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 September 30, 2007, the Company had filed a motion of invalidation and administrative reconsideration, firmly sustaining that it was a case of force majeure and that the charges are not applicable and should be annulled.
6. 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 September 30, 2007, to Th\$224.327. A recourse was presented to order generation of power again on February 16, 2006, which is still outstanding. As of September 30, 2007, the Company had presented the evidence required.

As of September 30, 2007, the Company has registered a provision for this matter amounted to ThCh\$1,730,523, considering for this estimation that, in one hand, similar cases exist in the Appealing Court, and that, in 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.

## TRANSELEC S.A. AND SUBSIDIARY

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#### Note 26 – Contingencies and restrictions (continued)

##### f. Other.

- In October 2006, an executive lawsuit against Empresa Eléctrica Panguipulli was filed for an invoice collection amounted to Ch\$22,100,732. The lawsuit is in progress with some exceptions pending. The Company maintains that the full payment of the debt will be obtained.
- In October 2006, an executive lawsuit against Empresa Eléctrica Puyehue was filed for an invoice collection amounted to Ch\$188,395,038. The lawsuit is in progress with some exceptions pending and seizure of property in progress. The Company maintains that the full payment of the debt will be obtained.
- On October 1, 2007, an executive lawsuit against Empresa Eléctrica Panguipulli was filed for an invoice collection amounted to Ch\$85,904,942. The lawsuit is in progress with some exceptions pending and seizure of property in progress. The Company maintains that the full payment of the debt will be obtained.
- On October 1, 2007, an executive lawsuit against Empresa Eléctrica Puyehue was filed for an invoice collection amounted to Ch\$912,250,211. The lawsuit is in progress with some exceptions pending and seizure of property in progress. The Company maintains that the full payment of the debt will be obtained.

##### g. Direct guarantees

Creditor of guarantee	Debtor Name	Type of guarantee	Compromised	Balance pending as of		Guarantees to
			Assets	financial statement closing		be released
			Book value	30/09/2007	30/09/2006	30/09/2007
			ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	160,271	160,271		
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	111,959	111,959		
Banco Santander Santiago	Fisco de Chile	Pledge	5,100		5,100	
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	117,610		117,610	
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	168,359		168,359	
Banco Santander Santiago	Ministry of Economy, Development and Reconstruction	Pledge	140,433		140,433	

#### Note 27 – Guarantees obtained from third parties

As of September 30, 2007 the Company has received financial guarantees from contractors and third parties for the completion of constructions, maintenance work and repayment of housing loans, amounting to ThCh\$8,585,240.

## TRANSELEC S.A. AND SUBSIDIARY

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#### **Note 28 – Local and Foreign Currency**

Assets and liabilities held in foreign currency have been converted to Chilean pesos at their respective exchange rates at each end of period (see exchange rates in Note 2 f) and are summarized as follows:

##### **a) Assets**

<b>Description</b>	<b>Currency</b>	<b>Amount</b>	
		<b>30/09/2007 ThCh\$</b>	<b>30/09/2006 ThCh\$</b>
<b>Current assets</b>			
Cash and banks	Pesos	447,463	5,570,737
Cash and banks	Dollars	51,348	37,653,583
Time deposit	Dollars	24,489,186	8,720,197
Time deposit	Pesos	15,213,397	5,732,203
Securities	UF	8,682,016	
Trade accounts receivable	Pesos	16,328,048	11,929,450
Trade accounts receivable	Dollars	1,701,637	901,587
Other receivables	Pesos	822,739	638,342
Other receivables	Dollars	42,235	27,320
Other receivables	UF	1,332	
Accounts receivable from related companies	Dollars	22,420,924	
Accounts receivable from related companies	Pesos	10,420,902	
Inventories	Pesos	42,397	45,300
Recoverable taxes	Pesos	2,427,767	
Prepaid expenses	Pesos	106,688	259,466
Deferred taxes	Pesos	4,315,424	1,526,352
Other current assets agreements	UF	-	31,924,134
Other current assets agreements	Dollars	9,903,713	
Other current assets bond discount expenses	Pesos	752,311	
Other current assets	Dollars	-	
Other current assets	Pesos	37,723	86,628
<b>Fixed Assets</b>			
Fixed Assets	Pesos	894,464,886	900,688,019
Fixed Assets	Dollars	94,481,100	94,522,670
<b>Other Assets</b>			
Investments in other companies	Pesos	144,512	73,544
Goodwill	Pesos	246,154,089	377,121,408
Long-term receivables	UF	30,709	44,641
Long-term receivables	Dollars	1,052,834	1,228,764
Long-term receivables	Pesos	8,145,870	8,130,330
Notes and accounts receivable from related companies	UF	28,967,792	
Intangibles	Pesos	138,817,145	136,527,720
Intangibles	Dollars	5,560,210	5,111,690
Amortization of intangibles	Pesos	(4,388,417)	-676,401
Amortization of intangibles	Dollars	(173,756)	-30,124
Long-term deferred taxes	Pesos	55,795,199	
Other Assets	Pesos	9,490,362	525,534
<b>Total Assets</b>	<b>Pesos</b>	<b>1,399,538,505</b>	<b>1,448,178,632</b>
	<b>Dollars</b>	<b>159,529,431</b>	<b>148,135,687</b>
	<b>UF</b>	<b>37,681,849</b>	<b>31,968,775</b>

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#### Note 28 – Local and Foreign Currency (continued)

##### b) Short-term liabilities

DESCRIPTION	Currency	Up to 90 days				90 days to 1 year			
		30/09/2007		30/09/2006		30/09/2007		30/09/2006	
		Amount ThCh\$	Annual Average Interest rate	Amount ThCh\$	Annual Average Interest rate	Amount ThCh\$	Annual Average Interest rate	Amount ThCh\$	Annual Average Interest rate
Bond interests payable	UF	1,869,398	4,3%	-	-	3,206,330	4,30%	-	-
Bond interests payable	Dollars	-	-	9,830,123	7.88%	8,937,788	7,88%	-	-
Bonds capital payable	UF	-	-	-	-	-	-	116,825,219	-
Swap contracts	UF	-	-	16,630,115	-	633,573	-	-	-
Accounts payable	Pesos	5,029,091	-	7,858,757	-	-	-	-	-
Accounts payable	Dollars	21,359,206	-	9,962,939	-	-	-	-	-
Sundry creditors	Pesos	-	-	4,702,380	-	-	-	-	-
Sundry creditors	Dollars	1,423,909	-	1,487,132	-	10,832,857	-	-	-
Accounts Payable Related Companies	Dollars	1,158,508	-	236,288,434	-	-	-	-	-
Provisions	Pesos	-	-	1,902,426	-	2,256,081	-	-	-
Withholdings	Pesos	-	-	2,269,945	-	2,161,941	-	-	-
Other current liabilities	Pesos	546,365	-	113,096	-	-	-	-	-
Income taxes	Pesos	-	-	-	-	-	-	1,378,986	-
<b>Total short-term liabilities</b>	<b>UF</b>	<b>1,869,398</b>	<b>-</b>	<b>16,630,115</b>	<b>-</b>	<b>3,839,903</b>	<b>-</b>	<b>116,825,219</b>	<b>-</b>
	<b>Dollars</b>	<b>23,941,623</b>	<b>-</b>	<b>257,568,628</b>	<b>-</b>	<b>19,770,645</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Pesos</b>	<b>5,575,455</b>	<b>-</b>	<b>16,846,604</b>	<b>-</b>	<b>4,418,022</b>	<b>-</b>	<b>1,378,986</b>	<b>-</b>

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#### Note 28 – Local and Foreign Currency (continued)

##### c) Long-term liabilities as of September 30, 2007

DESCRIPTION	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate
Bonds payable	UF	-	-	-	-	115,073,640	4,30%	326,979,390	4,30%
Bonds payable	Dollars	-	-	248,243,453	7.88%	-	-	-	-
Swap contracts	Pesos	-	-	42,710,683	-	-	-	-	-
Sundry creditors	Pesos	10,100,095	-	-	-	-	-	-	-
Provisions	Pesos	1,486,861	-	-	-	-	-	-	-
Other long-term liabilities	Pesos	1,501,083	-	-	-	-	-	-	-
Other long-term liabilities	Dollars	-	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>	<b>UF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,073,640</b>	<b>-</b>	<b>326,979,390</b>	<b>-</b>
	<b>Dollars</b>	<b>-</b>	<b>-</b>	<b>248,243,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Pesos</b>	<b>13,088,039</b>	<b>-</b>	<b>42,710,683</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### d) Long-term liabilities as of September 30, 2006

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	-	-	-	7.88%	4,387,353	6.20%	65,835,915	6.20%
Bonds payable	Dollars	-	-	276,261,690	-	-	-	-	-
Swap contracts	UF	33,928,686	-	-	-	-	-	-	-
Provisions	Pesos	2,824,004	-	-	-	-	-	-	-
Sundry creditors	Pesos	9,147,637	-	-	-	-	-	-	-
Deferred tax long term	Pesos	45,206,168	-	-	-	-	-	-	-
Other long term liabilities	Dollars	6,354,091	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>	<b>UF</b>	<b>33,928,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,387,353</b>	<b>-</b>	<b>65,835,915</b>	<b>-</b>
	<b>Dollars</b>	<b>6,354,091</b>	<b>-</b>	<b>276,261,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Pesos</b>	<b>57,177,809</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## TRANSELEC S.A. AND SUBSIDIARY

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### Note 29 – Sanctions

During 2007 and 2006, the Company, its Directors and Management have not been sanctioned by the Superintendency of Securities and Insurance Companies or by other Regulatory Authorities.

### Note 30 – Subsequent events

There have not been any subsequent events between September 30, 2007 and the date these financial statements were issued, which could significantly affect their interpretation.

### Note 31 – Environment

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

Description	30/09/2007	30/09/2006
	ThCh\$	ThCh\$
Urgent works	1,853	13,609
Design of ISO 14001 environmental quality management system	3,862	15,544
Replacement of a PCB static compensator	21,237	-
Construction of a pit to receive oil	84,374	-
Environmental Impact Studies	4,464	-
Archeological inspection, new 1x220kv Charrúa – Chillán line	-	5,163
ISO 9000 quality management system	-	18,837
Other sundry disbursements	-	2,139
Total	<u>115,790</u>	<u>55,292</u>

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### Note 32 – Time Deposits

The detail of time deposits is as follows:

<b>Banks</b>	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Banco Crédito e Inversiones	2,462,028	1,047,538
Banco Santander Santiago	14,962,602	2,629,205
Banco Security	506,948	-
Scotiabank	1,047,627	-
Citibank NA	14,706,574	2,988,089
Banco de Chile	3,682,438	1,073,737
HSBC	2,334,366	-
Banco BBVA	-	2,305,664
Caisse Centrale DJ US T-Bills	-	4,408,167
<b>Total</b>	<b>39,702,583</b>	<b>14,452,400</b>

### Note 33 – Long-term Miscellaneous Payables

The balance of long-term miscellaneous payables amounted to ThCh\$10,100,095 as of September 30, 2007 (ThCh\$9,147,637 in same period 2006) and mainly corresponded to provisions payable due to value differences related to tariff income defined in Article No. 71-29 introduced by Law No.19,940 dated 2004 (Short Law) in DFL No.1 dated 1982. Similarly, provisions receivable for the value differences related to tariff income for an amount of ThCh\$6,676,790 as of September 30, 2007 are presented in long-term receivables (ThCh\$7,052,546 in 2006).

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

## **TRANSELEC S.A. AND SUBSIDIARY**

Detailed Analysis of the Consolidated Financial Statements  
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### **A) SUMMARY**

As of September 30, 2007, Transelec S.A. and its Subsidiary Transelec Norte S.A. recorded a net income of ThCh\$27,592,332. This net income arises from a positive operating income of ThCh\$57,673,618, from a negative non operating income of ThCh\$25,863,720, a first category and deferred income tax charge of ThCh\$4,217,418 and by the minority interest result of ThCh\$148. The same period of 2006 shows a net income of ThCh\$3,044,808 which is explained mainly by a positive operating income of ThCh\$20,333,472, non-operating activities for an amount of ThCh\$16,862,194, a tax impact of ThCh\$424,181, and by the minority interest result of ThCh\$2,289. It has to be noticed that the comparison period extends from June 6, 2006 to September 30, 2006.

This period revenues reached ThCh\$97,465,677. This revenues comes mainly from the commercialization of the transmission capacity of the facilities. In addition, services related to the activity were sold. During the comparison period of 2006, revenues reached ThCh\$32,720,970.

Operating costs amounted to ThCh\$36,811,544, of which a 62.42% is explained by depreciation of property, plant and equipment, 12.29% for personnel costs; and 25.29% for contracted services, supplies and contracted works. During the comparison period of 2006, costs amounted to ThCh\$11,535,058, of which a 67.27% is explained by depreciation of property, plant and equipment, 11.90% for personnel costs; and 20.83% for contracted services, supplies and contracted works

Administrative and selling expenses amounted to ThCh\$2,980,515, distributed as 52.24% in personnel expenses; 42.40% in works, supplies and contracted services and 5.36% in depreciation. During the comparison period of 2006, administrative and selling expenses amounted to ThCh\$852,440, of which a 57.88% corresponds to personnel costs; and 42.12% for contracted services, supplies and contracted works

Non-operating income amounted to a loss of ThCh\$25,863,720, mainly due to financial expenses for a total of ThCh\$26,331,311, goodwill amortization of ThCh\$4,911,905 and financial incomes for ThCh\$4,152,524. In the same period of 2006, non-operating income represented a loss amounted ThCh\$16,862,194 which is explained mainly by financial expenses for a total of ThCh\$11,200,202, goodwill amortization of ThCh\$4,543,652 and the exchange rate impact amounted to ThCh\$1,736,810.

## TRANSELEC S.A. AND SUBSIDIARY

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### B) INCOME STATEMENT

Items	As of September 30, 2006	As of September 30, 2007	Variation 2007/2006	Variation 2007/2006
	ThCh\$	ThCh\$	%	ThCh\$
Operating Revenues	32,720,970	97,645,677	198.42%	64,924,707
Transmission Revenues	32,368,048	95,165,487	194.01%	62,797,439
Work and Services	352,922	2,300,190	551.76%	1,947,268
Operating Costs	-11,535,058	-36,811,544	219.13%	-25,276,486
Fixed Costs	-3,775,505	-11,207,805	196.86%	-7,432,300
Depreciation	-7,054,378	-22,978,900	225.74%	-15,924,522
Amortization of Intangible	-705,174	-2,624,839	272.23%	-1,919,665
Administration and Sales Expenses	-852,440	-2,908,515	249.65%	-2,128,075
<b>Operating Income</b>	<b>20,333,473</b>	<b>57,673,618</b>	<b>183.64%</b>	<b>37,340,145</b>
<b>Non-operating Income</b>	<b>-16,862,194</b>	<b>-25,863,720</b>	<b>53.38%</b>	<b>-9,001,526</b>
Income Tax	-424,181	-4,217,418	894.25%	-3,793,237
Minority Interest	-2,289	-148	-93.53%	2,141
<b>Net income</b>	<b>3,044,808</b>	<b>27,592,332</b>	<b>806.21%</b>	<b>24,547,524</b>
<b>R.A.I.I.D.A.I.E.*</b>	<b>18,394,879</b>	<b>84,631,660</b>	<b>360.08%</b>	<b>66,236,781</b>

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

### PROFITABILITY

Ratios	As of September 30, 2006	As of September 30, 2007	Variation 2007/2006
Return on Equity	0.39%	3.49%	794.87%
Asset Return	0.19%	1.73%	810.53%
Operational Assets Return	1.79%	5.11%	185.47%
Earnings per share (\$)	3,045	27,592	806.14%

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### C) BALANCE SHEET ANALYSIS

	As of September 30, 2006	As of September30, 2007	Variation 2007/2006	Variation 2007/2006
	M\$	M\$	%	M\$
Current assets	105,015,299	118,207,250	12.56%	13,191,951
Fixed assets	995,210,689	988,945,986	-0.63%	-6,264,703
Other assets	528,057,106	489,596,549	-7.28%	-38,460,557
<b>Total assets</b>	<b>1,628,283,094</b>	<b>1,596,749,785</b>	<b>-1.94%</b>	<b>-31,533,309</b>
Current liabilities	410,151,558	59,415,046	-85.51%	-350,736,512
Long term liabilities	443,945,544	746,095,206	68.06%	-302,149,662
Minority interest	76,931	4,404	-94.28%	-72,527
Shareholders' equity	774,109,061	791,235,129	2.21%	17,126,068
<b>Total liabilities and shareholders' equity</b>	<b>1,628,283,094</b>	<b>1,596,749,785</b>	<b>-1.94%</b>	<b>-31,533,309</b>

### VALUE OF THE MAIN FIXED OPERATING ASSETS

ASSETS	As of September 30, 2006	As of September 30, 2007	Variation 2007/2006	Variation 2007/2006
	M\$	M\$		M\$
Lands	9,338,137	15,774,687	68.93%	6,436,550
Buildings and infrastructure, works in progress	555,224,169	721,871,737	30.01%	166,647,568
Machinery and equipment	436,058,246	288,918,050	-33.74%	-147,140,196
Other fixed assets	1,657,865	1,423,810	-14.12%	-234,055
Technical reappraisal	2,343	0	-100%	-2,343
Accumulated depreciation (less)	-7,070,071	-39,042,298	452.22%	-31,972,227
<b>Total</b>	<b>995,210,689</b>	<b>988,945,986</b>	<b>-0.63%</b>	<b>-6,264,703</b>

As of September 30, 2007, the fixed assets are composed mainly by lands, buildings, infrastructure works and machinery and equipment.

## TRANSELEC S.A. AND SUBSIDIARY

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### **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., it is estimated that there are not significant differences between the book value of the assets and its economic or market value. For consolidation purposes, it is estimated that the book value of the fixed assets of Transelec Norte is 27.00% lower than its economic or market value.

### **LIQUIDITY AND INDEBTEDNESS**

<b>RATIOS</b>	<b>As of September 30, 2006</b>	<b>As of September 30, 2007</b>	<b>Variation 2007/2006</b>
			%
Current Ratio	0.26	3.10	1,092.31%
Acid-Test Ratio	0.22	1.54	600.00%
Debt to Equity	1.10	1.02	-7.27%
% Short-term debt	48.02%	7.38%	-84.63%
% Long-term debt	51.98%	92.62%	78.18%
Financial expenses coverage	1.64	3.21	95.73%

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

Transelec's business focuses mainly on commercialization of the electricity transmission and transformation capacity of its facilities in the SIC's and SING'S trunk system with voltages equal to or higher than 154 kV. Thus, the Company owns 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 enacted on 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 prices are made public for the trunk transmission and sub transmission systems. In this manner, as of September 2007, collection of funds and payment of transmission installations continued to be governed, in the same manner as in 2006, by the legal and regulatory framework in force before the publication of the

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Short Law. Remuneration received for the trunk transmission system is provisional and will be subject to reassessment once the first trunk transmission tariff process has been completed.

### **E) EXCHANGE RATE RISK**

As of September 30, 2007, part of the Company's debt is denominated in US dollars due to the placement of bonds abroad in the amount of US\$ 503,063,672 (US\$508,783,620 on the same comparison period of 2006) (includes accrued interest), likewise other current liabilities in the amount of US\$ 46,416,701 (US\$27,922,601 on the same comparison period of 2006). On the other hand, short-term investments in the financial market in the amount of US\$ 29,831,837 (US\$82,606,587 on the same comparison period of 2006) (includes interest earned), intercompany loan to Transelec Holding Rentas Limitada for the amount of US\$43,856,611 (US\$ 0 on the same comparison period of 2006) (includes accrued interests), Accounts Receivable for US\$3,328,516 (US\$1,603,000 on the same comparison period of 2006), swap contracts in the amount of US\$ 237,763,072 (US\$241,144,626 on the same comparison period of 2006) (includes accrued interests), forward contracts in the amount of US\$ 36,764,350 (US\$64,800,000 on the same comparison period of 2006), leasing contracts of US\$ 2,113,458 (US\$2,185,362 on the same comparison period of 2006) and fixed assets of US\$195,347,598 (US\$177,146,502 on the same comparison period of 2006), are the assets owned by the company denominated in US\$, which are lower than the respective liability by US\$ 474,931 (the assets denominated in US\$ were higher than the liabilities by US\$32,779,856 on the same comparison period of 2006).

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 semiannually 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 93.73% (92.90% on the same comparison period of 2006) of the contracts and the exchange rate for the observed dollar on the last day of the month for 4.96% (5.20% on the same comparison period of 2006) of the contracts. The corresponding exchange rates are as follows:

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### EXCHANGE RATE

	<u>Average</u>	<u>Last day</u>
	<b>2007</b>	<b>2007</b>
January	540.51	545.18
February	542.27	538.42
March	538.49	539.37
April	532.30	527.08
May	522.02	527.52
June	526.72	527.46
July	519.80	523.08
August	522.92	524.63
September	516.91	511.72
<b>Average for the Period</b>	<b>529.10</b>	<b>529.38</b>

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. During the current period from January 1<sup>st</sup> 2007 to September 30<sup>th</sup>, 2007, the indexation effect was an increase of the tolls, expressed in US\$, in approximately 3.9% compared with the comparison period 2006.

### F) MAIN CASH FLOWS DURING THE PERIOD

During January 01, 2007 and September 30, 2007, positive net cash flows amounted to ThCh\$ 6,037,654 were generated, from which ThCh\$44,379,974 comes from operating activities, compensated by ThCh\$22,877,109 used in financing activities, and ThCh\$27,540,519 used in investment activities. During 2006 positive net cash flows of ThCh\$ 35,062,830 were generated, from which ThCh\$37,392,270 comes from operating activities, US\$771,064,254 comes from financing activities, used mainly in investment activities amounted ThCh\$773,393,694.

During this period activities related to financing generated a negative cash flows of ThCh\$ 22,877,109, mainly due to a) the payment of the total capital of Series A Bonds in March 2007 for an amount of ThCh\$115,704,805, which was compensated by the placement of a new UF bonds (Series C) in the same month, for an amount of ThCh\$113,288,974, and b) the payment of the interim dividend of ThCh\$20,461,278. In the same period of 2006 positive financial cash flows were generated in the amount of ThCh\$ 771,064,254, mainly due to the payment of the capital of the shares stock.

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In the present period, investment activities generated a negative cash flow for an amount of ThCh\$27,540,519, derived mainly from the acquisition of fixed assets valued at ThCh\$11,321,342 and from loans granted to related companies for ThCh\$17,576,202. In the same period 2006, the negative cash flow from investment activities was ThCh\$773,393,694 due to the investment in Rentas Eléctricas IV Limitada, merged by the current Transelec S.A. on June 30, 2007, and acquisition of fixed assets by the Subsidiary valued at ThCh\$2,291,859.

The effect of inflation on cash and cash equivalents was negative and amounted to ThCh\$ 3,007,847 in 2007. On the same period of 2006 the abovementioned effect was also negative and amounted to ThCh\$1,618,362.

The final cash balance, at the end of the third quarter 2007, was ThCh\$ 58,629,935, while the opening balance was ThCh\$ 67,675,436. In the comparison period of 2006 the final cash balance was ThCh\$ 89,600,854, while the opening balance was ThCh\$ 56,156,386.

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During the period between January 1<sup>st</sup> and September 30<sup>th</sup>, 2007, and accordingly to the Norma General N° 30, the Company has informed to the Chilean Superintendency of Securities and Insurance Companies (S.V.S.) the following essential o relevant facts.

### **Transelec S.A.**

On June 5, 2007, the SVS was informed that the Ordinary Board Meeting N° 4 held on May 31, 2007, agreed to call a shareholders extraordinary meeting on June 30, 2007, 12:00 hours, at the offices of the Company, Avenida Apoquindo 3721, 6<sup>th</sup> floor, Las Condes, Santiago, to discuss and reach to the necessary agreements to:

- 1) Modify the incorporation statutes of the company, changing the name of the Company to Transelec S.A..
- 2) Revoke all members of the Board (titular and substitutes) and elect the new members of the Board.
- 3) Grant the required powers of attorney needed to carry out the abovementioned agreements reached by the shareholders extraordinary meeting.

On July 3, 2007, the SVS was informed of the relevant fact that on a shareholders extraordinary meeting held on June 30, 2007, the following agreements were reached:

- 1) Modify the incorporation statutes of the company, changing the name to Transelec S.A. and, as a consequence, substitute Article 1 of the incorporation statutes.
- 2) Revoking of all members of the Board (titulars and substitutes) and election of Mr. Jeffrey Blidner, Bruno Guilmette, Graeme Bevams, Brenda Eaton, Mario Marcel Cullell, Juan Andrés Fontaine Talavera, José Ramón Valente Vias, Felipe Lamarca Claro y Blas Tomic Errázuriz as titular Board members and Derek Pannell, Patrick Charbonneau, Scott Lawrence, Richard Dinneny, Juna Irrázaval Covarrubias, Juan José Eyzaguirre Lira, Juan Paulo Bambach Salvatore, Enrique Munita Luco, y Federico Grebe Lira, as substitute Board members.
- 3) Granting of powers of attorney needed to carry out the abovementioned agreements.

On July 27, 2007, the appointment of Mr. Jeffrey Blidner as Chairman of the Board of Directors of Translec S.A. was informed as a relevant fact to the SVS; appointment agreed in the Board meeting N°6 held on July 26<sup>th</sup>, 2007.

As of July 27<sup>th</sup>, 2007, the SVS was informed of the following relevant fact: According to Circular N°1.697, Title I N°3, literal b) of the SVS issued on December 30<sup>th</sup>, 2003 and to Technical Bulletin N°72 , paragraph N°75, and as requested by Transelec S.A., through Official Letter No. 7749 dated July 23<sup>rd</sup>, 2007, the SVS has authorized Transelec S.A. to amortized the investment made by Rentas Eléctricas III S.A. (now merged with Transelec S.A.) over a 40-year period. This period extension will produce a lower annual charge to income for this item of ThCh\$6,300 (approx.).

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### Transelec Norte S.A.

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

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

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

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

On April 27, 2007, the company informed the Chilean Superintendency of Securities and Insurance (S.V.S.) that, at the ordinary Shareholders meeting held on April 26, 2007, it was agreed the following:

- 1) The Annual Report, the Balance Sheet, the Financial Statements and the External Auditors' Report, corresponding to the year ended December 31<sup>st</sup>, 2006, were approved.
- 2) The distribution, as the definitive dividends for the period ended December 31, 2006, for the amount of US\$3,499,617, was approved. This definitive dividend will be paid since May 22, 2007 to the Shareholders registered in the corresponding Shareholders Register on May 14, 2007.
- 3) The policy of dividends for the year 2007 was informed.
- 4) The Board of Directors was renovated, resulting the following titular and corresponding substitute directors: a) Mr. Jeffrey Blidner as a titular director and Mr. Derek Pannell as the respective substitute; b) Mr. Bruno Guilmette as a titular director and Mr. Patrick Charbonneau as the respective substitute; c) Mr. Graeme Bevans as a titular director and Mr. Scott Lawrence as the respective substitute; d) Mrs. Brenda Eaton as a titular director and Mr. Richard Dinneny as the respective substitute; e) Mr. Mario Marcel Cullell as a titular director and Mr. Juan Irrarrázabal Covarrubias as the respective substitute; f) Mr. Juan Andrés Fontaine Talavera as a titular director

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and Mr. Juan José Eyzaguirre Lira as the respective substitute; g) Mr. José Ramón Valente Vias as a titular director and Mr. Juan Paulo Bambach Salvatore as the respective substitute; h) Mr. Felipe Lamarca Claro as a titular director and Mr. Enrique Munita Luco as the respective substitute; and i) Mr. Blas Tomic Errázuriz as a titular director and Mr. Federico Grebe Lira as the respective substitute.

5) The appointment of Ernst & Young as the External Auditors for the year 2007 was approved.

6) The newspaper “El Diario Financiero” was chosen for calling to the Shareholders Meetings.

On April 27, 2007, the company informed the Chilean Superintendency of Securities and Insurance (S.V.S.) that, at the ordinary meeting of the Shareholders, held on April 26, 2006, was agreed the distribution, as the definitive dividends for the period ended December 31, 2006, for the amount of US\$3,499,617, was approved. This definitive dividend will be paid since May 22, 2007 to the Shareholders registered in the corresponding Shareholders Register on May 14, 2007.

On May 04, 2007, the company informed the Chilean Superintendency of Securities and Insurance (S.V.S.) that, at the ordinary meeting of the Board, held on April 26, 2007, it was agreed the distribution, as an interim dividend associated with the net surplus of the period January 01 – March 31, 2007, for an amount of 982,449.53 dollars of the United States of America, which will be paid since May 25, 2007, to the Shareholders registered in the corresponding Shareholder Register on May 17, 2007.