

Consolidated Financial Statements

TRANSELEC S.A. AND SUBSIDIARY

Santiago, Chile

March 31, 2009 and 2008

Consolidated Financial Statements
TRANSELEC S.A. AND SUBSIDIARY

March 31, 2009 and 2008

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

Index

Consolidated Financial Statements

Consolidated Balance Sheets	1
Consolidated Statements of Income	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	6

ThCh\$:	Thousand 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)
ThUS\$:	Thousands of United States dollars

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of March 31,

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

ASSETS	Note	2009 ThCh\$	2008 ThCh\$
Current Assets			
Cash		5,190,764	645,533
Time deposits	(32)	87,881,368	14,289,167
Marketable securities	(4)	-	11,919,818
Trade accounts receivable, net	(5)	37,054,780	37,677,822
Miscellaneous receivables	(5)	619,938	709,648
Notes and accounts receivable from related companies	(6)	206,225	63,829,831
Inventory, net		42,270	44,729
Recoverable taxes	(7)	2,291,902	3,230,581
Prepaid expenses		698,613	449,304
Deferred taxes	(7)	2,899,005	4,757,026
Other current assets	(8)	2,613,912	1,018,541
Total current assets		139,498,777	138,572,000
Property Plant and Equipment			
Land		18,498,938	17,197,083
Buildings and infrastructure		792,082,536	779,436,103
Machinery and equipment		350,315,165	318,164,972
Other property, plant and equipment		1,527,274	1,523,714
Accumulated depreciation		(96,218,192)	(59,182,472)
Total property, plant and equipment	(9)	1,066,205,721	1,057,139,400
Other Assets			
Investments in other companies	(10)	223,464	218,942
Goodwill	(11)	328,625,700	340,571,390
Long-term receivables	(5)	1,451,427	1,456,997
Notes and accounts receivable from related companies	(6)	17,964,408	32,562,716
Long-term deferred taxes	(7)	52,296,095	54,323,846
Intangibles	(12)	157,733,403	155,952,662
Amortization	(12)	(10,871,886)	(6,878,194)
Other	(13)	8,963,588	9,861,916
Total other assets		556,386,199	588,070,275
Total Assets		1,762,090,697	1,783,781,675

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Balance Sheets

As of March 31,

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2009 ThCh\$	2008 ThCh\$
Current Liabilities			
Short-term bonds	(15)	22,318,375	15,091,881
Accounts payable	(33)	34,173,767	54,794,781
Miscellaneous payables		-	1,057,804
Notes and accounts payable to related companies	(6)	10,524,445	108,982
Provisions	(16)	2,235,310	1,974,592
Withholdings		2,960,291	2,028,392
Other current liabilities	(14)	88,915	74,420,847
Total current liabilities		72,301,103	149,477,279
Long-term Liabilities			
Long-term bonds	(15)	786,367,766	771,173,358
Long-term provisions	(16)	1,959,421	1,568,638
Other long-term liabilities		3,025,059	1,588,692
Total long-term liabilities		791,352,246	774,330,688
Minority interest	(18)	5,114	4,040
Shareholders' equity			
Paid-in capital		857,944,548	831,158,401
Price-level restatement		(19,732,725)	6,649,267
Other reserves		1,890,406	-
Retained earnings		43,221,919	9,458,396
Net income		15,108,086	12,703,604
Total shareholders' equity	(19)	898,432,234	859,969,668
Total Liabilities and Shareholders' Equity		1,762,090,697	1,783,781,675

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Income

For the three month period ended March 31, 2009 and 2008

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

	Note	2009 ThCh\$	2008 ThCh\$
Operating Income			
Sales		43,379,835	41,898,756
Cost of sales		<u>(15,952,270)</u>	<u>(13,087,139)</u>
Gross margin		27,427,565	28,811,617
Administrative and selling expenses		<u>(1,303,997)</u>	<u>(1,555,011)</u>
Net operating income		<u>26,123,568</u>	<u>27,256,606</u>
Non-operating Income			
Interest income		1,120,563	1,663,591
Other non-operating income	(20)	28,593	117,119
Amortization of goodwill	(11)	(2,205,543)	(1,903,093)
Interest expenses		(8,976,554)	(8,517,838)
Other non-operating expenses	(20)	(308,570)	(182,725)
Price-level restatement, net	(21)	(1,262,959)	(1,255,156)
Foreign exchange rate differences, net	(22)	2,197,393	(39,171)
Non-operating loss		<u>(9,407,077)</u>	<u>(10,117,273)</u>
Income before income taxes		16,716,491	17,139,333
Income taxes	(7)	<u>(1,608,349)</u>	<u>(4,435,687)</u>
Income before minority interest		15,108,142	12,703,646
Minority interest	(18)	(56)	(42)
Net income		<u>15,108,086</u>	<u>12,703,604</u>

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the three month period ended March 31,

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

	Note	2009 ThCh\$	2008 ThCh\$
Cash Flows from Operating Activities			
Net income		15,108,086	12,703,604
Charges (credits) to income that do not represent cash flows			
Depreciation	(9)	9,261,390	8,783,262
Amortization of intangible assets	(12)	990,193	971,936
Amortization of goodwill	(11)	2,205,543	1,903,093
Price-level restatement, net	(21)	1,262,959	1,255,156
Foreign exchange rate differences, net	(22)	(2,197,393)	39,171
Other credits to income other than cash flows		(1,576,278)	(1,481,834)
(Increase) decrease in assets that affect cash flows			
Trade accounts receivable		(5,218,704)	(13,031,201)
Inventory		(972)	358
Other assets		462,339	(78,503,281)
Increase (decrease) in liabilities which affect cash flows			
Accounts payable related to operating income		(3,749,130)	46,082
Interest payable		6,372,728	5,804,157
Income taxes payable		1,159,231	4,175,964
Other accounts payable related to non-operating income		-	74,258,523
VAT and other taxes payable		1,223,438	21,939
Minority interest	(18)	56	42
Net cash provided by operating activities		25,303,486	16,946,971
Cash Flows Provided by (Used in) Financing Activities			
Documented loans to related companies		10,498,680	-
Payment of bonds		(673,975)	(667,315)
Net cash flows provided by (used in) financing activities		9,824,705	(667,315)

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the three month period ended March 31,

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

	2009 ThCh\$	2008 ThCh\$
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(7,804,579)	(3,414,960)
Payment of capitalized interest	(157,676)	(270,383)
Documented loans to related companies	-	(19,094,918)
Net cash flows used in investing activities	<u>(7,962,255)</u>	<u>(22,780,261)</u>
Total positive (negative) net cash flows for the period	27,165,936	(6,500,605)
Effect of price-level restatement on cash and		
Cash equivalents	651,177	(1,266,227)
Net increase (decrease) in cash and cash equivalents	<u>27,817,113</u>	<u>(7,766,832)</u>
Cash and cash equivalents, beginning of the period	<u>65,255,019</u>	<u>34,621,350</u>
Cash and cash equivalents, end of the period	<u><u>93,072,132</u></u>	<u><u>26,854,518</u></u>

The accompanying notes 1 to 33 form an integral part of these financial statements

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 1 - Business Description

Rentas Eléctricas III Limitada (“the Company”) 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. and became a corporation. On June 30, 2007, it changed its name to its current name, Transelec S.A.

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

Its subsidiary Transelec Norte S.A. was listed as number 939 in the SVS and is subject to its supervision.

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. (formerly 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. (formerly 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 carry or 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 carry the electricity of the lines and the capacity of the substations and equipment associated with them in order for the generating stations, both domestic and foreign, to be able to transmit the electrical energy they produce and have it reach their substations; providing engineering or management consulting services related with the company’s business line; 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles

a) Periods covered

These financial statements cover the three month periods ended March 31, 2009 and 2008.

b) Basis of preparation

These consolidated financial statements ended March 31, 2009 and 2008, have been prepared in accordance with generally accepted accounting principles in Chile (Chilean GAAP) issued by the Chilean Association of Accountants and specific instructions and regulations issued by the SVS. In case of discrepancies, the specific instructions and regulations issued by the SVS will prevail. Certain accounting practices applied by the Company that conform to Chilean GAAP may not conform to generally accepted accounting principles in the United States ("US GAAP") or International Financial Reporting Standards ("IFRS").

For the convenience of the reader, these consolidated financial statements have been translated from Spanish to English.

c) Basis of presentation

For comparison purposes, the figures of the consolidated financial statements for the previous year were restated off-balance sheet by the percentage variation of the Consumers Price Index ("CPI") for the twelve-month period ended on March 31, 2009, which was 5.5%.

d) Basis of consolidation

The effects on unrealized income and 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles (continued)

d) Basis of consolidation (continued)

With respect to this investment, the difference between the investments maintained in Chilean pesos and the shareholders' equity of the subsidiary in United States dollars has been recognized with a charge to Accumulated Foreign Currency Translation, in Other Shareholders' Equity Reserves.

In accordance with Technical Bulletin No. 64 issued by the Chilean Association of Accountants, the Company has considered bonds issued abroad amounting to US\$30,002,000 as a foreign exchange fluctuation hedge instrument. Foreign exchange rate differences, net of price-level restatement, has been recorded against Accumulated Foreign Currency Translation, in the Other Shareholders' Equity Reserves account.

These consolidated financial statements include the balances of the following subsidiary whose participation is detailed as follows:

Corporation	Direct Participation	
	2009	2008
	%	%
Transelec Norte S.A.	99.99	99.99

e) Price-level restatement

These financial statements have been restated in order to reflect variations in the purchasing power of the Chilean peso during the respective period. For this purpose, and in conformity with current Chilean regulations, non-monetary assets and liabilities and shareholders' equity accounts have been restated in constant year-end pesos and reflected in income. In accordance with Chilean tax regulations and accounting practices, the restatements were calculated based on the official CPI for the year ended as informed by the National Institute of Statistics, applied with a one-month lag, which was -2.3% during the 2009 period (0.8% in 2008). In addition, income and expense accounts have been restated to year-end values.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles (continued)

f) Basis of conversion

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

As of period-end, assets and liabilities in foreign currency and Unidades de Fomento have been translated into Chilean pesos as of the closing exchange or conversion rates, detailed as follows:

	Ch\$ per unit	
	March 31, 2009	March 31, 2008
Unidad de Fomento	20,959,77	19,822.53
United States dollar	583.26	437.71
Euro	775.41	690.94

g) Time deposits

Investments in time deposits are recorded at price-level restated cost plus accrued interest as of period-end.

h) Marketable securities

Marketable securities include investments in mutual funds valued at the unit price as of period-end.

i) Allowance for doubtful accounts

The Company deems that it is unnecessary to record an allowance for doubtful accounts as of period-end.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles (continued)

j) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost based on fair value as of June 30, 2006, and price-level restated as of period-end. Financing costs for property, plant and equipment at construction sites are capitalized during the construction period. During the period ended March 31, 2009, financial costs amounting to ThCh\$157,676 have been capitalized (ThCh\$270,383 in 2008).

k) Depreciation of property, plant and equipment

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

l) Lease contract

The financial leasing operation corresponds to assets that were constructed by the Company, at the express request of the lessee. Upon termination of the contract, ownership will be transferred to the lessee, upon payment of an amount equal to the last installment. This contract has been recorded in conformity with Technical Bulletin No. 22 of the Chilean Association of Accountants and is classified in miscellaneous receivables and long-term receivables.

m) Intangibles

Intangibles include rights-of-way, valued at acquisition cost based on their fair value as of June 30, 2006 and price-level restated as of year-end. These assets are amortized using the straight-line method over a period of 40 years, in conformity with Technical Bulletin No. 55, issued by the Chilean Association of Accountants.

n) Goodwill

This account presents goodwill from the acquisition of shares of HQI Transelec Chile S.A. (dissolved company) and Transelec Norte S.A. in relation to its equity value calculated as of the purchase date, in accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles (continued)

n) Goodwill (continued)

This goodwill is amortized over a 40-year period, term which was authorized by the SVS on July 23, 2007, through Official Letter No. 7749 of the same date.

As per the Purchase Agreement of the shares of HQI Transelec Chile S.A. and the publication in the Official Gazette of January 15, 2008 of Decree No, 207 issued by the Ministry of Economy, Economic Development and Reconstruction that sets the installations of the trunk system, areas of common influence, annual transmission value; the sum of ThUS\$160,808 was recognized as of March 31, 2008 as goodwill by its segment and component indexation formulas for the four-year period from 2007 to 2010, due to the price adjustment related to the valuation of certain trunk assets. In addition, as of June 30, 2008 the sum of ThCh\$3,100,000 was recognized as goodwill; this amount corresponds to a price adjustment considered in the aforementioned Purchase Agreement of the shares of HQI Transelec Chile S.A. agreed on June 30, 2006 and associated to recalculation of regulated trunk income for the period from March 13, 2004 to June 30, 2006.

o) Resale agreements

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

p) Bonds payable

The long-term portion of this item includes 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 the short-term portion includes accrued interest as of period-end. The difference between the book value and the placement value is recognized over the term of these liabilities and is shown in Other Current Liabilities and Other Long-term Liabilities.

q) Current and deferred income taxes

The Company has recognized its tax liabilities in accordance with current Chilean tax regulations.

The effects of deferred taxes originating from differences between the financial and tax balance sheets, are recorded for all temporary differences considering the tax rate that will

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles (continued)

q) Current and deferred income taxes (continued)

be effective on the estimated date of reversal, as established in Technical Bulletin No. 60 issued by the Chilean Association of Accountants.

r) Staff severance indemnities

The provision for staff severance indemnities to cover the contractual obligations for personnel having completed 15 years of service is shown based on the present value by applying the accrued cost method, at an annual interest rate of 6.5%, and an average period of service of 40 years, plus an average of 75% of the benefit for staff with less than 15 years of service.

s) Vacation provision

In accordance with Technical Bulletin No. 47 issued by the Chilean Association of Accountants, the Company records personnel vacation on an accrued basis.

t) Operating income

Operating income is mainly income arising from the sale of electric transmission capacity of the Company's facilities, which includes the transmission service provided but not billed as of each period-end, which is valued at the selling prices as stipulated in current contracts and toll reports issued by the Centro de Despacho Económico de Carga del Sistema Interconectado Central (CDEC - SIC) and by the Centro de Despacho Económico de Carga del Sistema Interconectado del Norte Grande (CDEC-SING). Since January 1, 2008, operating income also includes income received from the recalculation of tolls and tariff income from previous years. Those amounts are shown in Trade Accounts Receivable within Current Assets.

u) Accounting estimates

In the process of its operations, the Company must make accounting estimates to determine its accounts receivable and payable for the concept of tariff income. The final billing of these accounts receivable and payable can exceed one year and originate eventual losses or gains in amounts that are estimated to be insignificant.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 2 - Summary of Significant Accounting Principles (continued)

v) Derivative contracts

Foreign exchange forward and swap contracts have been recorded at their fair value, in accordance with Technical Bulletin No. 57 issued by the Chilean Association of Accountants.

w) Computer software

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

x) Statements of cash flows

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

Cash flows from operating activities include all cash flows related to the Company's line of business, and in general all cash flows that are not defined as from investment or financing. It should be noted that the operating concept used in these statements is broader than that used in the statements of income.

Cash flows from financing and investing activities include all those cash flows not defined as operational.

y) Debt security issuance and placement expenses

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

Companies Included in Consolidation:

Taxpayer N°.	Company Name	PARTICIPATION PERCENTAGE			
		March 31, 2009			March 31, 2008
		Direct	Indirect	Total	Total
99521950-6	Transelec Norte S.A.	99.99	-	99.99	99.99

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 3 - Accounting Changes

During the period from January 1 to March 31, 2009, there have been no accounting changes in relation to the previous year that could significantly affect the interpretation of these financial statements.

Note 4 - Marketable Securities

Details of marketable securities are as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
FM Banco Scotiabank	-	3,605,852
FM Banco Crédito e Inversiones	-	570,210
FM Banchile	-	7,234,414
FM ITAU	-	509,342
Total marketable securities	<u>-</u>	<u>11,919,818</u>

Note 5 - Short and Long-Term Receivables

Short and long-term receivables correspond to transactions, detailed as follows:

Short-term trade accounts receivable

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Trade accounts receivable from tolls	<u>37,054,780</u>	<u>37,677,822</u>
Total	<u>37,054,780</u>	<u>37,677,822</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

The following table details receivables between 90 days and 1 year, which include the accruals receivable related to tariff income differences in the amount of ThCh\$20,844,851 as of March 31, 2009 (ThCh\$20,063,368 in 2008). Accounts Payable includes provisions payable for the differences in value related to tariff income for the amount of ThCh\$14,256,886 and includes a reassessment for ThCh\$2,624,000 (ThCh\$27,663,803 in 2008) of certain agreements with Endesa for the year 2007.

Short and long-term receivables

	Current					Long-Term			
	Up to 90 days		90 days to 1 year		Subtotal	Total current (net)		March 31, 2009	March 31, 2008
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008		March 31, 2009	March 31, 2008		
Trade Receivable	16,209,929	17,614,454	20,844,851	20,063,368	37,054,780	37,054,780	37,677,822	-	-
Misc. Receivables	619,938	709,648	-	-	619,938	619,938	709,648	1,451,427	1,456,997
						Total Long-term Receivables		1,451,427	1,456,997

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 6 - Balances and Transactions with Related Companies

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

Notes and Accounts Receivable

Rentas Eléctricas I Limitada

Corresponds to expenses and payments made on behalf of Rentas Eléctricas I Limitada for the amount of ThCh\$66,967 in the 2008 period.

Transec Holdings Rentas Limitada

The balance receivable as of March 31, 2009 is mainly due to a series of loans, credited to a mercantile account, which has a short-term balance of ThCh\$47,290 (ThCh\$33,206,249 in 2008) and a long-term balance of ThCh\$17,964,408 (ThCh\$32,562,716 in 2008).

The loan is expressed and will be paid in US dollars and accrues interest at Libor rate.

There are some credits in the mercantile current account in Chilean pesos for an accumulated amount as of March 31, 2009 ThCh\$158,935 (ThCh\$30,459,691 in 2008), which accrues an interest of 6.5% considering a 360-day year.

ETC Holdings Ltd.

The balance receivable corresponds to expenses and payments totaling ThCh\$96,924 made on behalf of ETC Holdings Ltd in the 2008 period.

Notes and Accounts Payable

Rentas Eléctricas I Limitada

Rentas Eléctricas I Limitada

The outstanding balance as of March 31, 2009 corresponds to a loan authorized to Transelec S.A. in the amount of ThCh\$10,524,445.

ETC Holdings Ltd.

The outstanding balance corresponds to a payment affected by our account in the amount of ThCh\$108,982 in the 2008 period.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

a) Notes and accounts receivable

Taxpayer ID	Company	Short-term		Long-term	
		March 31, 2009 ThCh\$	March 31, 2008 ThCh\$	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
76,559,580-0	Rentas Eléctricas I Limitada	-	66,967	-	-
76,560,200-9	Transelec Holdings Rentas Limitada	206,225	63,665,940	17,964,408	32,562,716
0-E	ETC Holding Ltd	-	96,924	-	-
	Total	206,225	63,829,831	17,964,408	32,562,716

b) Notes and accounts payable

Taxpayer ID	Company	Short-term	Short-term
		March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
0-E	ETC Holding Ltd	-	108,982
76,559,580-0	Rentas Eléctricas I Limitada	10,524,445	-
	Total	10,524,445	108,982

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

c) Transactions with related companies

Company	Taxpayer ID	Relationship	Description of the Transaction	March 31, 2009		March 31, 2008	
				Amount ThCh\$	(Charge)/ credit to income ThCh\$	Amount ThCh\$	(Charge)/credit to income ThCh\$
Transelec Holdings Rentas Ltda,	76,560,200-9	Parent Company	Loans Granted	2,202,765	-	19,554,630	-
Transelec Holdings Rentas Ltda,	76,560,200-9	Parent Company	Loans Collected	2,129,910	-	-	-
Transelec Holdings Rentas Ltda,	76,560,200-9	Parent Company	Interest Earned	156,584	(156,584)	1,266,535	(757,897)
Rentas Eléctricas I Ltda,	76,559,580-0	Indirect Parent Company	Loans Granted	-	-	34,801	-
Rentas Eléctricas I Ltda,	76,559,580-0	Indirect Parent Company	Interest Earned	10,981,620	-	-	-
ETC Holdings Ltda,	0-E	Indirect Parent Company	Loans Paid	25,765	(25,765)	957	(957)
ETC Holdings Ltda,	0-E	Indirect Parent Company	Services Rendered	-	-	56,348	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 7 - Current and Deferred Income Taxes

a) General information

As of March 31, 2009 and 2008, the Parent Company has not accrued any income tax due to a tax loss of ThCh\$17,949,219 for the period. In the 2008 period, there was a tax loss of ThCh\$26,854,477.

Its subsidiary as of March 31, 2009, has accrued income tax on accrued income for the period for the amount of ThCh\$128,055 (ThCh\$100,728 in 2008) considering a taxable base of ThCh\$753,264 (ThCh\$592,516 in 2008).

As of March 31, 2009 and 2008, the provision is presented under Current Assets under the concept of Recoverable Taxes, detailed as follows:

Recoverable taxes	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
First category tax	(128,055)	(100,728)
First category tax previous year	(434,741)	(371,820)
Non-deductible expenses Art. 21	(41,565)	(24,684)
Monthly prepaid tax installments	2,896,263	3,727,813
Total	<u>2,291,902</u>	<u>3,230,581</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 7 - Current and Deferred Income Taxes (continued)

b) Deferred taxes

SVS Circular No. 1,466 establishes the application of Technical Bulletin No. 60 issued by the Chilean Association of Accountants starting January 1, 2000.

As described in Note 2q), deferred taxes have been restated as of March 31, 2009 to recognize the effect of the income tax rate changes introduced by the tax reform published in September 2001.

Description	March 31, 2009			
	Deferred tax assets		Deferred tax liabilities	
	Short-term	Long-term	Short-term	Short-term
Temporary differences	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Vacation provision	156,503	-	-	-
Leased assets	-	16,163	-	-
Staff severance indemnity provision	-	-	-	275,160
Other events	12,504	71,467	-	-
Tax loss	3,051,367	-	-	-
Income from bond placement premiums	-	270,208	-	-
Revaluation of property, plant and equipment (absorption)	-	54,168,702	-	-
Fair value bonds and swaps	-	3,431,955	-	-
Bond placement discount	-	235,123	-	-
Forward contracts	-	-	321,369	-
Bond issuance expenses	-	-	-	1,294,949
Fair value adjustment for subsidiary property, plant and equipment	-	-	-	4,327,414
Total	3,220,374	58,193,618	321,369	5,897,523

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 7 - Current and Deferred Income Taxes (continued)

b) Deferred taxes (continued)

Description	March 31, 2008			
	Deferred tax assets		Deferred tax liabilities	
	Short-term	Long-term	Short-term	Long-term
Temporary differences	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Vacation provision	101,934	-	-	-
Leased assets	-	62,277	-	-
Staff severance indemnity provision	-	-	-	234,645
Other events	77,382	82,103	-	-
Tax loss	4,565,262	-	-	-
Income from bond placement premiums	-	284,546	-	-
Revaluation of property, plant and equipment (absorption)	-	50,939,520	-	-
Fair value bonds and swaps	-	4,303,115	-	-
Bond placement discount	-	277,547	-	-
Forward contracts	12,448	-	-	-
Bond issuance expenses	-	-	-	1,390,617
Fair value adjustment for subsidiary property, plant and equipment	-	-	-	-
Total	4,757,026	55,949,108	-	1,625,262

c) Income tax

Item	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Income tax expense (income tax provision)	(136,570)	(108,350)
Effect of deferred tax assets or liabilities for the period	(1,471,779)	(4,327,337)
Total	(1,608,349)	(4,435,687)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 8 - Other Current Assets

Details of other current assets are as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Bond issuance expenses	263,174	566,423
Bond placement discount	277,567	277,432
Forward contracts	1,890,406	-
Other	182,765	174,686
Total	<u>2,613,912</u>	<u>1,018,541</u>

Note 9 - Property, Plant, and Equipment

Property, plant and equipment is detailed as follows:

The depreciation expense for the 2009 period amounted to ThCh\$9,261,390 (ThCh\$8,783,262 in 2008). ThCh\$9,200,420 (ThCh\$8,668,086 in 2008), was charged to Operating Costs and ThCh\$60,970 (ThCh\$115,176 in 2008), was charged to administrative and selling expenses.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 9 - Property, Plant, and Equipment (continued)

Description	March 31, 2009		March 31, 2008		Net value ThCh\$
	Gross value ThCh\$	Accumulated depreciation ThCh\$	Gross value ThCh\$	Accumulated depreciation ThCh\$	
Land	18,498,938	-	18,498,938	-	17,197,083
Buildings and infrastructure					
Buildings	15,127,655	(1,201,467)	13,926,188	(694,259)	13,802,585
Access roads	637,096	(32,446)	604,650	(16,517)	620,537
Lines	612,865,367	(44,764,179)	568,101,188	(27,271,996)	571,443,797
Houses and apartments	94,650	(6,505)	88,145	(4,139)	90,505
Non-hydraulic civil projects	122,459,766	(8,912,859)	113,546,907	(5,625,323)	115,139,816
Works in progress	40,898,002	-	40,898,002	-	44,726,629
Total Buildings and infrastructure	792,082,536	(54,917,456)	737,165,080	(33,612,234)	745,823,869
Machinery and equipment					
Telecommunications equipment	8,150,480	(2,458,148)	5,692,332	(1,561,365)	6,299,243
Furniture, machinery and office equipment	160,314	(60,053)	100,261	(36,020)	119,908
Service furniture and equipment	46,991	(9,288)	37,703	(5,059)	39,135
Tools and instruments	1,515,858	(245,628)	1,270,230	(147,863)	1,197,984
Power generation unit	1,210,983	(221,582)	989,401	(138,928)	1,044,379
Electrical equipment	299,943,262	(25,675,204)	274,268,058	(16,065,325)	254,153,651
Mechanical, protection and measurement equipment	35,461,599	(10,321,624)	25,139,975	(6,432,780)	27,437,858
Transport and loading equipment	334,998	(121,319)	213,679	(87,106)	300,666
Computers	758,303	(585,963)	172,340	(327,195)	428,364
Software and computer programs	2,732,377	(1,601,927)	1,130,450	(768,597)	1,573,546
Total machinery and equipment	350,315,165	(41,300,736)	309,014,429	(25,570,238)	292,594,734
Subtotal plant, property and equipment	1,160,896,639	(96,218,192)	1,064,678,447	(59,182,472)	1,055,615,686
Other property, plant and equipment					
Construction materials	1,527,274	-	1,527,274	-	1,523,714
Total property, plant, and equipment	1,162,423,913	(96,218,192)	1,066,205,721	(59,182,472)	1,057,139,400

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 10 - Investments in Other Companies

The following receivables correspond to Transelec S.A.'s 6.25% participation in Centro de Despacho Económico de Carga del Sistema Eléctrico Interconectado Central Limitada (CDEC-SIC Ltda.), whose exclusive objective is to manage and operate the power stations and transmission lines that are interconnected within the electric system and coordinate the direction and operation of that electrical system. The value of that investment as of March 31, 2009 is ThCh\$25,445 (ThCh\$39,511 in 2008). It also includes the 14.29% participation of Transelec Norte S.A. in the CDEC-SING, whose exclusive objective is to manage and operate the Center for Economic Dispatch of the interconnected electrical system in the SING and to manage and operate this electrical system. The value of this investment as of March 31, 2009 amounts to ThCh\$198,019 (ThCh\$179,431 in 2008).

Taxpayer N°.	Company	Participation percentage	Book Value	
			March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
77,286,570-8	CDEC – SIC LTDA	6.2500	25,445	39,511
77,345,310-1	CDEC - SING LTDA	14.2900	198,019	179,431
			223,464	218,942

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 11 - Goodwill

a) The balance presented by the Company for goodwill is detailed as follows:

	March 31, 2009	March 31, 2008
	ThCh\$	ThCh\$
Goodwill for acquisition		
HQI Transelec Chile S.A.	355,500,918	284,070,316
Price adjustment as of 03/31/2008 (net of deferred taxes)	-	74,258,524
Accumulated amortization of goodwill	(26,875,218)	(17,757,450)
Total	328,625,700	340,571,390

This account corresponds to goodwill for the Company's acquisition of HQI Transelec Chile S.A., after adjusting the financial statements of the subsidiary in accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants. As of March 30, 2008 the sum of ThUS\$160,808 was provisioned due to a price adjustments related to the valuation of certain trunk segments; on June 30 the sum of ThCh\$3,100,000 was provisioned for the concept of price adjustment due to reassessment of regulated trunk income, for the period from March 13, 2004 to June 30, 2006. Both adjustments are considered in the share purchase agreement dated June 2006 between Hydro-Québec, IFC and Rentas Eléctricas IV Ltda. currently Transelec, S.A.

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

The total amount paid on this operation amounted to ThCh\$ 942,160,997 (historical value).

b) The origin of goodwill and its amortization is detailed as follows:

Taxpayer N°.	Company	March 31, 2009		March 31, 2008	
		Amortization during the period ThCh\$	Balance of goodwill ThCh\$	Amortization during the period ThCh\$	Balance of goodwill ThCh\$
77,498,870-K	HQI Transelec Chile S.A,	2,205,543	328,625,700	1,903,093	340,571,390
	Total	2,205,543	328,625,700	1,903,093	340,571,390

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 12 - Intangibles

The composition of intangibles as of March 31, 2009 and 2008 is detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Rights of way	157,733,403	155,952,662
Less: Accumulated amortization	(10,871,886)	(6,878,194)
Total	<u>146,861,517</u>	<u>149,074,468</u>

The amortization charge to income amounted to ThCh\$990,193 (ThCh\$971,936 in 2008).

Note 13 - Other Assets

The balance as of March 31, 2009 and 2008 is detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Discount on Issuance of UF Bonds	1,781,053	2,057,627
Deferred expenses UF Bonds Series C	1,689,182	1,951,415
Deferred expenses UF Bonds Series D	5,361,469	5,662,260
Deferred expenses general facilities	108,487	147,806
Other	23,397	42,808
Total	<u>8,963,588</u>	<u>9,861,916</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 14 - Other Current Liabilities

Other current liabilities as of period-end are detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Forward contracts	-	73,234
Premium on placement of UF series D Chilean peso bonds	85,150	85,108
Price adjustment provision	-	74,258,570
Other	3,765	3,934
Total	<u>88,915</u>	<u>74,420,846</u>

Note 15 - Short and Long-term Promissory Notes and Bonds

- a) During 2001, the Company made a public offering of bonds in the local market, detailed as follows:

On April 2, 2001 the Company registered the first bond issuance for a maximum of UF10,000,000 with the SVS under No. 249. From this initial amount, UF9,200,000 was placed on April 11, 2001.

As of March 31, 2009 the risk ratings for this bond issuance are detailed as follows:

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

Terms of Issuance

Issuer: HQI Transelec Chile S.A.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

Securities issued: Bearer bonds in Chilean pesos denominated in UF.
Maximum issued: Ten million UF(UF10,000,000) divided as follows:

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 UF

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

Amortization of capital: Series A, in a single installment upon expiration and Series B, biannual, increasing since September 1, 2007.

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

Interest rate: Series A and B bonds accrue a 6.20% annual interest rate on the outstanding capital, expressed in UF. Interest is calculated over a period of 360 days upon maturity and is payable semi-annually in two semesters of 180 days each.

Interest payments: Semi-annual payments, maturing on March 1 and September 1 yearly, beginning on September 1, 2001. The interest accrued during the 2009 period amounts to ThCh\$312,766 (ThCh\$333,747 in 2008) and is presented in Current liabilities.

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

Placement term: 36 months as of the date of registration with the SVS.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

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

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

The risk ratings obtained as of March 31, 2009 are detailed as follows:

Rating Agency	Rating
Standard and Poor's Rating Group	BBB-
Fitch Ibc, Duff & Phelps	BBB-
Moody's Investors Service Inc.	BAA3

Issuer: HQI Transelec Chile S.A.

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

Issue value: Four hundred and sixty five million United States dollars (ThUS\$465,000) in a single series.

Indexation: Variation of the United States dollars.

Capital amortization: Matures on April 15, 2011.

Nominal interest rate: 7.875% annual.

Interest payments: Interest payments are due every six months, on April 15 and October 15 of each year, starting October 15, 2001. Interest accrued for the 2009 period amounted to ThCh\$9,848,527 (ThCh\$8,073,329 in 2008) and is presented in Current liabilities.

- c) During 2006, the company issued bonds for public offering in the Chilean market, detailed as follows:

On November 9, 2006, the Company registered the first bond issuance for a maximum of UF19,500,000 with the SVS under No. 481. From this amount, UF13,500,000 was placed on the market on December 14, 2006.

The bond issuance risk ratings as of March 31, 2009 are detailed as follows:

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

Terms of Issuance

Issuer: Nueva Transelec S.A.

Securities issued: Bearer bonds in Chilean pesos, denominated in UF.

Maximum Issuance: Thirteen million five hundred thousand UF (UF 13,500,000).

Series D: Up to UF 13,500,000, (13,500 bonds of UF1,000 each).

Amortization period: 21 years.

Capital Amortization: In one single installment, maturing on December 15, 2027.

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

Interest Rate: On the outstanding capital expressed in UF at an annual interest rate of 4.25%, calculated based on a 360-day year, compound semi-annually, each semester consisting of 180 days.

Payment of interest: Interest payments will be due every six months - expiring on June 15, and December 15 of each year starting on June 15, 2007.

Interest accrued for the 2009 period amounts to ThCh\$3,470,993 (ThCh\$3,496,192 in 2008) and is presented in Current liabilities.

These bonds have 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 Securities Registry of the SVS.

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

On January 22, 2007 the company registered the first issuance of bonds for a maximum of UF6,000,000 in the Securities Registry of the SVS under No. 480. On March 21, 2007, UF6,000,000 was placed on the market.

As of March 31, 2009 the bond issuance risk ratings obtained are detailed as follows:

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

Terms of Issuance

Issuer: Transelec S.A.

Securities issued: Bearer bonds in Chilean pesos, denominated in UF.

- Maximum issuance: Six million UF (UF6,000,000).
- Series C: Up to UF6,000,000, (6,000 bonds of UF1,000 each).

Amortization period: 9.5 years

Capital Amortization: In one single installment, maturing on September 1, 2016.

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

Interest rate: On the outstanding capital expressed in UF at an annual interest rate of 3.5%, calculated based on a 360-day year, expired, compounded semi-annually, with each semester consisting of 180 days.

Interest payment: Interest payment will be due every six months, on March 1 and September 1 of each year beginning on September 1, 2007.

Interest accrued as of period-end amounts to ThCh\$366,796 (ThCh\$362,826 in 2008) and is presented in Current liabilities

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

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

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

e) The detail of bonds is as follows:

Registration or identification No, of the instrument	Series	Current nominal amount placed	Bond Indexation unit	Interest rate	Maturity date	Periodicity		Par value 2009 ThCh\$	Par value 2008 ThCh\$	Placement in Chile or abroad
						Interest payment	Amortization payment			
Long term bonds - short term portion										
249	B1	933	UF	6.20%	09-01-2009	Semiannually	Semiannually	27,067	20,850	Chile
249	B2	13,990	UF	6.20%	09-01-2009	Semiannually	Semiannually	406,007	312,897	Chile
First issuance	Single	16,885,313	US\$	7.88%	04-15-2009	Semiannually	Upon final payment	13,608,818	8,073,329	Abroad
Swap Contracts	11 Contracts	12,519	UF	6.56%	04-15-2009	Semiannually	Upon final payment	2,581,278	1,487,370	Chile
249	B1	2,000	UF	6.20%	09-01-2009	Semiannually	Semiannually	58,044	41,826	Chile
249	B2	30,000	UF	6.20%	09-01-2009	Semiannually	Semiannually	870,664	627,383	Chile
249	B1	2,000	UF	6.20%	03-01-2010	Semiannually	Semiannually	58,044	41,826	Chile
249	B2	30,000	UF	6.20%	03-01-2010	Semiannually	Semiannually	870,664	627,383	Chile
481	D	165,603	UF	4.25%	06-15-2009	Semiannually	Upon final payment	3,470,993	3,496,192	Chile
480	C	17,500	UF	3.50%	09-01-2009	Semiannually	Upon final payment	366,796	362,825	Chile
Total - short-term portion								22,318,375	15,091,881	
Long-term bonds										
249	B1	188,000	UF	6.20%	03-01-2022	Semiannually	Semiannually	4,424,289	4,577,378	Chile
249	B2	2,820,000	UF	6.20%	03-01-2022	Semiannually	Semiannually	66,364,338	68,660,672	Chile
First issuance	Single	465,000,000	US\$	7.88%	04-15-2011	Semiannually	Upon final payment	274,844,997	222,907,330	Abroad
481	D	13,500,000	UF	4.25%	12-15-2027	Semiannually	Upon final payment	282,956,895	282,322,384	Chile
480	C	6,000,000	UF	3.50%	09-01-2016	Semiannually	Upon final payment	125,758,620	125,476,615	Chile
Swap contracts	4 Contracts	3,885,548	UF	6.88%	04-14-2011	Semiannually	Upon final payment	14,524,685	30,063,796	Chile
Swap contracts	4 Contracts	2,718,397	UF	6.60%	04-14-2011	Semiannually	Upon final payment	7,149,212	18,485,158	Chile
Swap contracts	3 Contracts	2,317,275	UF	6.42%	04-14-2011	Semiannually	Upon final payment	10,344,730	18,680,025	Chile
Total - long-term								786,367,766	771,173,358	

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 16 - Provisions and Write-offs

Provisions as of March 31, 2009 and 2008 are detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
a) Short-term provisions		
Staff severance indemnities provision (Note 17)	643,667	464,798
Accrued payroll	671,039	910,184
Vacation accrual	920,604	599,610
Total	2,235,310	1,974,592
b) Long-term provisions		
Staff severance indemnities provision (Note 17)	1,959,421	1,568,638
Total	1,959,421	1,568,638

Note 17 - Staff Severance Indemnities

The balance of the account as of March 31, 2009 and 2008 is detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Opening balance	2,529,301	2,049,906
Price-level restatement, net	(58,174)	16,474
Provisions	171,295	70,334
Payments	(39,334)	(103,278)
Total	2,603,088	2,033,436
Short-term	643,667	464,798
Long-term	1,959,421	1,568,638
Total	2,603,088	2,033,436

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 18 - Minority Interest

- a) As of March 31, 2009 and 2008, the Minority Interest is the participation of the other shareholders, detailed as follows:

	Equity		Participation percentage		Participation	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Transelec Holdings Rentas Ltda,	51,000,894	40,460,546	0.01%	0.01%	5,114	4,040

- b) The minority interest corresponding to the participation of the other shareholders in the results of the subsidiary Transelec S.A. is detailed as follows:

	Income for the period		Participation percentage		Participation	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Transelec Holdings Rentas Ltda,	622,631	489,715	0.01%	0.01%	56	42

Note 19 - Changes in Shareholders' Equity

As of March 31, 2009 and 2008, equity accounts had the following movements:

a) Capital

On June 6, 2006, Rentas Eléctricas III Ltda, was formed with paid-in capital of US\$1,600 in its equivalent in local currency. The partners contributed as follows: Brookfield Power Inc, contributed the sum of US\$16.00 corresponding to 1.0% of the company's equity interests, and Brookfield Asset Management Inc, contributed US\$1,584, corresponding to 99.0% of the company's equity interests.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 19 - Changes in Shareholders' Equity (continued)

a) Capital (continued)

On June 15, 2006, Brookfield Asset Management Inc, sold, ceded and transferred 99.0% of the Company's equity interests to Rentas Eléctricas II Ltda, for US\$1,584. Brookfield Power Inc, sold, ceded and transferred to 0.99% of the Company's equity interests to Rentas Eléctricas II Ltda, for US\$15.84. Brookfield Power Inc, sold, ceded and transferred, 0.01% of the Company's equity interests to Rentas Eléctricas I Ltda for US\$0.16. Due to the aforementioned transfers, Brookfield Asset Management Inc, and Brookfield Power Inc, withdrew from the Company, leaving Rentas Eléctricas II Ltda, with 99.99% and Rentas Eléctricas I Ltda, with 0.01% of the equity interests of Rentas Eléctricas III Ltda. In addition, on that date capital was increased to US\$ 1,332,441,365.

On September 30, 2006, Rentas Eléctricas II Ltda, and Rentas Eléctricas I Ltda, agreed to increase the company's capital by US\$14,156,270. The partners are obligated to contribute pro rata to their participation in the Company, US\$14,154,854 and US\$1,416 respectively. As of December 31, 2007, those contributions were fully paid.

As per public deed dated March 26, 2007, the Company was transformed from a limited liability company to a corporation, under the name Rentas Eléctricas III S.A., with capital amounting to ThCh\$733,545,501, divided in 1,000,000 common shares, with no par value. The referred capital has been subscribed and paid in full by the limited liability company that was transformed, who became shareholders of Rentas Eléctricas III S.A. The beginning schedule of shareholders is as follows: a) Transelec Holdings Rentas Limitada, 999,900 shares, equivalent to Ch\$733,472,146,050, and b) Rentas Eléctricas I Limitada, 100 shares, equivalent to Ch\$73,354,551. Total shares subscribed and paid in full amounted to 1,000,000.

b) Dividends

The Ordinary Shareholders' Meeting held on April 24, 2008 approved the distribution of ThCh\$8,894,152 as remainder of the final dividend for 2007, equivalent to Ch\$8,894,15153 per share, dividend that will be paid as of May 20, 2008 to the shareholders registered in the respective registry on May 13, 2008.

The Company's Board of Directors Meeting held on May 29, 2008 agreed to the distribution of ThCh\$12,040,000 as an interim dividend for the period ended March 31, 2008, which will be paid as of June 23, 2008 to the shareholders registered in the respective registry on June 17, 2008.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 19 - Changes in Shareholders' Equity (continued)

c) Ownership

The current and sole owners of the Company are:

Transelec Holdings Rentas Limitada, with 99,99%, corresponding to 999,900 shares subscribed and paid in full and Rentas Eléctricas I Limitada, with 0,01%, corresponding to 100 shares subscribed and paid in full.

d) Ownership

The Company's equity as of March 31, 2009 and 2008 is detailed as follows:

a) The Company's equity as of March 31, 2009 is detailed as follows:

Changes in Equity	Paid capital March 31, 2009 ThCh\$	Reserva Revaloriz. Capital March 31, 2009 ThCh\$	Other reserves March 31, 2009 ThCh\$	Retained earnings March 31, 2009 ThCh\$	Interim dividends, March 31, 2009 ThCh\$	Net income March 31, 2009 ThCh\$	Total ThCh\$
Opening balance	857,944,548	-	374,490	160,095	(12,509,560)	56,588,891	902,558,464
Distribution of prior year income	-	-	-	44,079,331	12,509,560	(56,588,891)	-*
Final dividend prior year	-	-	-	-	-	-	-
Other reserves	-	-	1,515,916	-	-	-	1,515,916
Price-level restatement of capital	-	(19,732,725)	-	(1,017,507)	-	-	(20,750,232)
Net income	-	-	-	-	-	15,108,086	15,108,086
Interim dividends	-	-	-	-	-	-	-
Final balance	857,944,548	(19,732,725)	1,890,406	43,221,919	-	15,108,086	898,432,234

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

Changes in Equity	Paid capital March 31, 2009 ThCh\$	Reserva Revaloriz. Capital March 31, 2009 ThCh\$	Other reserves March 31, 2009 ThCh\$	Retained earnings March 31, 2009 ThCh\$	Interim dividends, March 31, 2009 ThCh\$	Net income March 31, 2009 ThCh\$	Total ThCh\$
Opening balance	787,827,868	-	-	87,568	(22,880,086)	31,686,669	796,722,019
Distribution of prior year income	-	-	-	8,806,583	22,880,086	(31,686,669)	-
Final dividend prior year	-	-	-	-	-	-	-
Price-level restatement of capital	-	6,302,623	-	71,153	-	-	6,373,776
Net income	-	-	-	-	-	12,041,331	12,041,331
Interim dividends	-	-	-	-	-	-	-
Final balance	787,827,868	6,302,623	-	8,965,304	-	12,041,331	815,137,126
Restated balances	831,158,401	6,649,267	-	9,458,396	-	12,703,604	859,969,668

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 19 - Changes in Shareholders' Equity (continued)

d) Ownership (continued)

Number of shares

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

Capital (amount ThCh\$)

Series	Subscribed capital ThCh\$	Paid-in capital ThCh\$
Single	857,944,548	857,944,548

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 20 - Other Non-operating Income and Expenses

Other non-operating income and expenses as of March 31, 2009 and 2008 are detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Other non-operating income		
Conversion difference	9,413	-
Prior year income	-	116,454
Income from sale of materials	16,070	-
Miscellaneous extraordinary gains	3,110	665
Total	<u>28,593</u>	<u>117,119</u>
Other non-operating expenses		
Prior year expenses	(53,773)	(20,019)
Directors' remunerations	(73,418)	(10,667)
Loss from write-off of property, plant, and equipment	(199)	(88,941)
Loss on obsolescence of property plant and equipment	(808)	(9,940)
Amortization of prepaid expenses	(13,974)	(13,967)
Fiscal and judicial fines	(166,398)	(39,191)
Total	<u>(308,570)</u>	<u>(182,725)</u>

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 21 - Price-level Restatement

Price-level restatement generated a net charge to income in the amount of ThCh\$1,262,959 as of March, 31, 2009. In 2008 period generated a net charge to income of ThCh\$1,255,156 detailed as follows:

Assets (charges) / credits	Indexation	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Inventory	CPI	(34,608)	12,179
Property, plant and equipment	CPI	(22,726,895)	7,901,189
Investments in related companies	CPI	(1,278,811)	369,132
Notes and accounts receivable from related companies	UF	1,752,783	886,335
Goodwill	CPI	(7,691,468)	2,128,698
Deferred taxes	CPI	(1,436,155)	503,239
Rights of way	CPI	(3,571,929)	1,234,925
Cash	CPI	339,517	63,460
Other non-monetary assets	CPI	(592,609)	98,534
Expense and cost accounts	CPI	(89,197)	44,716
Total (charges) credits		(35,329,372)	13,242,407
Liabilities (charges) / credits			
Shareholder's equity	CPI	20,750,231	(6,724,334)
Bonds	UF US\$	13,092,772	(7,659,113)
Non-monetary liabilities	CPI	7,038	(7,066)
Income accounts	CPI	216,372	(107,050)
Total charges		34,066,413	(14,497,563)
Loss from price-level restatement		(1,262,959)	(1,255,156)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 22 - Foreign Currency Translation

The effect of foreign currency translation generated a net credit to income in the 2009 period of ThCh\$2,197,393, and a net charge to income in the 2008 period of ThCh\$39,171, detailed as follows:

Assets (charges) / credits	Currency	2009 ThCh\$	2008 ThCh\$
Time deposits	US\$	(795,255)	113
Banks	US\$	(667,711)	(1,068,913)
Notes and accounts receivable from related companies	US\$	(7,553,297)	(9,325,552)
Investments in related companies	US\$	(3,352,382)	(5,775,418)
Forward contracts	US\$	689,157	(795,778)
Accounts receivable	US\$	1	(5,590)
Total charges		(11,679,487)	(16,971,138)
Liabilities (charges) /credits			
Notes and accounts payable to related companies	US\$	482,940	-
Bonds	US\$	32,253,005	32,177,633
Swap contracts	US\$	(18,650,383)	(15,223,826)
Lease contracts	US\$	(105,595)	(130,939)
Accounts payable	US\$	(103,087)	109,099
Total credits		13,876,880	16,931,967
(Loss) gain on foreign currency translation		2,197,393	(39,171)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 23 - Debt Issuance and Placement Costs

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

Detail	March 31, 2009 Domestic ThCh\$	March 31, 2008 Domestic ThCh\$
Placement and issuance expense	7,456,224	8,321,376
Amortization	(142,399)	(141,278)
Total	<u>7,313,825</u>	<u>8,180,098</u>
Balance sheet presentation		
Other current assets	263,174	566,423
Other assets - others	<u>7,050,651</u>	<u>7,613,675</u>
Total	<u>7,313,825</u>	<u>8,180,098</u>

Note 24 - Statements of Cash Flows

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

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 25 - Derivative Contracts

As of March 31, 2009, the Company has forward and swap contracts to hedge the exchange rate position of the long-term debt for bond issuance abroad and also has forward contracts for the sales of United States dollars associated with revenues that the Company will invoice during the first semester of 2009, detailed as follows:

Type of derivative	Type of contract	Contract value	Description Maturity or expiry date	Specific item	Purchase and sale position	Covered item or transaction		Value of hedged items ThCh\$	Affected Accounts Asset / liability (Charge)/ credit to income			
						Name	Amount ThCh\$		Name	Amount ThCh\$	Realized ThCh\$	Unrealized ThCh\$
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	25,622,000	29,163,000	Bond	10,405,036	75,104	(1,991,851)
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	25,622,000	29,163,000	Bond	6,488,598	(29,383)	(1,853,142)
S	CCTE	50,000,000	3th quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	35,830,500	29,163,000	Bond	6,312,094	(7,607)	(1,904,267)
S	CCTE	50,000,000	2nd quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	32,375,000	29,163,000	Bond	12,277,395	67,471	(1,932,104)
S	CCTE	20,000,000	3th quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	14,110,000	11,665,200	Bond	2,584,181	(9,845)	(745,643)
S	CCTE	8,914,729	2nd quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	4,564,341	5,199,605	Bond / Assets	601,939	(31,650)	(442,516)
S	CCTE	7,751,938	2nd quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	3,914,729	4,521,395	Bond / Assets	566,281	(19,601)	(280,988)
S	CCTE	15,503,876	2nd quarter 2011	Exchange Rate (US\$)	P	Dollar Bonds	7,953,488	9,042,791	Bond / Assets	1,026,231	(41,370)	(554,767)
S	CCTE	1,162,791	2nd quarter 2009	Exchange Rate (US\$)	P	Dollar Bonds	595,349	678,209	Bond / Assets	78,215	(2,859)	(42,166)
S	CCTE	4,418,605	2nd quarter 2009	Exchange Rate (US\$)	P	Dollar Bonds	2,262,326	2,577,196	Bond / Assets	298,563	(11,497)	(158,888)
S	CCTE	12,248,062	2nd quarter 2009	Exchange Rate (US\$)	P	Dollar Bonds	6,185,271	7,143,805	Bond / Assets	896,170	(22,996)	(320,989)
FR	CCTE	9,000,000	2nd quarter 2009	Exchange Rate (US\$)	P	Income	5,895,990	5,275,458	Other reserves	620,532	-	(620,532)
FR	CCTE	9,000,000	2nd quarter 2009	Exchange Rate (US\$)	P	Income	5,895,990	5,265,599	Other reserves	630,391	-	(630,391)
FR	CCTE	9,000,000	2nd quarter 2009	Exchange Rate (US\$)	P	Income	5,895,990	5,256,507	Other reserves	639,483	-	(639,483)

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 26 - Contingencies and Restrictions

a) Management restrictions

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

- Maintain, for the duration of the bond issuance, assets free of any kind of encumbrance, whose book value is equal to or greater than 1.2 times the book value of all the liabilities and debts of the issuer that are not subject to any liens or guarantees on assets or instruments belonging to it, including among such liabilities, the debt arising from this bond issuance.
- Not to sell, cede, transfer, contribute or in any way give up title to, either for money or for free, of the Essential Assets of the Issuer, for amounts exceeding whether in one or more legal acts, 5% of the Consolidated Assets of the issuer.
- Maintain a level of indebtedness at the individual and consolidated level in which the ratio of Total Demand Liabilities / Total Capitalization and Total Debt / Total Capital is not greater than 0.7, as those terms are defined in the respective prospectuses.
- Maintain at all times during the term of the issuance of the bonds, minimum individual and consolidated shareholders' equity of UF 15 million.
- Maintain in full force and effect the Debt Service Reserve Agreement.
- Not to make any direct or indirect capital distribution, dividend payment (other than the dividends established in the law of Sociedades Anónimas), any payment of principal or interest on any loan to its shareholders or any other payment of a similar nature unless the following conditions are met: (i) the Issuer has not been involved in any continuing event of default, (ii) the ratio of Net Operating Cash Flows / Financial Expenses is higher than 1.50 and (iii) the issuer must be in compliance with the Debt Service Reserve Agreement.

b) Direct commitments

There are no direct commitments.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 26 - Contingencies and Restrictions (continued)

c) Indirect commitments

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

d) Pending lawsuits

As of March 31, 2009, there are other lawsuits pending against the Company for which the corresponding defense has been filed, which altogether represent an amount of ThCh\$260,536.

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

e) Fines

1. On December 5, 2002, the Superintendency of Electricity and Fuel ("SEC") in Ordinary Official Letter No. 7183 charged the Company for its alleged responsibility in the interruption of electrical supply in the Central Interconnected System ("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 SEC applied various fines to Transelec for a total of 2,500 Annual Tax Units ("UTA") equivalent to ThCh\$1,105,980 as of March 31, 2009. As of March 31, 2009, the Company had appealed the complaint before the Santiago Court of Appeals, and placed a deposit of 25% of the original fine. The Company maintains that it is not responsible for this situation since it considers it a case of force majeure.
2. In Ordinary Official Letter No. 1210 dated February 21, 2003, the SEC filed charges for the alleged responsibility of Transelec in the interruption of electric service in the SIC on January 13, 2003. By Resolution No. 808, of April 27, 2004, the SEC imposed a fine of 560 UTA., equivalent to ThCh\$247,740 as of March 31, 2009. A writ of administrative reconsideration was filed against this decision and 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.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 26 - Contingencies and Restrictions (continued)

e) Fines (continued)

3. On June 30, 2005, the SEC through Exempt Resolution No. 1117, applied the following sanctions to the Company: a fine of 560 UTA equivalent to ThCh\$247,740 as of March 31, 2009, 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 equivalent to ThCh\$247,770 as of March 31, 2009, in the Company's condition as the owner of the facilities, for allegedly operating the facilities without adhering to the operation scheduling set forth by the CDEC-SIC, without justified cause, as determined in the investigation of the general failure of the SIC on November 7, 2003. As of March 31, 2009, the Company had appealed the charges before the SEC, and the appeal is pending resolution. Management believes it has no responsibility in these events.
4. On December 17, 2004, the SEC through Exempt Resolution No. 2334 fined the Company 300 UTA, equivalent to ThCh\$132,718 as of March 31, 2009, for its alleged responsibility in the interruption of electrical supply south of Temuco, caused by a truck crashing into a structure of the Charrúa - Temuco line. As of March 31, 2009, the Company had filed a motion of invalidation and administrative reconsideration, firmly sustaining that it was a case of force majeure and that the charges are not applicable and should be annulled.
5. On December 31, 2005, the SEC through Official Letter No. 1831 filed charges against the Company for allegedly infringing on various provisions of the electrical regulations while operating its facilities, which would have caused the interruption of electrical supply in the SIC on March 21, 2005. By SEC Exempt Resolution SEC No. 220, of February 7, 2006, the Company was fined 560 UTA equivalent to Th\$247,740 as of March 31, 2009. An appeal was filed to order generation of power again on February 16, 2006, the results of which are still outstanding. As of March 31, 2009, the Company had presented the required evidence.
6. On June 1, 2007, the SEC through Ordinary Official Letter No. 2523/ACC 251155/DOC 100503/ filed charged against the Company for allegedly infringing on various provisions of the electrical regulations (the Ministry of Economy's Art. 139 of DFL no. 4/20.018 from 2006, en relation to the Ministry of Mining's articles 205 and 206 of D.S. 327/97) while operating its facilities, which caused the interruption of electrical supply in the SIC on December 4, 2006. By SEC Exempt Resolution No. 274, dated February 11, 2009, the Company was fined 100 UTA, equivalent to ThCh\$44,239 as of March 31, 2009. An appeal was filed on February 27, 2009 and is currently pending. As of March 31, 2009, the Company had presented the required evidence.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 26 - Contingencies and Restrictions (continued)

e) Fines (continued)

As of March 31, 2009, the Company established a provision for these contingent obligations in the amount of ThCh\$1,969,013. This estimation considers the fact that similar cases are being heard in the Appeals Court and that the Appeals Court and 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 for which the SEC has maintained the previously established fine.

f) Transelec Norte S.A. (subsidiary)

1. Management restrictions
There are no restrictions.
2. Direct Commitments
There are no direct commitments.
3. Indirect Commitments
There are no endorsements or warranties given by the indirect commitments.
4. Pending Lawsuits
There are no lawsuits.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 26 - Contingencies and Restrictions (continued)

Direct Guarantees

Guarantee creditor	Debtor Name	Type of Guarantee	Assets involved Book value	Balances pending payment as of the financial statement closing date	
				March 31, 2009	March 31, 2008
				ThCh\$	ThCh\$
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	182,852	-	144,769
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	-	-	421
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	-	-	101,130
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	-	-	144,769
Santander Santiago	Ministry of Economy Development and Reconstruction	Security	4	-	-
Banco de Chile	Ministry of Economy Development and Reconstruction	Security	815,397	-	-
Scotiabank	Anglo America Sur S.A.	Security	-	-	92,357
Scotiabank	Ministry of Economy Development and Reconstruction	Security	-	-	537,978

Note 27 - Guarantees Obtained from third Parties

As of March 31, 2009, the Company has received financial guarantees from contractors and third parties, mainly to guarantee the completion of works and maintenance work, in the amount of ThCh\$13,354,943 (ThCh\$7,884,131 in 2008). Additionally, to guarantee payment of housing loans, the corresponding mortgages have been granted in favor of the Company.

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 28 - Chilean and Foreign Currency

Assets and liabilities in foreign currency are expressed in Chilean pesos, based on the respective exchange rates as of period-end (see exchange rate table in Note 2f).

These assets and liabilities are detailed as follows:

Description	Currency	Amount	
		March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Current assets			
Cash	Ch\$	4,532,634	239,418
Cash	US\$	658,130	406,115
Time deposits	US\$	25,469,855	9,921,557
Time deposits	UF	62,411,513	4,367,610
Marketable securities	UF	-	11,919,818
Trade accounts receivables	Ch\$	35,936,162	36,631,708
Trade accounts receivables	US\$	1,118,618	1,046,114
Miscellaneous receivables	Ch\$	583,294	690,443
Miscellaneous receivables	US\$	36,644	19,205
Accounts receivable from related companies	Ch\$	158,935	30,646,766
Accounts receivable from related companies	US\$	47,290	33,183,065
Inventory	Ch\$	42,270	44,729
Recoverable tax	Ch\$	2,291,902	3,230,581
Prepaid expenses	Ch\$	665,056	449,304
Prepaid expenses	US\$	33,557	-
Deferred taxes	Ch\$	2,899,005	4,757,026
Other current assets (forward)	US\$	1,890,406	-
Other current assets (bonds discount)	UF	723,506	-
Other current assets	Ch\$	-	1,018,541
Property, plant, and equipment			
Property, plant, and equipment	Ch\$	974,584,937	971,140,390
Property, plant, and equipment	US\$	91,620,784	85,999,010
Other assets			
Investments in other companies	Ch\$	223,464	218,942
Goodwill	Ch\$	328,625,700	340,571,390
Long-term receivables	US\$	1,150,425	937,494
Long-term receivables	Ch\$	301,002	519,503
Notes and receivables from related companies	US\$	17,964,408	32,562,716
Intangibles	Ch\$	151,389,785	150,930,233
Intangibles	US\$	6,343,618	5,022,429
Amortization of intangibles	Ch\$	(10,435,762)	(6,658,463)
Amortization of intangibles	US\$	(436,124)	(219,731)
Deferred taxes, long-term	Ch\$	52,296,095	54,323,846
Others	Ch\$	131,883	190,614
Others	UF	8,831,705	9,671,302
Total assets	Ch\$	1,544,226,362	1,588,944,971
	US\$	145,897,611	168,877,974
	UF	71,966,724	25,958,730

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 28 - Chilean and Foreign Currency (continued)

Description	Currency	Up to 90 days				90 days to 1 year			
		March 31, 2009	Annual average interest rate	March 31, 2008	Annual average interest rate	March 31, 2009	Annual average interest rate	March 31, 2008	Annual average interest rate
Current liabilities		Amount Thch\$		Amount Thch\$		Amount Thch\$		Amount Thch\$	
Bond interest obligations payable	UF	3,470,993	4.79%	5,531,181	4.65%	1,315,861	4.65%	-	-
Bonds payable (capital)	UF	-	-	-	-	1,341,425	6.2%	-	-
Bond interest obligations payable	US\$	-	-	8,073,331	7.88%	13,608,818	7.88%	-	-
SWAP contracts	UF	-	-	1,487,370	-	2,581,278	7.14%	-	-
Accounts payable	Ch\$	24,536,596	-	34,375,673	-	-	-	-	-
Accounts payable	US\$	9,637,171	-	20,419,108	-	-	-	-	-
Miscellaneous payables	US\$	-	-	1,057,804	-	-	-	-	-
Notes and payables to related companies	US\$	10,524,445	-	108,982	6.24%	-	-	-	-
Provisions	Ch\$	2,235,310	-	1,974,592	-	-	-	-	-
Withholdings	Ch\$	2,960,291	-	2,028,392	-	-	-	-	-
Other current liabilities	UF	85,150	-	85,109	-	-	-	-	-
Other current liabilities	Ch\$	3,765	-	73,243	-	-	-	-	-
Other current liabilities	US\$	-	-	74,262,494	-	-	-	-	-
Total current liabilities	UF	3,556,143	-	7,103,660	-	5,238,564	-	-	-
	US\$	20,161,616	-	103,921,719	-	13,608,818	-	-	-
	Ch\$	29,735,962	-	38,451,900	-	-	-	-	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 28 - Chilean and Foreign Currency (continued)

Long-term liabilities as of March 31, 2009

Description	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Yearly average interest rate	Amount ThCh\$	Yearly average interest rate	Amount ThCh\$	Yearly average interest rate	Amount ThCh\$	Yearly average interest rate
Bonds payable	UF	-	-	-	-	125,758,620	4.27%	353,745,523	4.46%
Bonds payable	US\$	274,844,997	7.88%	-	-	-	-	-	-
SWAP contracts	UF	32,018,626	6.56%	-	-	-	-	-	-
Provisions	Ch\$	1,959,421	-	-	-	-	-	-	-
Other long-term liabilities	Ch\$	3,025,059	-	-	-	-	-	-	-
Total long-term liabilities	UF	32,018,626	-	-	-	125,758,620	-	353,745,523	-
	US\$	274,844,997	-	-	-	-	-	-	-
	Ch\$	4,984,480	-	-	-	-	-	-	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 28 - Chilean and Foreign Currency (continued)

Long-term liabilities as of March 31, 2008

Description	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Yearly average interest rate	Amount ThCh\$	Yearly average interest rate	Amount ThCh\$	Yearly average interest rate	Amount ThCh\$	Yearly average interest rate
Bonds payable	UF	-	-	125,476,615	6.93%	-	-	355,560,434	4.66%
Bonds payable	US\$	-	-	222,907,330	7.88%	-	-	-	-
SWAP bonds	Ch\$	-	-	67,228,979	7.88%	-	-	-	-
Provisions	Ch\$	1,568,638	-	-	-	-	-	-	-
Other long-term liabilities	Ch\$	1,588,692	-	-	-	-	-	-	-
Total long-term liabilities	UF	-	-	125,476,615	-	-	-	355,560,434	-
	US\$	-	-	222,907,330	-	-	-	-	-
	Ch\$	3,157,330	-	67,228,979	-	-	-	-	-

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 29 - Sanctions

During the 2009 and 2008 periods, the Company, its Board and management were not sanctioned by the SVS or other regulatory authorities.

Note 30 - Subsequent Events

Between March 31, 2009 and the date of issuance of these financial statements there have been no significant events of a financial accounting nature that could affect the interpretation of these financial statements.

Note 31 - Environment

During the 2009 and 2008 periods, the Company has made disbursements related to the environment, detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Urgent work	411	140
Replacement of a static capacitor with PCB	-	640
Environmental impact studies	-	6,076
Additional system	2,264	-
Subtransmission system	176	-
New trunk construction projects	5,832	-
Total	8,683	6,856

Note 32 - Time Deposits

Details of time deposits are as follows:

Banks	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Banco Crédito e Inversiones	13,982,523	4,590,568
Banco Santander Santiago	14,913,290	7,604,676
Bank New York	-	472,809
Banco Bilbao Viscaya A.	2,761,758	-
Banco de Chile	16,871,991	1,621,114
Banco HSBC	2,043,497	-
Banco Itaú Chile	7,837,798	-
Banco Security	8,530,204	-
Banco Corpbanca	8,640,903	-
Scotiabank	8,363,302	-
The Royal Bank of Scotland	3,936,102	-
Total	87,881,368	14,289,167

TRANSELEC S.A. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2009 and 2008

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

Note 33 - Accounts Payable

Accounts payable are detailed as follows:

	March 31, 2009 ThCh\$	March 31, 2008 ThCh\$
Provision for fines and lawsuits	2,229,549	1,923,992
Provision for urgent projects	9,637,171	20,419,108
Provision for Income Tariffs (VIRTs) payable (*)	14,256,886	27,663,803
Provision for operating projects	1,304,871	381,650
Contractor withholdings	1,518,313	721,797
Accounts payable	<u>5,226,977</u>	<u>3,684,431</u>
Total	<u><u>34,173,767</u></u>	<u><u>54,794,781</u></u>

(*)VIRT: Acronym for “Valorización de Inyecciones y Retiros por Tramo” in Spanish, or “Valorization of Injections and Withdrawals per Tranch”, corresponds to the concept of “real tariff income per tranch” which is “*the difference between injections and withdrawals of power and energy valued at real marginal operational costs of the electrical system in each tranch*”. This concept is defined in article 101, fourth paragraph, DFL-4, which comprises the refunded, coordinated and systematized text of the DFL N°. 1 from the Mining Ministry, enacted in 1982, General Law of Electrical Services”.

The owner of trunk transmission tranches is entitled to receive temporarily the real income tariff from its tranches (VIRTs), but its remuneration must only amount the expected tariff income (IT) for those tranches. Difference between both concepts causes increment in accounts payable when VIRTs are higher than ITs, and increment in accounts receivables (see Note 5) when ITs are higher than VIRTs. These differences are periodically reassessed in order to ensure trunk transmission companies receive their remuneration according to the rules of the first paragraph of the abovementioned article, and to ensure generator companies and those which make withdrawals duly pay for the use of the transmission system according to the law.

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis

a) Summary

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

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

a) Summary (continued)

The non-operational loss during the period amounted to ThCh\$9,407,077 (ThCh\$10,117,273 in 2008) which corresponds to the interest expenses which increased to ThCh\$9,976,554 (ThCh\$8,517,838 in 2008) and for the amortization of goodwill for ThCh\$2,205,543 (ThCh\$1,903,093 in the 2008 period). Other important items that affected the non-operating loss during the period were the following: interest income of ThCh\$1,120,563 (ThCh\$1,663,591 in the 2008 period), a positive exchange rate differences for the period of ThCh\$2,197,393 (a negative ThCh\$39,171 for the 2008 period), a negative price-level restatement of ThCh\$1,262,959 (ThCh\$1,255,156 in the 2008 period) and for other non operating income a loss of ThCh\$279,977 (a loss of ThCh\$65,606 in the 2008 period).

b) Income

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

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

b) Income (continued)

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

Profitability

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

c) Balance sheet analysis

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

Value of Main Operating Property, Plant and Equipment

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

As of March 31, 2009 and 2008, property, plant and equipment consist mainly of land, buildings, infrastructure and machinery and equipment.

The assets of the Company and its subsidiary are presented valued in accordance with Chilean GAAP.

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

c) Balance sheet analysis (continued)

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

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

Liquidity and Indebtedness

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

d) Most important changes in the Company's market

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

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

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

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

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

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

e) Market risk factors

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

Regulatory Framework

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

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

e) Market risk factors (continued)

Concentration of Income

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

Operating Risks

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

Application of Environmental Regulations and/or Policies

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

Delays in the Construction of New Transmission Facilities

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

e) Market risk factors (continued)

Technological Changes

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

f) Foreign exchange and interest rate risk

Foreign Exchange Risk

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

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

f) Foreign exchange and interest rate risk (continued)

Foreign Exchange Risk (continued)

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

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

f) Foreign exchange and interest rate risk (continued)

Foreign Exchange Rates

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

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

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

Interest Rate Risk

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

TRANSELEC S.A. AND SUBSIDIARY

Reasoned Analysis of the Consolidated Financial Statements

As of March 31, 2009 and 2008

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

Reasoned Analysis (continued)

g) Principal cash flows for the period

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

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

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

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

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

TRANSELEC S.A. AND SUBSIDIARY

Relevant Events of the Consolidated Financial Statements

As of March 31, 2008 and 2009

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

Relevant Events

During the three month period ended March 31, 2009, and in accordance with General Rule No. 30, the Company has informed the SVS about the following essential or relevant event:

On March 26, 2009, the Company informed the SVS that the Board of Directors agreed to hold an Ordinary Shareholders Meeting on April 30, 2009 at 2:30pm in the offices located at Av. Apoquindo 3721, sixth floor, Las Condes.

The object of the citation is to inform the shareholders and obtain their approval of the following matters:

- 1) Annual Report, Balance Sheet, Financial Statements and Report of External Auditors, corresponding to the year ended December 31, 2008
- 2) Distribution of final dividend
- 3) Dividends policy and information regarding the payment procedures to be used
- 4) Remuneration of the Board and the Audit Committee
- 5) Designation of External Auditors
- 6) Newspaper to be used to publish convocation to Shareholders' Meetings
- 7) Other matters of interest of the Company that come under the jurisdiction of the Meeting

Transelec Norte S.A. (subsidiary)

During the period from January 1 to March 31, 2009 and in accordance with General Rule No. 30, the Company informed the SVS of the following essential or relevant event:

On March 26, 2009, Transelec Norte S.A, informed the SVS that the Board of Directors, at the meeting held on March 26, 2009, agreed to hold an Ordinary Shareholders' Meeting on April 30, 2009, at 15:30PM, at the offices located at Av, Apoquindo 3721, 6th Floor, Las Condes,

The objective of the citation is for the shareholders to inform and obtain their approval of the the following matters:

- 1) Annual Report, Balance Sheet, Financial Statements and Report of External Auditors, corresponding to the year ended December 31, 2008.
- 2) Distribution of final dividend
- 3) Dividends policy and information regarding the payment procedures to be used
- 4) Board of Directors fees
- 5) Designation of External Auditors
- 6) Newspaper to be used to publish convocation to Shareholders' Meetings
- 7) Other matters of interest of the Company that come under the jurisdiction of the Meeting