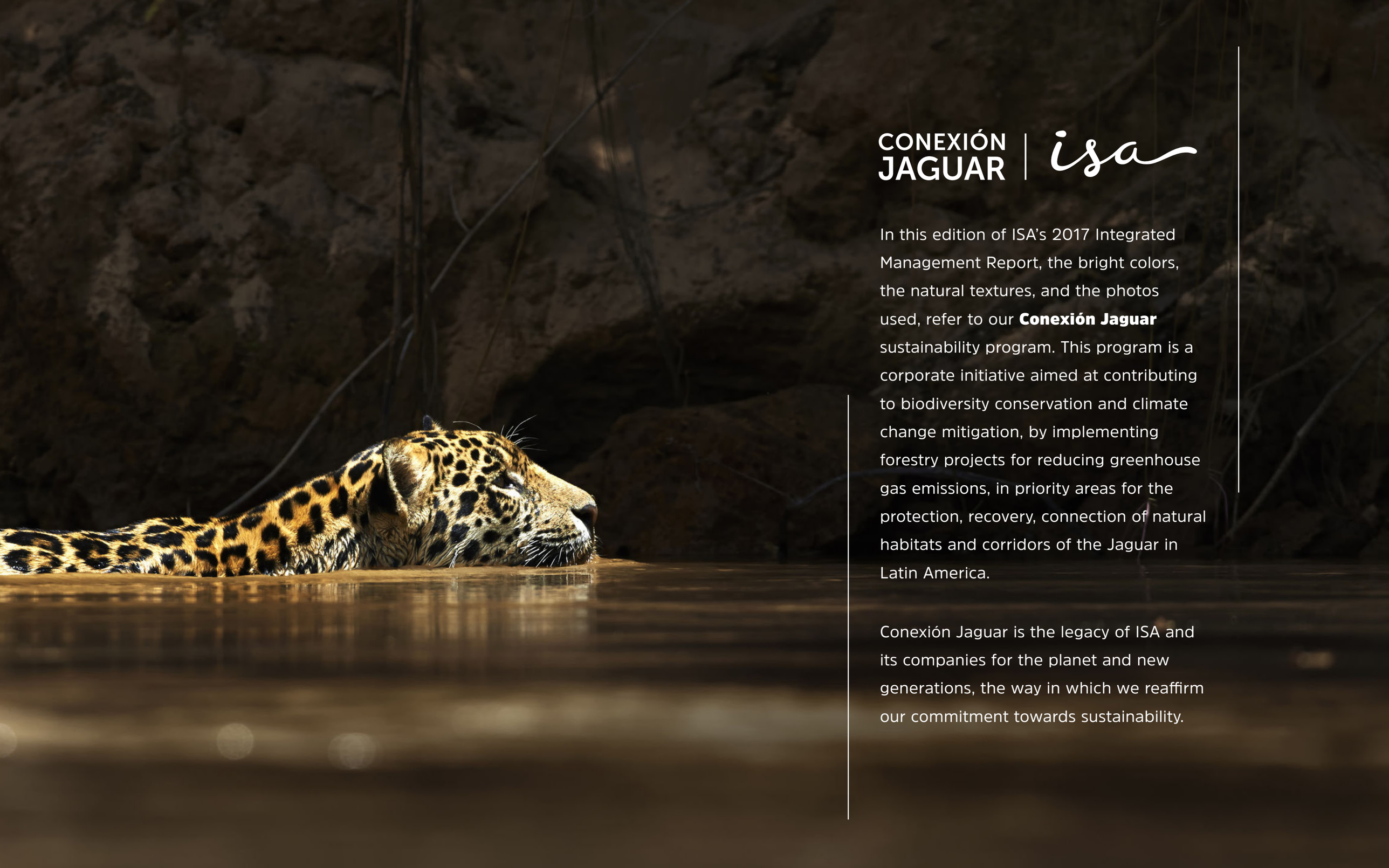
2017 Integrated Management Report

isa



CONEXIÓN JAGUAR | isa

In this edition of ISA's 2017 Integrated Management Report, the bright colors, the natural textures, and the photos used, refer to our **Conexión Jaguar** sustainability program. This program is a corporate initiative aimed at contributing to biodiversity conservation and climate change mitigation, by implementing forestry projects for reducing greenhouse gas emissions, in priority areas for the protection, recovery, connection of natural habitats and corridors of the Jaguar in Latin America.

Conexión Jaguar is the legacy of ISA and its companies for the planet and new generations, the way in which we reaffirm our commitment towards sustainability.

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Message from ISA's CEO

If we are aware we are all
one and the same,
there is connection.

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Bernardo Vargas Gibsone
ISA's CEO

2017 was one of the best years in our history

Dear Shareholders:

We are proud of delivering to you this report that includes the most relevant events of the year in ISA and its companies.

Certainly, 2017 was a year that marked an important milestone in the Company's history. We reached our 50th year by making an effective contribution to the improvement in the quality of life of more than 150 million people in Latin America. To celebrate, we acknowledged our past and gained experience to project a renovated and prepared ISA in order to face new challenges in the future. Our first step was to be aware that we all are one and the same; that our actions, no matter how small they are, have an impact. Through this principle, we evolve to create a higher purpose that will challenge us in the future and in relation to our business. In addition, we complete this task by adopting a new visual, more flexible, modern, and closer identity, which is accompanied by a phrase that describes the essence of our daily activity: CONNECTIONS WHICH INSPIRE.

In line with this purpose that enables us to transcend to move away from obsolescence and leave a legacy causing excitement, transformation, and significance, we start a strategic review exercise honoring the past, but being aware of our competition within a digitized and hyperconnected industry, with a more informed and participatory society.

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Today's world is experiencing rapid transitions and demand from sectors, disruptive changes, convergences, as well as clear and effective contributions to governments' agendas. Then, we start an assessment and recognition of the results we have achieved. We also reviewed our purpose and trends for the different sectors. Furthermore, we benchmarked to the world's larger companies and consulted experts.

Today, after a prudent exercise, we have defined our path: we want to be part of the discussions that are transforming the industry as we know it and the only way to do that is to transcend from profitable growth into Sustainable Value. Of course, this value includes profitability, but also welfare generation and solutions to global issues. Accordingly, our challenges for the future must add value over time, not only for our stakeholders but also for society in general.

From this new perspective, we have set ourselves ambitious financial goals. In business terms, we will strengthen current goals and expand the portfolio for the future. We will be more critical and proactive committing ourselves to the care of the planet, the innovation, and the development of new skills.

In this regard, the achievements of 2017 were the basis for building our new history.

> WE WANT TO BE PART OF THE DISCUSSIONS THAT ARE TRANSFORMING THE INDUSTRY AS WE KNOW IT AND THE ONLY WAY TO DO THAT IS TO TRANSCEND FROM PROFITABLE GROWTH INTO SUSTAINABLE VALUE.

We reached a net income of COP1,4 trillion, a figure equivalent to 5,3 times the 2012 net income, which allows us to confirm three years before compliance with ISA 2020 vision. Likewise, the EBITDA accumulated COP4,4 trillion and operational revenues amounted to COP7 trillion.

We won relevant projects for about USD1.949 million that will generate us revenues of USD230 million. Furthermore, we increased our infrastructure by 1.528 km of energy transmission lines. We also concluded strategic transactions such as the acquisition of 41,6% shares of the control block of Transmisora Aliança de Energia Eletrica S.A. -TAESA-, with an investment of USD309 million. Also, we entered the business of wireless telecommunication towers, complementary to the Information and Communication Technology business, with an investment of USD160 million in Andean Tower Partners –ATP– in Chile, Perú and Colombia.

We won ALAS20 award as Leading Company in Relationship with Investors by the same organization. ISA CTEEP, our company in Brazil, was selected for the second consecutive year by the Market Analysts Association,

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as one of the 10 best Brazilian companies with best practices of transparency in Brazil, and as the best company in the Brazilian energy sector, in the category "2017 Best and Larger Companies" of the EXAME journal.

In relation to sustainability, I highlight with pride that for the third consecutive year we entered into the Dow Jones Sustainability Index: we were the only Colombian company and one of the three Latin American enterprises in the Electric Utility Services category to be included in the list, and we obtained the maximum rating in the categories of Biodiversity, Transmission, and Labor Indicators.

For the second consecutive year, we were also included in The Sustainability Yearbook conducted by RobecoSam, whose report noted that "ISA reached excellent results in its capacity to modernize and develop innovative business models adjusted to new political, economic, and technical industrial environments." We entered the FTSE4Good index, a tool created in 2001 by Grupo FTSE Russell to give recognition to the companies listed on the stock exchange that comply with the global standards of corporate investment and the best practices in business sustainability. In addition, we became part of the DJSI MILA Pacific Alliance Index, as one of the companies with higher sustainability score in the Pacific Alliance region.

This knowledge confirms our unwavering commitment to the protection of the environment and reflects that, since 2015, we are carbon neutral by offsetting 100% of the polluting emissions in ISA, ISA INTERCOLOMBIA, and XM. Looking forward, by means of our Conexión Jaguar program, we expect to be carbon neutral in all our businesses.

But, even when all the above is excellent achievements, our best characteristic, by which I feel very excited, is the strength of our staff. Certainly, my ISA coworkers are a determining factor for our competitiveness. They are human beings considered change agents, committed to their work, with expertise in their area. We are not only experts in engineering or infrastructure planning. We are also widely recognized in other disciplines that are necessary for companies about the size of ISA and for the management of human talent. Recently, our financial teams in Colombia and Brazil were recognized by the main specialized magazine, Institutional Investor, among the top

ISA'S GOOD PERFORMANCE IN 2017 SHOWS A DETERMINED COMMITMENT TO BE FURTHER CONSOLIDATED AS A MULTI-COUNTRY AND MULTI-BUSINESS GROWTH PLATFORM WITH RELEVANT REGIONAL PRESENCE.

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three in Latin America. To manage human resources, for two consecutive years, ISA CTEEP has gained a special place in measuring the work environment, according to Great Place to Work

Also, América Economía magazine awarded us as the "Multi-Latin Company of the Year" and I was honored to be the "Business Leader of the Year" in the Portfolio Awards, a recognition that I humbly received and with deep appreciation to those who have accompanied me on this path. It is a great honor for me to have the opportunity to lead a human team of responsible collaborators as the one I have.

None of this would have been possible without you, the shareholders, for your continued trust in our company, because you are our collaborators who have faced with responsibility and commitment the challenges of an increasingly changing environment. Of course, I am also grateful for the societies of the countries where we are present, for allowing us to contribute to their welfare; for the governments and their institutions in Latin America, who rely on us as responsible investors; for our customers, who motivate us to continue innovating to provide products and services with the higher standards at the international level; and for our suppliers, who allow us to be their allies to contribute to their development.



ISA SE DESTACÓ EN 2017 COMO REFERENTE EN TODA LA REGIÓN POR SU GOBIERNO CORPORATIVO, TRANSPARENCIA, AUTONOMÍA ADMINISTRATIVA Y SOSTENIBILIDAD EMPRESARIAL.

[GRI 102-14]

Bernardo Vargas Gibsone
ISA's CEO

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ISA celebrated its 50th anniversary with an exercise of resignification to create a higher purpose and the subsequent evolution of its visual identity.

In March, the Company presented its new brand expressed in a signature of high visual modernity, accompanied by a higher purpose that is a public statement of its decision for moving towards a more outward-looking, closer, and sustainable organization that dialogues with its environment, mentor of new generations, and sponsor of innovation. An organization that creates CONNECTIONS THAT INSPIRE.

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In September, the month of anniversary, we develop the forum "Transformando el Futuro" ("Transforming the Future") in which, to honor our past, we summon those who were fundamental pillars in the construction of the company we have today. Also, we call a group of globally recognized experts in the energy sector; thinkers about the future with which we identify the trends that will impact the sector and with whom we build the foundations of our new strategy.

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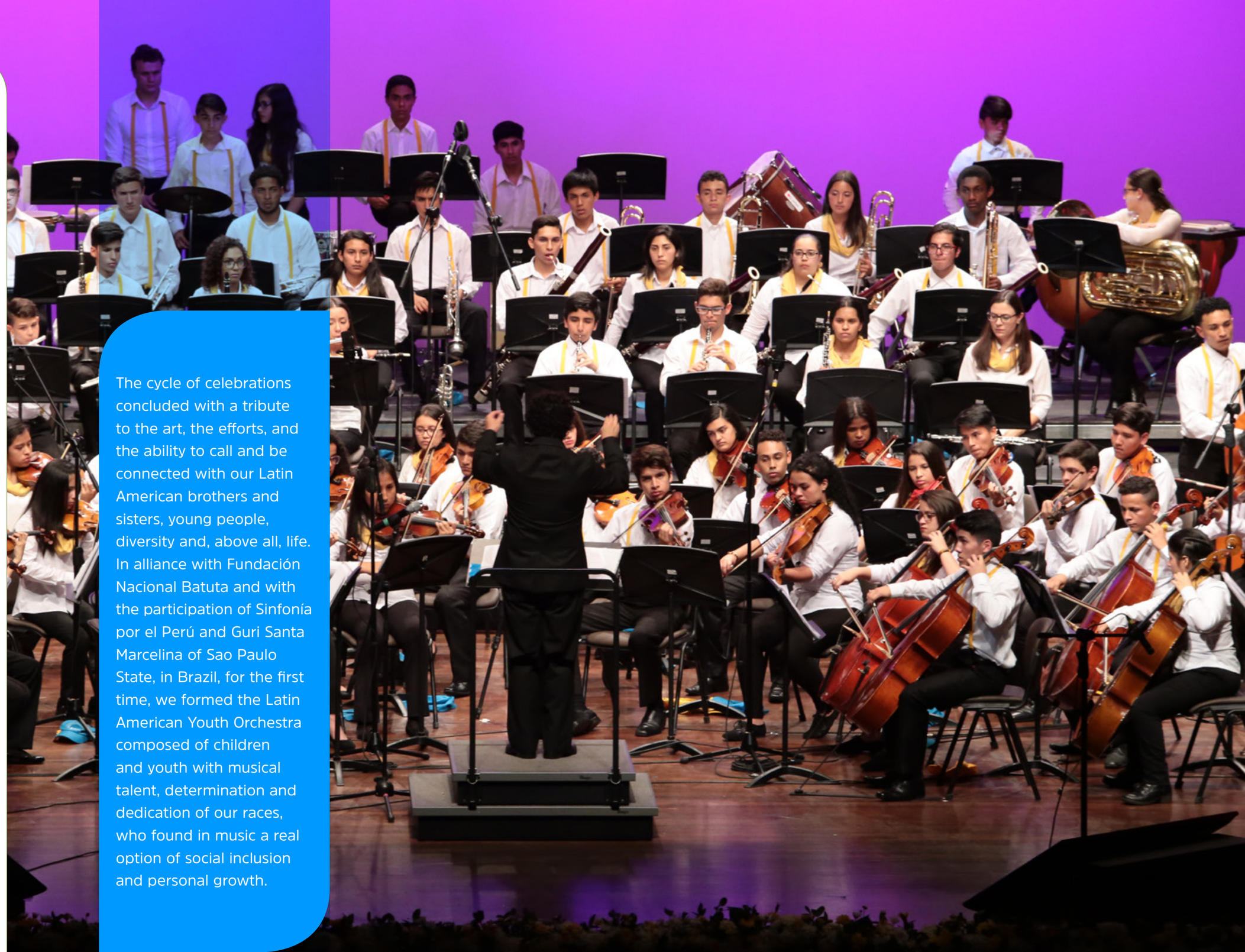
Road Concessions business unit

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The cycle of celebrations concluded with a tribute to the art, the efforts, and the ability to call and be connected with our Latin American brothers and sisters, young people, diversity and, above all, life. In alliance with Fundación Nacional Batuta and with the participation of Sinfonía por el Perú and Guri Santa Marcelina of Sao Paulo State, in Brazil, for the first time, we formed the Latin American Youth Orchestra composed of children and youth with musical talent, determination and dedication of our races, who found in music a real option of social inclusion and personal growth.

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Today we want to show the world our only and committed way of relating to it, going beyond our businesses, accepting the challenges we find in the environment, and making every connection an inspiring event.



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This report was made according to the framework adopted by the International Integrated Reporting Council –IIRC– and under the new standard of the essential Global Reporting Initiative –GRI– [GRI102-54]. It comprises the period between January 1 and December 31, 2017, and it is made on an annual basis [GRI102-50]. For comparative purposes, the 2016 Integrated Management Report presented in March 2017 should be referenced. [GRI102-51] [GRI102-52]

The report includes management performance of ISA and its companies: Electric Energy Transmission, Road Concessions, Information and Communication Technologies and Real-time Systems Management. This report includes outcomes of relevant issues that may have an impact on the creation of value of the Electric Energy Transmission Business Unit, and it also represents the Communication on Progress of the Global Compact of the United Nations.

For the 2017 period, the report includes the analysis of materiality of ISA and the electric energy transmission companies: ISA INTERCOLOMBIA, ISA REP (including Transmantaro and ISA Perú), ISA CTEEP, ISA TRANSELCA, ISA INTERCHILE, and ISA BOLIVIA. The Consolidated revenues of the aforementioned companies represent 74% of the total revenues of ISA's businesses. Eight relevant issues included in the environmental, social, and economic dimensions are presented. For other companies, performance of their management and perspectives are only included.

It is important to note that each of the affiliates have their respective management reports which could be found on their websites.
Both the materiality process as the Integrated Management Report were built in ISA by the Chief Strategy Office and validated by the Corporate Committee to ensure that all material aspects will be addressed. [GRI102-32]

The Company hired the Deloitte & Touche firm to perform the verification of the Report according to the guidelines of ISAE 3000 standard, while assuring reliability and precision of the information published. The scope and conclusions of the verification may be examined in the independent review Report, included in Annexes. [GRI102-56]

To facilitate the consultation of indicators reported, the GRI [GRI102-55] indicators table may be consulted in annexes, which also include compliance with the Principles of the Global Compact.
To share suggestions, opinions, or concerns regarding this Integrated Management Report, please contact: [GRI102-53]

Olga Patricia Castaño Díaz
CSO – Chief Strategy Officer
vicepresidenciaestrategia@isa.com.co

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Company profile

isa

Company profile

ISA is a Multi-Latin, relevant, and renowned Corporate Group on Electric Energy Transmission, Road Concessions, and Information and Telecommunications Technology. We develop our business based on the creation of sustainable value and excellence in corporate governance practices, strengthening with each operation the trust gained by governments, partners, allies, and communities.

In a highly changing and demanding global environment, governed by sustainability, we work for the mitigation, adaptation to climate change, reliability of the services we deliver, the rational use of resources, and for a more inclusive society.

When connecting one point to another in a sustainable manner, we are improving the quality of life of more than 350 million people in Colombia, Brazil, Chile, Peru, Bolivia, Ecuador, Argentina, and Central America, through the operation of our 43 affiliates and subsidiaries. [GRI 102-4]

We continue evolving after celebrating our 50th anniversary. Our way of working, communicating, and relating expresses our commitment to the future.

We accept the challenge of going beyond and be prepared to compete in convergence scenarios across sectors, smart cities, open innovation, and emerging technologies, making each connection an inspiring action.

The legal nature of Interconexión Eléctrica S.A. E.S.P. –ISA– [GRI 102-1] corresponds to a mixed public utility company, formed as a limited liability company, of commercial nature, national, and bonded to the Ministry of Mines and Energy, governed by Laws 142 and 143 of 1994 [GRI 102-5], and headquartered in Medellin (Colombia). [GRI 102-3]

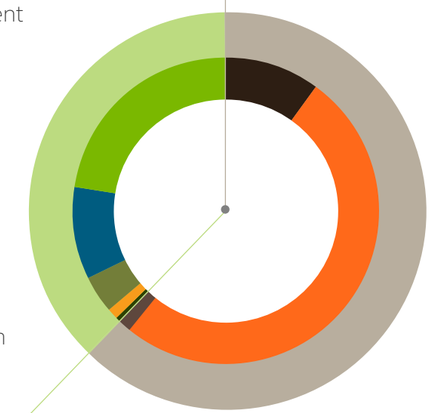
The Company has state and private investors. Its stocks and bonds are traded in the Colombia Stock Exchange. Also, the Company includes Level I ADR negotiated in the U.S. Over the Counter –OTC– market. Moreover, the Company implements high standards related to transparency, efficiency, and corporate governance that provide protection and confidence on the part of investors, allowing a sustainable growth.

Shareholder Structure [GRI 102-7]

Dec 31, 2017 Figures expressed in shares

38,42%
PRIVATE INVESTORS
425.599.786

- Institutional **23,13%** 256.216.437
- Foreign Investment Funds **9,81%** 108.625.841
- Natural person **4,25%** 47.120.998
- Legal Persons **1,20%** 13.251.685
- ISA ADR Program **0,03%** 384.825



61,58%
STATE INVESTORS
682.078.108

- La Nación (The Nation) **51,41%** 569.472.561
- Empresas Públicas de Medellín **10,17%** 112.605.547

1.107.677.894
SHARES

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4 Business units

43 affiliates and subsidiaries

Operations in 8 countries

Coordinación de la operación de **25.670 km de líneas de transmisión**

Mobility control **5** of Medellin and its municipalities

Seal of quality of the Colombia Stock Exchange related to **transparency, corporate governance, and commitment to the stock market**

3.807 employees

44.175 km and 87.128 MVA of transmission infrastructure in operation

7.133 km and 19.600 MVA of transmission infrastructure under construction

48.866 km de **fibra óptica** en operación

907 km of **roads** in operation

136 km of **roads** under construction

Included in **The Sustainability Yearbook** of **ROBECOSAM**, for three consecutive years

Member of the Dow Jones Sustainability Index, for three consecutive years

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Relevant figures [GRI 102-7]

SERVICES

ENERGY TRANSMISSION BUSINESS UNIT

99,99%
reliability

No variation

44.175 km
of high voltage circuits

+5%

61.070 km including affiliates, subsidiaries, and investments with joint control

87.128 MVA
of installed capacity

+7%

104.592 MVA including affiliates, subsidiaries, and investments with joint control

ROAD CONCESSIONS BUSINESS UNIT

93,1%
service level

-3 percentage points

141,2 million
transit of equivalent vehicles

+5%

907 km
interurban roads

No variation

INFORMATION AND COMMUNICATION TECHNOLOGY BUSINESS UNIT

95,08%
service level

-1 percentage point

868
clients

+14%

48.866 km
optical fibers

No variation

REAL-TIME SYSTEM MANAGEMENT BUSINESS UNIT

66.893GWh
demand attended

+1%

16.779 MW
installed capacity

+1%

$16 trillion
market transactions

-16%

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Relevant figures [GRI 102-7]

GOOD GOVERNANCE [GRI 102-18]

9 members
in the Board
No variation

78% independent members
in the Board
No variation

11% women
in the Board
-50%

COP3.281.477
Remuneration per meeting
in the Board
+7%

100%
complaints addressed
by Ethics Line
No variation

0
events related to the violation
of Human Rights
No variation

SOCIAL

COP17.300
million
invested in communitiess
-18%

1.507
strengthened social
organizations
+306%

91%
local purchases
-2 percentage points

100%
enquiries attended
of shareholders
No variation

11
suppliers reinforcing
strengths

WORK [GRI 102-8] [GRI 102-41]

3.807
workers
+0,2%

22%
women
-1 percentage point

24%
female director
-1 percentage point

65%
workers in agreements
and unions
+4 percentage points

82%
group work environment
+4 percentage points

48 hours
annual average training
per worker
+7%

0
fatal accidents
of employees
No variation

ENVIRONMENTAL [GRI 305-5] [GRI 304-3]

COP50.000
million
environmental investment
-7%

2
non-monetary
sanctions and fines
-67%

COP1.4 million
monetary sanctions
and fines
-99%

5.160 ton CO_2e
compensated
-2%

1.083 kg
SF_6 leaks

9
Protected or restored
habitats

Financial figures [GRI 102-7]

CONSOLIDATED *

OPERATING REVENUES
COP6,59
trillion
+6%

EBITDA
COP4,10
trillion
+25%

EBITDA MARGIN
62,1%
+10 percentage points
Excluding construction: 70,0%

NET INCOME
COP1,10
trillion
+45%

ASSETS
COP43,41
trillion
+13%

LIABILITIES
COP24,98
trillion
+16%

INDIVIDUAL *

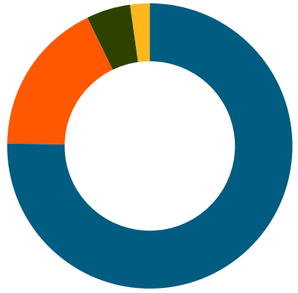
NET INCOME
COP1,11
trillion
+44%

- Financial figures included in this report are expressed in Colombian pesos, unless otherwise expressed in other currency.
- Net income for the consolidated financial statement differs from the individual net income because the latter includes the amortization of goodwill by COP4,772 million.

* Without contributions to FAER, PRONE, and FOES in Colombia; and non-recurrent RBSE events, and tax amnesty in Brazil.

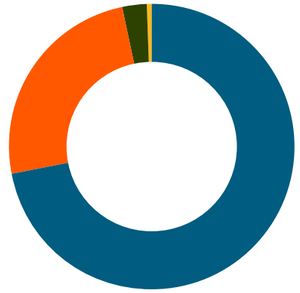
FAER: Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Energizing Rural Zones)
PRONE: Programa de Normalización de Redes Eléctricas (Standardization Plan for Grids)
FOES: Fondo de Energía Social (Social Energy Fund)
RBSE: Red Básica del Sistema Existente (Basic Network of the Existing System)

Consolidated revenues



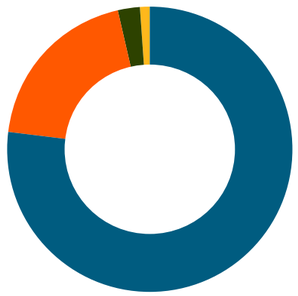
75,5% 5,2%
17,3% 2,0%

Consolidated assets



72,0% 2,6%
24,9% 0,5%

Consolidated EBITDA



77,0% 2,5%
19,4% 1,1%

- Electric Energy Transmission
- Road Concessions
- Information and Communication Technology
- Real-Time Systems Management

Presence in Latin America

Colombia
- ISA
- ISA INTERCOLOMBIA
- ISA TRANSELCA
- INTERNEXA
- ATP
- XM
- Network Smart Systems
- Derivex
- INTERVIAL Colombia

Ecuador
- TRANSNEXA

Peru
- ISA REP
- Transmantaro
- ISA Peru
- Proyectos de Infraestructura del Perú
- INTERNEXA
- ATP

Bolivia
- ISA BOLIVIA

Central America
- EPR
- Interconexión Eléctrica Colombia - Panamá
- REDCA

Brazil
- ISA CTEEP
- IEMG
- PINHEIROS
- SERRA DO JAPI
- EVRECY
- IENNE
- IE ITAPURA
- IE AGUAPEÍ
- IE ITAQUERÊ
- IE ITAÚNAS
- IE TIBAGI
- IE MADEIRA
- IE GARANHUNS
- IE SUL
- IE AIMORÉS
- IE PARAGUAÇÚ
- IE ERB1
- TAESA
- INTERNEXA
- ISA Capital do Brazil
- INTERNEXA Participações
- ISA Investimentos e Participações

Argentina
- INTERNEXA

Chile
- ISA INTERCHILE
- ISA INTERVIAL
- Ruta del Maipo
- Ruta del Maule
- Ruta del Bosque
- Ruta de la Araucanía
- Ruta de los Ríos
- INTERNEXA
- ATP
- ISA Inversiones Chile
- ISA Inversiones Maule
- ISA Inversiones Tolten



- Business Group Matrix
- Electric Energy Transmission
- Road concessions
- Information and Communication Technology
- Real-Time Systems Management
- Investment vehicle

Electric Energy Transmission Business Unit

[GRI 102-2] [GRI 102-6]

High-voltage electric infrastructure solutions that contribute to the reliability of countries and ensure the highest standards of quality and reliability for users.



Under construction
7.133 km and
19.600 MVA

In operation*
44.175 km and
87.128 MVA

* 61.070 km and 104.592 MVA including affiliates, subsidiaries, and investments with joint control

Consolidated Revenues*
COP5,0 trillion

Consolidated EBITDA**
COP3,2 trillion

Consolidated assets**
COP25,0 trillion

Workers
2.689

** Does not include RBSE or Tax Amnesty in Brazil

99,99%
RELIABILITY

Colombia
- ISA INTERCOLOMBIA
- ISA TRANSELCA

Brazil
- ISA CTEEP
- IEMG
- PINHEIROS
- SERRA DO JAPI
- IENNE
- IE ITAPURA
- IE AGUAPEÍ
- IE ITAQUERê
- IE ITAÚNAS
- IE TIBAGI
- IE MADEIRA
- IE GARANHUNS
- IE SUL
- IE AIMORÉS
- IE PARAGUAÇÚ
- IE ERB1
- TAESA
- ISA Capital do Brasil
- ISA Investimentos e Participações

Peru
- ISA REP
- Transmantaro
- ISA Perú
- Proyectos de Infraestructura del Perú

Chile
- ISA INTERCHILE

Bolivia
- ISA BOLIVIA

Central America
- Interconexión Eléctrica Colombia - Panamá
- EPR

Service portfolio I Design, construction, operation, and maintenance of high-voltage electric energy transmission systems • Connection to the electric system of generators, grid operators, regional carriers, and large consumers • Construction of infrastructure projects for third parties • Services associated with maintenance, electrical and energy studies.

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Road Concessions Business Unit

[GRI 102-2] [GRI 102-6]

Road infrastructure which contributes to countries competitiveness and assures high quality standards, safety, and connectivity for users.

Interurban roads
907 km

Vehicles in transit
141,2 millones*

*Traffic in equivalent vehicles



Consolidated Revenues
COP1,1 trillion

Consolidated EBITDA
COP0,8 trillion

Consolidated assets
COP8,7 trillion

Workers
333

Colombia
- INTERVIAL Colombia

Chile
- ISA INTERVIAL
- Ruta del Maipo
- Ruta del Maule
- Ruta del Bosque
- Ruta de la Araucanía
  Ruta de los Ríos
- ISA Inversiones Chile
- ISA Inversiones Maule
- ISA Inversiones Tolten

Rutas del Loa
136 km
under construction,
USD315 million

Award
for Road Safety
By the reduction of accident rates and deceased people

› **93,1%** customer service favorability

› **92,3%** ambulance service compliance

› **90,8%** patrol service compliance

› **95,8%** tow truck service compliance

Service portfolio I Design, construction, operation, and maintenance of road infrastructure.

Information and Communication Technologies Business Unit

[GRI 102-2] [GRI 102-6]

It is the platform for operators, companies, and governments to accelerate the digitalization of their business.

Optical fiber
48.886 km

Services
7.684

Customers
868



Consolidated Revenues
COP346 billion

Consolidated EBITDA
COP104 billion

Consolidated assets
COP902 billion

Workers
313

Colombia
- INTERNEXA

Brazil
- INTERNEXA
- INTERNEXA Participações

Perú
- INTERNEXA

Chile
- INTERNEXA

Argentina
- Internexa

Central America
- REDCA

Ecuador
- TRANSNEXA

Colombia-Peru-Chile
- ATP

95,08%
SERVICE LEVEL

Service portfolio I Solutions to connect, capitalizing on its regional presence, which accelerate access to content • Solutions to optimize, enabling digital transformation of business • Solutions to enable, with collaboration and management tools to create real-time, productive, and reliable environments • Solutions to protect, assuring data integrity • Solutions to transform cities, incorporating Big Data and Smart Cities solutions.

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Real-Time Systems Management Business

[GRI 102-2] [GRI 102-6]

It develops, operates, and manages technological platforms which involve the exchange of information with added value.



Consolidated Revenues

COP134 billion

Consolidated EBITDA

COP43 billion

Consolidated assets

COP159 billion

Workers

274

Colombia
- XM
- Derivex
- Network Smart Systems

Demand attended
66.893 GWh

Effective capacity
16.779 MW

Coordination of the operation of
25.670 km
of **transmission lines**

100%
COMPLIANCE WITH CREG INDICATORS*

*The Energy and Gas Regulation Commission -CREG-

Services portfolio | Electric sector: operation of the National Interconnected System -SIN- and management of the Wholesale Energy Market -MEM-, through XM in Colombia • **Financial sector**: administration of the energy derivatives market of Colombia, through DERIVEX, and participation as investor in the Counterparty Central Risk Chamber • **Mobility sector:** operation of the traffic control center of Medellin, through Network Smart Systems.

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Relevant milestones of the year

JANUARY

- ISA INTERVIAL put into operation the Third Lanes project in Chile with an investment of **USD80 million**

APRIL

- ISA CTEEP wins a transmission **project with an investment of USD511 million.**
- Successful placement of bonds by **COP700.000 million** with 2,7 times greater demand.

MAY

- ISA CTEEP acquires 100% of IENNE with an investment of **USD29 million.**
- INTERNEXA opens a new **data center** in Bogota.

JUNE

- ISA acquires 41,6% of shares of the TAESA's control block, with an investment of **USD309 million.**
- ISA INTERCHILE puts into service the Encuentro - Lagunas transmission project, with an investment of **USD117 million.**
- ISA INTERCHILE wins a transmission project with an investment of **USD73 million.**

JULY

- ISA wins a transmission project in Colombia with an investment of **USD168 million.**
- ISA REP puts into service the Planicie – Industriales transmission project with an investment of **USD38 million.**

SEPTEMBER

- **XM leads the creation** of the Colombian Chapter of the International Council on Large Electric Systems (CIGRÉ).

OCTOBER

- ISA invests **USD160 million** in Andean Tower Partners –ATP–, in Chile, Peru and Colombia.
- ISA REP puts into service the project: Mantaro Montalvo, with an investment of **USD459 million.**
- ISA REP wins a transmission project with an investment of **USD487 million.**
- ISA INTERVIAL presented the best offer for Rutas del Loa project in Chile, with an investment of **USD315 million.**

NOVEMBER

- Successful placement of bonds by **COP500.000 million** with 2,8 times greater demand.
- **ISA recertifies its SAP competence center** occupying the first quartile of the best in the world.
- ISA Group keeps its work environment in the **"Clear Strength"** range, reaching 82%.

DECEMBER

- ISA's net income reaches **COP1,44 trillion.**
- ISA, ISA INTERCOLOMBIA and XM offset **100% of their Greenhouse Gases.**

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ISA's Awards



PORTAFOLIO
EL DIARIO DE ECONOMÍA Y NEGOCIOS

Bernardo Vargas Gibsone, ISA's CEO, Best Business Leader of the Year in Colombia.

FTSE4Good

FTSE index of best sustainability practices

MILA
MERCADO INTEGRADO LATINOAMERICANO



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

ALAS20

- Alas20 Company, Colombia 2017
- Leader Company in Investors Relation

The Sustainability Yearbook 2017



América economía

Multi-Latin Company of the Year

Forbes 2017 GLOBAL WORLD'S LARGEST PUBLIC COMPANIES 2000

ISA is included in the 2000 Global Ranking

Awards



XM – First Place in the Innovation Managers Program

ISA REP – Distinction as a Socially Responsible Company

ISA CTEEP – Among the best companies to work for in Brazil

ISA INTERVIAL – Road Safety Award

- ISA REP – Most Innovative Company in the Energy Sector
- ISA REP – 2017 Sustainable Development Award

ISA REP es galardonado en el concurso Buenas Prácticas Laborales

ISA REP es distinguida como "Aliado por la Educación"

ISA CTEEP among the 10 best companies with the best transparency practices in information to shareholders

ISA CTEEP – Best company in the energy sector in Brazil

ISA INTERVIAL – ProPyme Seal for Ruta del Maipo



ISA REP energizes Mantaro - Montalvo, the most important transmission project in Peru with 910 km at 500 kv.

Integrated management systems

By being consistent with its intention to apply international standards that contribute to increase the competitiveness levels, ISA and its companies adopt ISA and OHSAS standards, which allow managing in a comprehensive manner, aspects related to quality, health and occupational safety, environment, and information security.

Company	ISO 9001	ISO 14001	OHSAS 18001	ISO 27001
ISA	✓			
ISA REP	✓	✓	✓	
ISA INTERCOLOMBIA	✓	✓	✓	✓
ISA CTEEP	✓	✓		
ISA TRANSELCA	✓			
ISA BOLIVIA	✓	✓	✓	
Proyectos de Infraestructura del Perú –PDI–	✓			
ISA INTERVIAL	✓			
INTERNEXA	✓		✓	
XM				✓

Institutional Commitments

[GRI 102-12]

APOYAMOS EL PACTO GLOBAL

From 2005, ISA is signatory of the Global Compact, an initiative of the United Nations. Its affiliates ISA INTERCOLOMBIA, ISA REP and ISA CTEEP are also part of this initiative. During 2017, the following actions were carried out:

- Promotion of Human Rights and Good Labor Practices with suppliers of ISA and ISA INTERCOLOMBIA, through training programs to nearly 120 people.
- ISA and ISA INTERCOLOMBIA, together with other Colombian companies, carried out the Global Compact Chair, in which around 17 workshops addressed to suppliers of aspects related to employment, environment, equity and inclusion, occupational safety and health, and finances were developed in order to include in companies, key issues of the United Nations 2030 Agenda.
- ISA, INTERCOLOMBIA and XM offset 100% of their greenhouse gases through the purchase of 5.160 tons of CO2. South Pole Group ratified these companies as Carbon Neutral.
- ISA successfully completed the negotiation for renewing the Global Compact for three years. ISA INTERCOLOMBIA made up a new union of professionals called ORGANISA.
- ISA, XM, INTERCOLOMBIA and ISA TRANSELCA participated in the Collective Action of the Energy Sector.

RECONCILIACIÓN COLOMBIA
MÁS DIÁLOGO, MÁS REGIÓN, MÁS ACCIÓN

- From its foundation, ISA is part of the group of organizations called Reconciliación Colombia, to drive initiatives that contribute to the construction of a peaceful society.
- In 2017, it was able to leverage resources over COP6.000 million for 150 productive and sustainable social projects, in 78 municipalities and 21 departments.

Red Prodepaz, from the community network, is moving forward the construction of a peace-loving nation from dynamics, as well as local and regional development and peace processes. ISA is one of the supporting companies that facilitates:

- Managing processes for the social construction of knowledge.
- Fostering the creation of networks and alliances for having an impact on opinion and public policy.
- Working towards the strengthening and sustainability of territorial processes for development and peace in Colombia.

- In 2015, ISA publicly declared in the United Nations General Assembly its commitment to work for compliance with this global initiative.
- In October 2017, ISA was invited to the Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund (IMF), which are spaces to discuss issues that generate concerns around the world, such as poverty reduction, economic development, and global economic perspectives.
- ISA, as a corporate representative, was part of the central board of "Localizing the Sustainable Development Goals."
- In 2017, in view of suggesting the new corporate strategy, ISA reviewed the goals associated with ODS and the potential compliance from business action, prioritizing the following:



5

Strategic Framework

If it moves us to know that we are made for great challenges, **there is connection.**

isa

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Thanks to the determined execution of the Strategic Plan and its systematic revision by the Board of Directors, to adjust it according to risks as well as current and emerging opportunities of the business environment, today ISA can state with satisfaction that the 2017 net income exceeded ISA2020 vision of multiplying by 3 the 2012 income.



ACTION FRAMEWORK

They are statements that guide the company's behaviors regarding the commitments with stakeholders, including policies, values, and codes of conduct.

Based on the company's actions and during normal operations, such commitments are systematically monitored, and risks are managed to ensure consistency in the achievement of the strategy and assure business sustainability.

In this sense, for ISA, sustainability is a business approach which allows the company in a responsible, transparent, and ethical manner to manage opportunities, impacts and economic, environmental, and social risks to generate value to its stakeholders, to keep its competitive advantage and contribute to the development of the communities where it is present. [GRI 102-14]

Corporate Strategy

Mission

ISA's mission is to develop and operate highly efficient systems of linear infrastructure where it has capabilities or differential advantages based on the development of human talent and capacity for innovation to create value for its shareholders and other stakeholders, and to contribute to the sustainable development of societies where it operates.

Scope

In 2020, ISA will have tripled its profits, by capturing the most profitable growth opportunities in its existing businesses in Latin America, the boost of operational efficiency and the optimization of its business portfolio.

ASPIRATIONS

Greater profitability

Ratification of countries and businesses

Growth subject to profitability

→ **ISA's vocation:** generate value from operation and **"excellent"** development of infrastructure.

STRATEGIC PILLARS

CAPTURE of **growth** opportunities with greater profitability

IMPROVEMENT of current **business profitability**

DYNAMIC ADJUSTMENT of the **business** and geographies portfolio

↗ On its website, ISA publishes the full text of the values, policies, Code of Ethics and Antifraud Code.

[GRI 102-16]

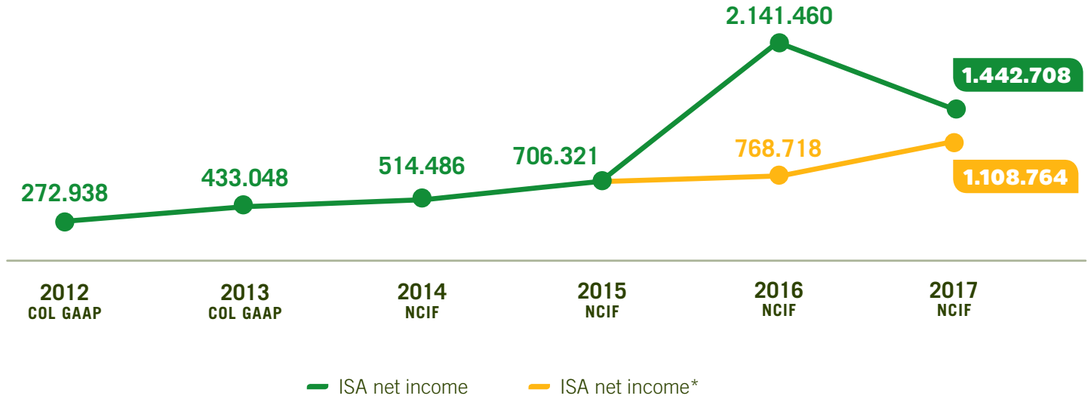
Progress of the strategy

For five years, ISA2020 Strategic Plan has improved the profitability of current operations through innovation applied to business models, operation efficiency, risks management and the seizing of growth opportunities with higher profitability in the countries and business where ISA is present.

This Strategic Plan translated the highest-level aspirations, expressed in mission, vision, and strategic pillars; and it consolidated them in objectives, initiatives, and goals to prioritize management, allocate resources, and monitor performance.

When comparing ISA's 2017 net income and ISA's 2012 net income, it was achieved 5,3 times its value, thus tripling ISA2020 vision. However, since the 2020 vision's baseline did not consider extraordinary events, such as RBSE and Tax Amnesty in Brazil; after discounting its impacts, the net income for the period is 4,2 times that of 2012. This anticipated achievement reaffirms the strength of the competitive position of ISA's business to keep generating value over time.

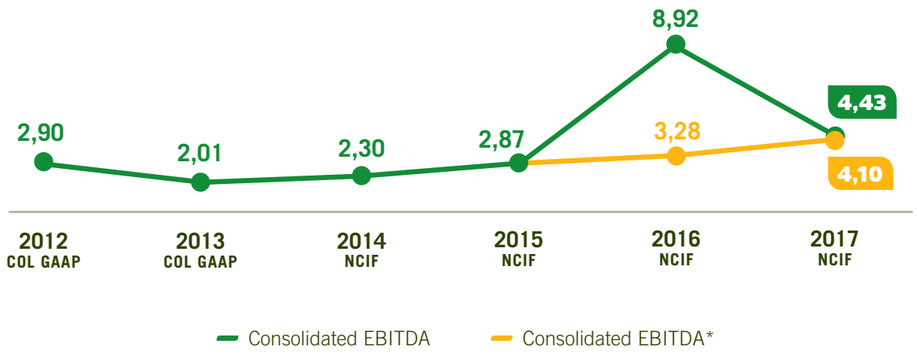
ISA Net income
COP Million



(*) By discounting the impacts on the value adjustment of the RBSE and the Tax Amnesty in Brazil, the company's net income would have an increase of 44,5% compared to previous year.

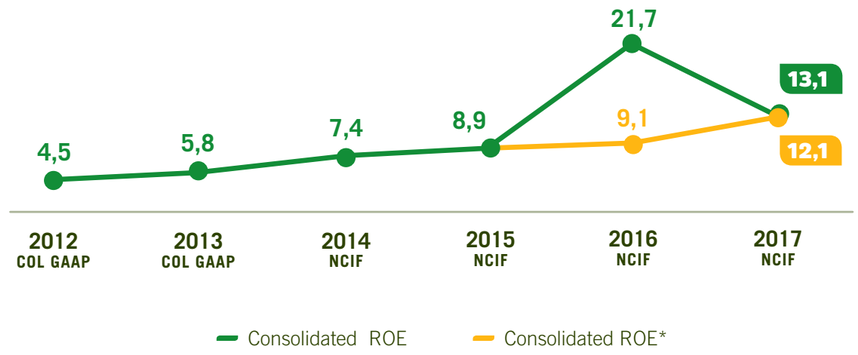
ISA2020 GOAL
$818.814
million

Consolidated EBITDA
COP Trillion



(*) By discounting the impacts on the value adjustment of the RBSE and the Tax Amnesty in Brazil, EBITDA would have an increase of 24,9% compared to previous year.

Consolidated ROE
(Percentage %)



(*) By discounting the impacts on the value adjustment of the RBSE and the Tax Amnesty in Brazil, ROE would have an increase of 3% compared to the previous year.

Now, a summary of the main achievements associated with the strategic pillars, where it is evident how these results reaffirm the experience of ISA to manage, in a sustainable manner, the infrastructure with efficiency and synergies among assets.

Pillar 1: Capture of growth opportunities with higher profitability

Energy Transmission Business Unit

During the year, multiple business opportunities were analyzed in the region, which were prioritized according to their strategic fit, risk, and profitability. The total of projects won by ISA and its affiliates represented about USD1.474 million in investment, from public bidding offers won in Brazil, Chile, Peru, and Colombia. Once in operation, these projects will generate USD208 million in annual revenues.

Road Concessions Business Unit

The management of the Ministry of Public Works of Chile was developed to make feasible new works and thus expanding current concessions deadlines of ISA INTERVIAL. Furthermore, such company presented the best bid for Rutas del Loa project in Chile, with an investment of USD315 million, and annual income of USD21,6 million.



Information and Communication Technology Business Unit

INTERNEXA showed an interesting progress related to the consolidation of its value offer in the corporate market, by means of an increase in the number of customers in sectors such as education, utility companies and government, and expanding the portfolio of contracted services in the current customer base. The above has enabled the diversification of ISA's revenues and the consolidation of long-term trade relations with customers. In 2017, ATP, a company in which ISA has stake, announced the acquisition of Torres Unidas. This acquisition is strategic since Torres Unidas is a relevant and quality asset in the region, with good market practices and great affinity. In this way, 1.644 sites would be added to the ATP portfolio, reaching 2.150 sites in Chile, Peru, and Colombia.

For purchasing Torres Unidas by ATP, ISA invested additional USD80 million in the initial capitalization, reaching 26,5% in the company's share capital.

Pillar 2: Profitability improvement of current business

In 2017, the development of different strategic initiatives applied when structuring offers, as well as in business operation and maintenance, generated savings around USD50 million in OPEX and USD100 million in CAPEX. These savings were obtained while keeping the service levels, the responsible development of the company's activities, and the compliance of our commitments with stakeholders.

Pillar 3: Dynamic adjustment of the business and geographies portfolio

ISA analyzed its portfolio based on the attractiveness of the industry as well as ISA's ability to extract value. From there, transformation and growth actions incorporated to the business plan of each affiliate were derived to improve its value position towards future.

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2017 Revenues

of our strategic objectives as of 2020

Objective

Increase profitability

INDICATORS

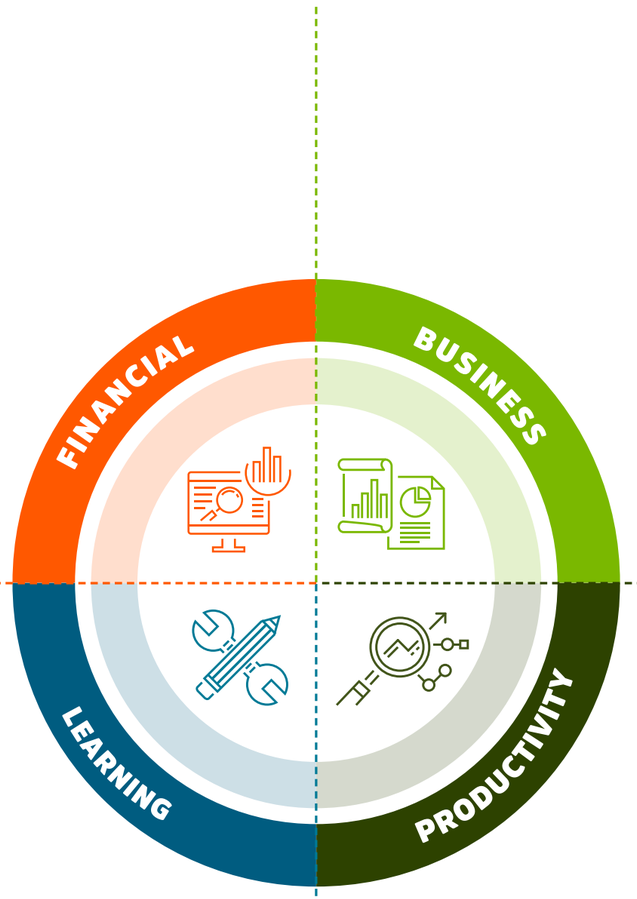
30,3% valuation of ISA's stock

-5 percentage points

COP1,1 trillion* ISA net income

+44,5

* Without contributions from FAER, PRONE, FOES; RBSE and Tax Amnesty



Objective

Growing profitably

INDICATORS

USD1.949 million addressed to new investments

+550%

A contract signed to acquire **41,6%** of the TAESA's control block, in Brazil.

Multi-Latin leader in technical excellence and sustainability.

INDICATORS

99,99% reliability in the Energy Transmission Business Unit

No variation

ISA listed in the DJSI

No variation

Objective

Increase human talent, organizational and technology skills.

INDICATORS

82% of group organizational environment

+4 percentage points

83% of group leadership index +3 percentage points

84% of development related to group technical skills

4,1 accidents per 500 employees per year for the group No variation

0 fatal accidents of employees No variation

14,3 accidents per 500 contractors per year for the group

4 fatal accidents of contractors +300%

Objective

Increase the efficiency of operations.

INDICATORS

USD50 million per year in OPEX optimizations

USD100 million per year in CAPEX optimizations

Improve competitiveness in business development.

INDICATORS

9% under planned CAPEX

105% compliance with physical progress of projects

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Strategic update

Early compliance of ISA2020 strategy and, in general, ISA evolution in its various strategic cycles, show the highly technical and financial performance of the Company, its strong business base and the positioning to grow. During 2017, reflections were made concerning ISA's higher purpose, being the start point to set goals and choices of the following strategic cycle (2018-2030).

Brand manifesto

We have been connecting countries and improving the quality of life of millions of people for 50 years. That is our great responsibility, which we take on demanding the best of ourselves, our partners, and our allies, so that we can achieve the level of excellence that has won for us the trust of many. To honor the road we have travelled, we must commit once more to the many things that still need to be done.

We recognize that we are all part of a whole. Humankind and the planet demand ever-greater challenges. Today, our efforts should point at transforming our experience into new answers to the challenges we face; understanding that whenever we connect one point with another we are connecting people, making each connection an inspiring act.

isa

If we are aware
that we all are one and the same,
there is connection.

If we recognize
that our planet is fragile and needs our care,
there is connection.

If we understand that our actions,
however small, have an impact,
there is connection

If we realize that in each of us
lies the change that we want for the world,
there is connection.

If we are certain that our well-being
is linked to everyone else's,
there is connection.

If we know that excellence is the result
of the effort we place in every single act,
there is connection.

If we are committed
to act constructively and responsibly
in the decisions we make,
there is connection.

If it moves us to know that we are made for great challenges, there is connection.

After half a century, we renew ourselves by creating one connection after another. Without borders. Without barriers. That is our legacy to the new generations. We are convinced that if there is connection, there is life.
Let's celebrate!

ISA, CONNECTIONS THAT INSPIRE

↗ Visit conexionesqueinspiran.isa.co

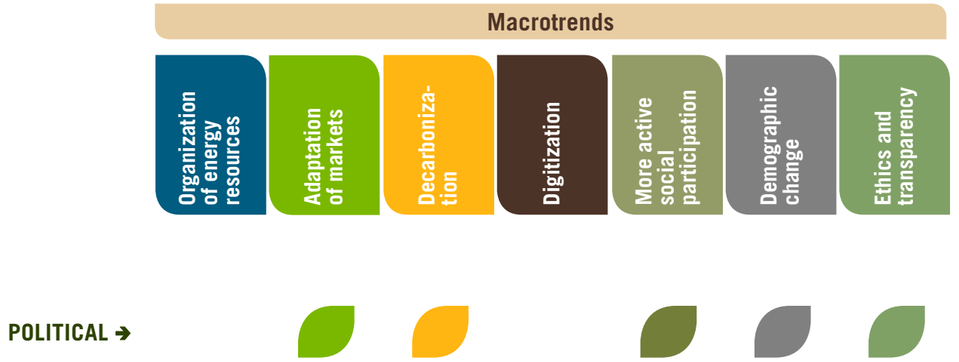
SELECTION OF STRATEGIC UPDATE

To determine new selections, a business analysis was conducted in three levels: Firstly, an approximation to political, economic, social, environmental, legal, and technological global trends. Subsequently, variables and driving forces conditioning major industries were considered. And later, a specific analysis of the impact on trends in the company's current business models.

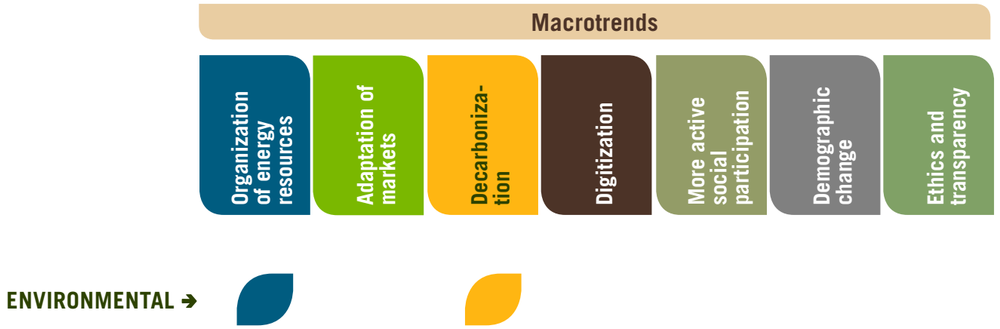
This analysis showed the complexity, dynamism, and uncertainty of the business environment and offered a glimpse of major changes that oblige the incorporation of responses in the new ISA2030 strategy to challenges and environmental signals.



Challenges and environmental signals [GRI 102-15]



Environmental signals	
Short-Term	**Long-Term**
Electoral reconfiguration in Latin America.	Public policies oriented to new demands of society in infrastructure and sustainability.
Institutional crisis related to corruption scandals.	Greater concern for integrating urban and transport planning, with urban densification and changes in the population pyramid.
Moderate economic growth for Latin America in 2018.	Transformation of the world economic order: emerging markets (E7, N-11, CIVET) will dominate the generation of global GDP, with the leadership of China, India, Indonesia, Brazil, and Mexico.
Investment driven by low interest rates and more orthodox economic policies .	
Consumption supported by the stabilization of labor markets and inflation moderation.	
Adjustments to the regulatory scheme by the decarbonization and unconventional renewable energy sources, as well as the implementation of control mechanisms (carbon tax, emission reduction targets, and environmental zoning).	Adaptation of regulation to incorporate transformations of the sectors: a more active role of customers, open and massive use of data, incorporation of new technologies and new business models.
Greater demands on monitoring and control for the execution of projects.	



Environmental signals	
Short-Term	**Long-Term**
The emergence of unconventional renewable energy sources, energy efficiency, and transport electrification, leveraging global goals related to decarbonization.	Governments implement public policies to discourage the use of fossil fuels.
Greater citizen's expectations and participation mechanisms involve communities to make decisions concerning planning and execution of infrastructure.	Users with more information and requirement levels are bonded as active and productive consumers. Preference for shared economy schemes.
The massive use of digital media generates high pressure over companies and governments.	Low compliance probability regarding ODS as of 2030, which will demand high impact actions, articulated among governments, companies, and citizens.
	Population aging and urban densification create opportunities in the mobility sector (traffic control centers and intelligent transportation systems in cities, electric vehicles, and autonomous vehicles).
Greater integration of digitization in operations, assets, and development of new value offers.	The widespread increase of new vehicle technologies (autonomy and electrification) will demand the adaptation of electric and road infrastructure.
The renewable solar and wind energies increase connection needs.	The widespread increase of distributed energy resources reduces the need for networks and distorts the allocation of costs in the tariff.
Large-scale storage for optimizing energy resources.	Data widespread increases the demand for urban, distributed, and reliable telecommunication infrastructure.

Strategic review stages













Analysis	Identification	Formulation	Validation	Tuning and design	Implementation
➔ ISA's higher purpose ➔ Macrotrends	➔ SWOT (Strengths, Weaknesses, Opportunities, and Threats) ➔ Potential business and markets ➔ Competence	➔ Corporate strategy, pillars, and goals as of 2030	➔ Board of Directors	➔ Goals ➔ Road map	➔ Development of projects ➔ Monitoring of results

In this sense, strategic selections shall be aimed at articulating the sustainability vision expressed in the Higher Purpose of the business value proposal. The Company should continue managing in a responsible, transparent, and ethical manner the opportunities, impacts and economic, environmental, and social risks to generate value to its stakeholders, to keep its competitive advantage, and to contribute to the development of the communities where it is present.

Then, ISA2030 strategy shall be aimed at:

- Taking advantage of the growth potential of current business.
- Balancing the portfolio by means of the incorporation of new business arising from technological evolution and convergence among sectors where it is present.
- Increasing asset and operations productivity through digitization.
- Promoting the entrepreneurship ecosystem in sectors of interest.
- Strengthening the innovation system.
- Addressing global challenges by minimizing environmental impacts on operations and allocating external and internal resources to positive environmental and social initiatives.
- Developing leaders to meet adaptive and technical challenges.
- Supporting value generation for all stakeholders.

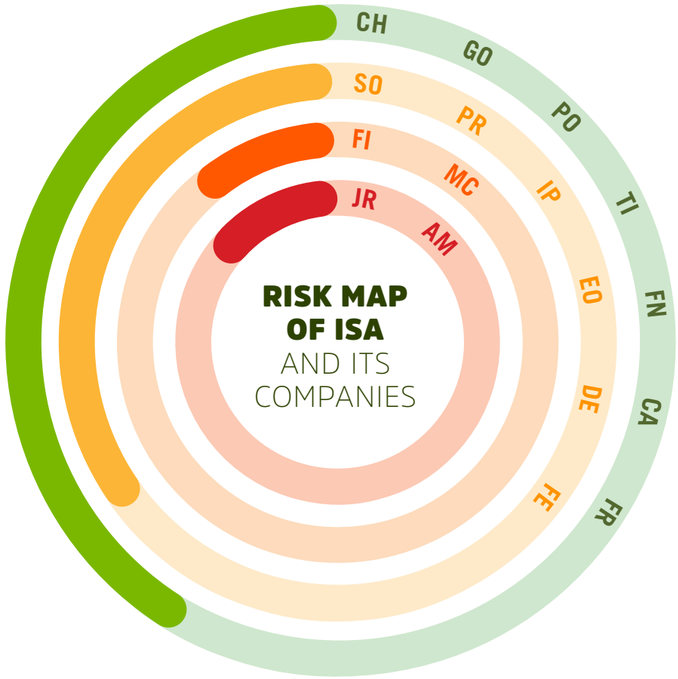
This path of strategic update will finish in 2018. For the first semester, business and geography selections are budgeted, by taking advantage of the degree of interconnection among them to use synergies of assets and existing capacities. In addition, in the course of the year, new goals, organizational adjustments to the government scheme, incentive system, and capacities required to implement this new strategic cycle will be defined. These changes will be included in the implementation road map.

COMPREHENSIVE RISK MANAGEMENT [GRI 102-15]

The Corporate Policy of Comprehensive Risk Management seeks to preserve the integrity of corporate resources, continuity, and sustainability of business units. For this, ISA and its companies permanently perform the identification, analysis, evaluation, monitoring and communication of risks to which they are exposed, to minimize any impact on the financial resources and reputation, and take advantage of the opportunities that may be generated from these.

Each company implements the risk cycle and has a map that includes its identification, assessment, and administration measures. This information is updated and consolidated on a quarterly basis. At the end of the period, the consolidated risk map for ISA and its companies showed the following picture in its 17 risk categories.

The management of risks describe the operational context of each business, where the variation of macroeconomic trends for the sector, changes to regulations, violation to Human Rights; social, environmental, and property transformations; shortage of natural resources, and political factors, among others, are considered.



- **JR** Legal and regulatory
- **AM** Environment
- **FI** Market, liquidity, and risk
- **MC** Market, competition, mergers, and acquisitions
- **SO** Social
- **PR** Property
- **IP** Suppliers
- **EO** Errors and omissions
- **DE** System or electric market deficiencies
- **FE** Failure of equipment, spare parts, and materials
- **CH** Human capital and employment relation
- **GO** Governance
- **PO** Political
- **TI** Information and Communications Technologies
- **FN** Natural events
- **CA** Armed conflict, terrorism, and vandalism
- **FR** Fraud



Severity scales for financial resource USD million

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Information and Telecommunication Technologies business unit

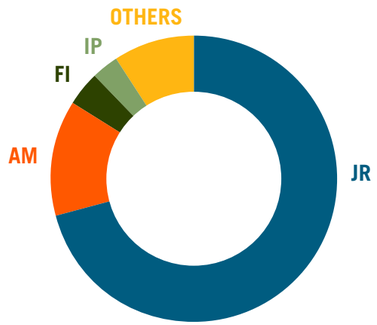
Management of Real-Time Systems business unit

Financial results

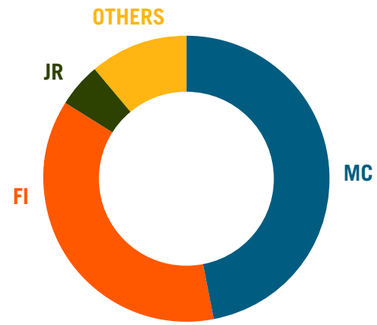
Annexes

Relevant risks per business unit

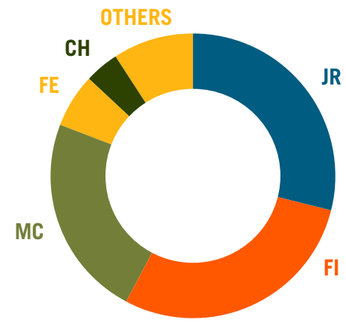
Energy transmission



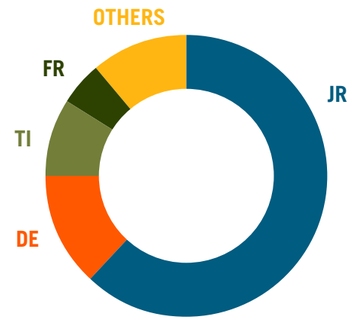
Road concessions



Information and Communications Technologies



Real-Time Systems Management



JR	Legal and regulatory	**EO**	Errors and omissions	**TI**	Information and Communications Technologies
AM	Environment	**DE**	System or electric market deficiencies	**FN**	Natural events
FI	Market, liquidity, and risk	**FE**	Failure of equipment, spare parts, and materials	**CA**	Armed conflict, terrorism, and vandalism
MC	Market, competition, mergers, and acquisitions	**CH**	Human capital and employment relation	**FR**	Fraud
SO	Social	**GO**	Governance		
PR	Property	**PO**	Political		
IP	Suppliers				

Relevant risks per country



< 2 | ≥ 2 | ≥ 4,5 | ≥ 15

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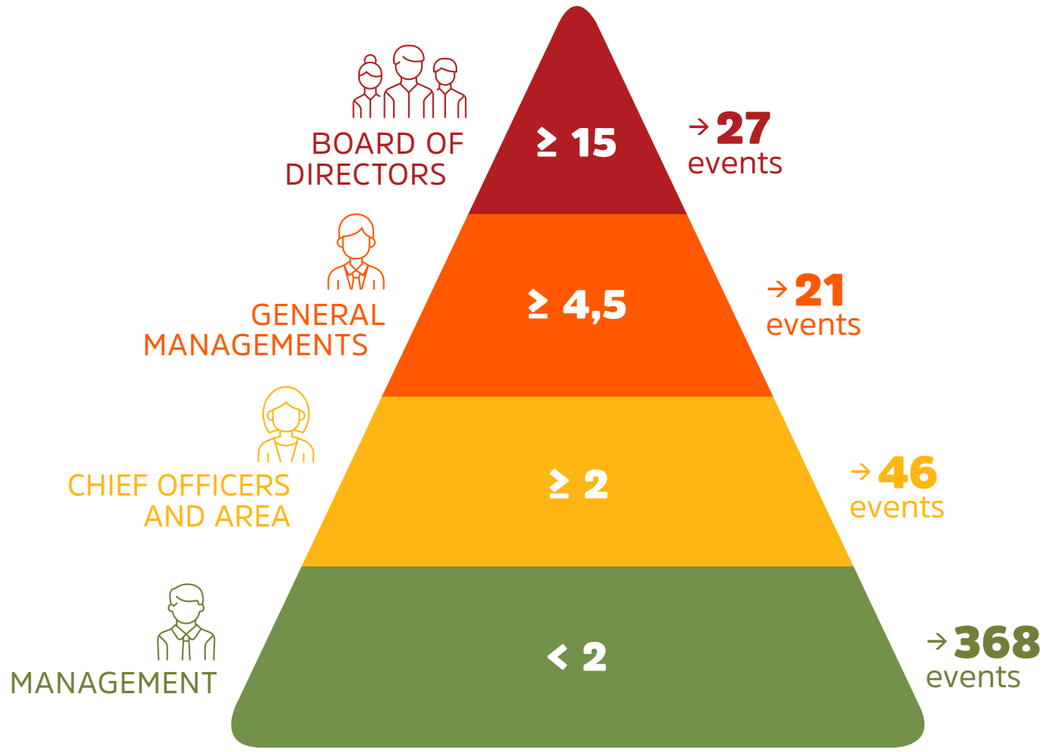


Monitoring and review of risk management

Self-control is the fundamental principle for risk management and it is present at all levels of the Company. The monitoring of risks is associated with levels of responsibility in the organization structure, from processes layer to the highest levels in companies, including its board of directors.

In addition, the audit function supports its action on the analysis of corporate risks.

→ Escalation of risks
(USD million)



Priority risks management



JR
Legal and regulatory
No variation



AM
Environmental
No variation



Risk	Actions carried out
Delay in the payment related to 15% of the remuneration of the Basic Network of the Existing Service –RBSE– in ISA CTEEP, Brazil.	Permanent management with the Ministry of Mines and Energy, Ministério da Fazenda, Agência Nacional de Energia Elétrica –ANEEL–, Tribunal de Contas da União – TCU –, as well as the legal management by means of the Associação Brasileira das Empresas de Transmissão de Energia –ABRATE–, in collective and individual actions.
Tax events and pension liability in ISA CTEEP, **Brazil**	Presentation of relevant resources before regulatory entities, delivery of documents and supporting material, union management, legal and extrajudicial proceedings, collection management, and continuous monitoring of process evolution.
Impacts of the regular tariff revision process in **Brazil**	Management of public hearings of ANEEL, expert contracts, direct management with ANEEL and joint action with ABRATE on common issues
Change of the compensation scheme of energy transmission in **Colombia**	The direct management through unions was made before the regulatory entity, the Ministry of Mines and Energy, and the Ministry of Finance. For 2018, it is expected that Energy and Gas Regulatory Commission –CREG– publishes a new resolution project during the first quarter, and a final resolution during the second quarter.
Impairment to the development of the Cardones – Polpaico project due to delays or difficulties in environmental procedures or authorizations in **Chile**.	Regarding social and environmental events presented during the execution of the project, managements before the Ministry of Energy and Mines and Environmental Authorities were conducted in order to give a satisfactory response to the remarks received. Likewise, an extension of the deadline for the commissioning was requested by arguing reasons of force majeure.
Impairment to the development of the Interconexión Noroccidental, Cerro-Copey and Chinú-Montería-Urabá projects due to delays or difficulties in environmental procedures or authorizations in **Colombia**.	Regarding social, property, environmental, forestry, and archaeological conflicts, managements before the Ministry of Mines and Energy, authorities, and society involved were carried out to overcome problems. Moreover, an extension of the deadline for the commissioning was requested by arguing reasons of force majeure.



MATERIALIZED RISKS

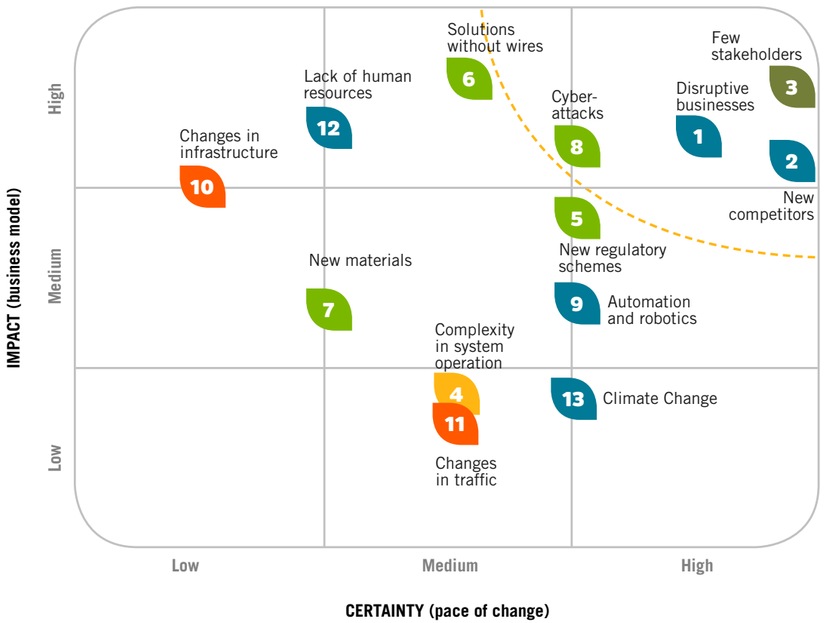
- Greater values in the Mantaro - Montalvo project in Peru in properties, greater amounts, and more execution time.
- Equipment failure of the transmission system:
  - Madeira - Brazil HVDC network: software and equipment failure of converter stations
  - Failure of inductive equipment in Peru due to problems with suppliers
- A financial insolvency of the supplier in Chile caused delay and cost overruns in the Encuentro – Lagunas project, as well as claims of other suppliers, affecting the Company's reputation.

EMERGING RISKS

These are long-term uncertain events that may affect businesses. The analyses of these risks are supplementary to those conducted in the Comprehensive Management Models of Risks and incorporate the observance of the environment (potential threats related to trends), for adjusting the strategy in advance to turn such situations into opportunities.

The prioritization criterion of the emerging risks is established in terms of the affectation to the business model and the proximity of the risk.

Emerging risks



- Electric Energy Transmission
- Road concessions
- Information and Communications Technologies
- Real-Time Systems Management
- All

Risk	Social impact on the company	Actions
1	Business obsolescence	Strategic revision exercise, from which a road map as of 2030 will be defined to take advantage of the opportunities generated by means of the transformation of sectors.
2	Less market share	
4	Less market share	
5	Lower rate	
6	On-site energy and less system burden	
7	Less requirements for energy transformation	
8	Cost overruns	Protection mechanisms for critical cyber assets. Real-time monitoring is performed. Physical security mechanisms are implemented. Moreover, recovery plans of critical cyber assets are approved regularly. ISA complies with the requirements set in Agreement CNO 788 (Cybersecurity Guide) and CONPES document 3854 (National Policy of Digital Security).
9	Less competitiveness	Strategic adjustments to capture opportunities arising from digital transformation. Under this framework, a long-term agenda supported by seven pillars was structured: process simplification, collaboration, advanced analytic, ecosystem of digital allies, exploration of new technologies, cybersecurity, and employees' digital skills.
3	Less competitiveness	
10	Less road traffic	
11	Less road traffic	
12	Less competitiveness	Knowledge transfer model, identification of critical positions, and succession plan are applied by ISA.
13	Cost overruns	Mitigation measures and adaptation: management of carbon emissions and joint work with countries' authorities to ensure service continuity and infrastructure availability.

INNOVATION

ISA has an Innovation Model to articulate networks, ideas, projects, and resources.

During 2017, to facilitate synergies between companies and businesses, Innovation Committees which replaced Innovation Boards were created. An internal network of learning communities, responsible for integrating knowledge, defining technology monitoring, validating relevance and maturity of projects, avoiding redundancies, selecting, and coordinating projects, and adopting technologies and practices.

Based on these analyses, 15 thematic areas to strengthen the corporate group in the response to global trends and future environment scenarios were defined.

Relevant achievements

- ISA REP was awarded as the Most Innovative Company in the sector, by The National Mines, Petroleum and Energy Association (SNMPE).
- ISA CTEEP received the Innovation Award for the Usina Solar Fotovoltáica project, as best academic project.
- ISA INTERCOLOMBIA managed its patent of the "Security System for Winch" project, designed to protect and preserve the life of people who build energy transmission projects.
- XM received the Ruta N award to the Best Management System, as well as the Best Innovation Project with the GAPS (Geometrical Analysis of Power Systems) project.
- ISA, ISA INTERCOLOMBIA, XM, and INTERNEXA, together with the Colombian Government, some universities, and companies of the construction sector, won the COLCIENCIAS tender with their "Energy Alliance 2030" project. With an investment of COP38.000 million and more than 150 researchers, 11 projects that will provide reliability and sustainability to the Colombian energy sector, will be developed.
- 526 projects in incremental innovation, 70 projects in radical innovation, and 2 projects in disruptive innovation were structured.

USD5 million INVESTED

13 Patents + 2 in progress

41 innovation projects

9 thematic committees

60 → Employees involved

COLCIENCIAS approves potential tax benefits for **$1.039 million**

Project planning supported by **MIT**

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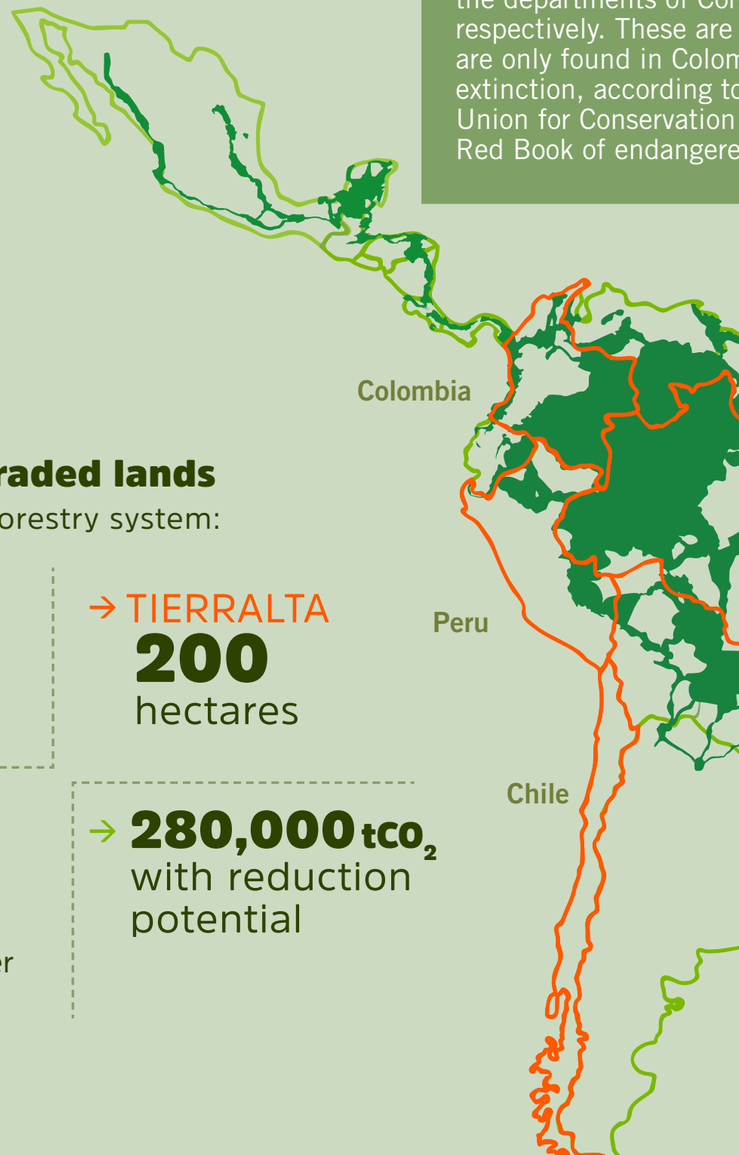
CONEXION JAGUAR | isa

CONEXION JAGUAR is a sustainability program that ISA formulates and develops together with communities and experts. It contributes to biodiversity conservation and climate change mitigation through forestry projects in priority areas for protection, recovery and connection of habitats and corridors of the jaguar in areas where the company is present in Latin America.



Relevant achievement

It was registered the presence of the cotton-top tamarin and the blue-billed curassow in the departments of Cordoba and Santander, respectively. These are two species that are only found in Colombia and at risk of extinction, according to the International Union for Conservation of Nature -IUCN- Red Book of endangered species.



Restoration of degraded lands
through the cocoa agroforestry system:



→ CIMITARRA
2,000
hectares

→ TIERRALTA
200
hectares

→ **400**
hectares
of forests and protected water births

→ **280,000** tCO_2
with reduction potential

↗ **If you want to know more about this program, please visit www.conexionjaguar.org**

6

Commitments to stakeholders

If we are certain that our well-being is linked to everyone else's, **there is connection**

Commitments to stakeholders

ISA strengthens relationships based on trust and legitimacy with its stakeholders.



Visit of the Ministry of Development and Social Inclusion and Manager of Consorcio Transmantaro to Quispillacta, Ayacucho-Peru.

Stakeholders are a set of people, organizations and institutions with which ISA and its companies build and share common interests that may be affected directly or indirectly by the development of business activities and, therefore, they also have the potential to affect directly or indirectly their development. They are selected with visibility and legitimacy criteria. They also have the ability to cause an impact on the environment and the company. [GRI 102-42]

ISA is committed to develop, strengthen, and promote mechanisms of relationship and commitment to its stakeholders to:

- Promote ethical, transparent, constructive, and respectful relationships based on upholding Human Rights.
- Generate communication channels that provide information and ensure spaces for dialogue.
- Strengthen relationships based on trust and legitimacy.
- Provide timely information of public interest.
- Contribute to sustainable development and welfare of society.

Engagement with stakeholders involves aligning expectations and needs of environment with the strategies provided by the Company, as well as commitments undertaken, relationship mechanisms, key issues, actions, and strategic indicators. [GRI 102-40] [GRI 102-42] [GRI 102-43] [GRI 102-44]

Stakeholders management

	COMMITMENTS	MATERIAL INTEREST	STRATEGIC RESPONSE	STRATEGIC INDICATOR	RELATIONSHIP MECHANISM
Employees	• Attract, develop, and retain human talent, within a framework of clear, respectful, fair, and just relationships that create a working environment based on trust and comprehensive development.	• Training, development*, welfare, and recognition • Occupational Health and Safety -OHS-, and employment conditions. • Benefits for employees and their families	• Training programs • Health plans • Leadership program • Competitive employment conditions	• Organizational environment • Leadership index • Accident rate index	• Employment environment survey and leadership measurement • Psychosocial risk measurement survey • Performance management • Intranet, newsletters, posters, email, and suggestion boxes • Coffee with the CEO • Virtual communities • Joint occupational health committees and community committees • Committees and primary groups • Complaint mechanisms: • Ethics Line and email. • Collective bargaining processes
State	• To respect and promote the Rule of Law and contribute to create an enabling environment for the provision of services by promoting transparency and setting clear rules.	• Regulatory management* • Permit management • and environmental licenses* • Compliance / transparency • Tax payment • Provision of public services	• Promotion and provision of quality public services. • Ethics management and anti-corruption practices. • Fostering of Sustainable Development Goals -SDG- (7 access to energy, 13 Environment management, 15 Ecosystems). • Conexión Jaguar Program.	• Net Income • EBITDA	• Spaces for participation and promotion of public policies • Spaces for guild participation • Queries • Dialogues
Investors	• To grow with profitability, maintain good governance practices and ensure sustainability of companies.	• Economic impact* • Profitable and sustainable growth • Value generation • Relevant, timely, and transparent information • Corporate governance practices	• Board of Directors' leadership and commitment • Good governance practices • Payment of dividends	• Net Income • EBITDA • Market-related stock valorization • Inclusion of the Dow Jones Sustainability Index	• Ordinary General Meeting of Shareholders. • Contact Center. • Webcast with investors. • Newsletter. • Quarterly reports. • Meetings and visits. • Support line. • Email. • Social network. • Chat.

(*) Asunto material para el Negocio de Transporte de Energía Eléctrica

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	COMMITMENTS	MATERIAL INTEREST	STRATEGIC RESPONSE	STRATEGIC INDICATOR	RELATIONSHIP MECHANISM
Suppliers	To provide a transparent and equitable treatment, based on criteria of efficiency and competitiveness	• Suppliers Management* • Sustainable contractual relations • Growth and development opportunity • On time payment • Promotion and demand of safety practices, occupational health, and environmental health	• Responsible procurement practice • Management of ethics and Human Rights • Local purchases • Development programs • Commitment and ongoing training in Occupational Health and Safety -SST-	• Accident Rate Index in contractors	• Annual meeting Website • Support line for suppliers • Performance evaluation • Field and plant visits • Suppliers email
Customers	Providing quality services, opportunity, and competitive prices, designed to meet their needs and create long-term relationships	• Reliable, available, and secure service	• Ongoing communication • Empowerment programs for service delivery • Customer/user satisfaction • Reliability and availability of the power grid • Road safety	• Unscheduled Energy Not-Supplied • User satisfaction index • Road safety index • Compliance with TELCO service levels • CREG indicators	In the affiliates: • Annual meeting • Newsletter • Visits • Satisfaction evaluation • Customers email
Society	To conduct a comprehensive social management and be linked as a major player in creating a favorable environment for development.	• Social management* • Promotion of biodiversity* • Infrastructure investments • Management for development • Education improvement • Local empowerment	• Commitment to development • Investment in critical areas for business • Communication and consultation with the community and its representatives • Conexión Jaguar Program	• Weighted compliance with transmission project's physical progress • Compliance with the physical project called Ruta del Maule Safety Regulations Works • Compliance with Internal Rate of Return related to Ruta del Maule Safety Regulations Works	• Training workshops • Information and awareness-raising meetings • Relationship Rounds • Radio program • Closing of agreements survey • Meeting with the community

(*) Key issue for the Electric Energy Transmission Business Unit

- DIALOGUES WITH STAKEHOLDERS
- REPUTATION RESEARCH

Website: **www.isa.co**
ISA email: **isa@isa.com.co**

Free Ethics Line:
01 8000 941341
lineaetica@isa.com.co

ACCOUNTABILITY

ISA truly believes the role companies play must change. The society demands open organizations, nearby organizations, entrepreneurship promoters, fostering dialogues in their community, focused on significant issues for the future. In this sense, the Company promoted dialogues with stakeholders to jointly create actions for consolidating challenges and identifying measures to contribute to the Sustainable Development Goals -SDG-.

In Dialogues with Stakeholders, ISA and its companies report management results, gather expectations of stakeholders related to their business activity, and consider opinions about relevant issues, to align their interests with those of the organization and be ratified as legal and reliable stakeholders.

In 2017 version, challenges of the United Nations 2030 Agenda were addressed in relation to the SDGs achievement, which foster the collaboration and pragmatism to contribute effectively to improve the lives of future generations, in a sustainable manner, as well as providing guidance and clear goals for their adoption in all countries, meeting global challenges.



ISA's General Meeting of Shareholders, March 2017.

Dialogues with Stakeholders

Society

OBJECTIVES

Sharing ISA's evolution towards a higher purpose.

- Identifying key SDGs for the company's social management towards the manifesto and the social model.

RESULTS

It was recommended to focus social management to SDG 4, 15, 16, and 17.

Proposals aimed at the quality of education, SDG 4:

- Strengthening basic writing, reading, and arithmetic skills.
- Improving rural coverage and fostering access to technology.
- Improving the supply of skilled teachers.
- Increasing the number of professionals.
- For Colombia, adding the conflict and post-conflict situation, since a significant number of infants entered into during the conflict.
- Strengthening relations with the State to value land's vocations.

Proposals aimed at fostering biodiversity SDG 15:

- Consolidating the Conexión Jaguar program.

Proposals aimed at justice-peace-alliances SDG 16 and 17:

- Informing ISA's management and its commitment as a business example:
- Supporting territorial participation with rural stakeholders in influence areas.
- Supporting programs that create tools for entrepreneurs for peace building with a pedagogic approach in order to be implemented by others.
- Enhancing inhabitants' networks to build trust and social transformations.

Employees

OBJECTIVES

- The Chief Talent Officer -CTO- conducted a dialogue with all ISA's staff to present the progress of the new human talent management model and provide accountability.

RESULTS

- Employees consider ISA is a company facing big challenges, which promotes the welfare of employees and their families. However, they propose the company to have a closer relation with them and allow further development towards their careers.

THIS PRACTICE WAS EXTENDED TO AFFILIATES: ISA REP, ISA TRANSELCA, AND ISA INTERCOLOMBIA, WHICH CONDUCTED DIALOGUES AND MEETINGS WITH THEIR STAKEHOLDERS IN ORDER TO ASSESS MANAGEMENT, RECEIVE FEEDBACK, AND ADJUST THEIR PRACTICES.

Dialogues with stakeholders

State

OBJECTIVES

- Synchronizing the understanding of SDG 7, orientated to affordable and sustainable energy.
- Validating the country's commitments to achieve global stated goals.
- Discussing ISA's contribution to the goals related to the achievement of SDG.
- Identifying key opportunities for ISA in relation to compliance with the goals, aiming at jointly participating with the State during its identification.

RESULTS

- Alignment of goals in SDG 7 with Colombia's commitments in COP21.
- Expected contributions of the country regarding access, efficiency, and introduction of renewable energy, as well as restrictions from regulations.
- Need to create the sector's role from industry.
- Promotion of certification and accounting of the carbon market by the State.
- Generating responses to respond effectively to climate change.
- Strengthening the company from the report in relation to management and measurement of Greenhouse Gases -GHS-.



Dialogue with stakeholder (society 2017)

Suppliers

OBJECTIVES

- Reporting results concerning ISA's supply management.
- Identifying actions enabling evolution from transactional field to relational field in trade relations.
- Fostering trust and long-term relationships as key pillars for the achievement of growth goals for ISA and this stakeholder.

RESULTS

- Definition of actions for strengthening long-term trade relations.

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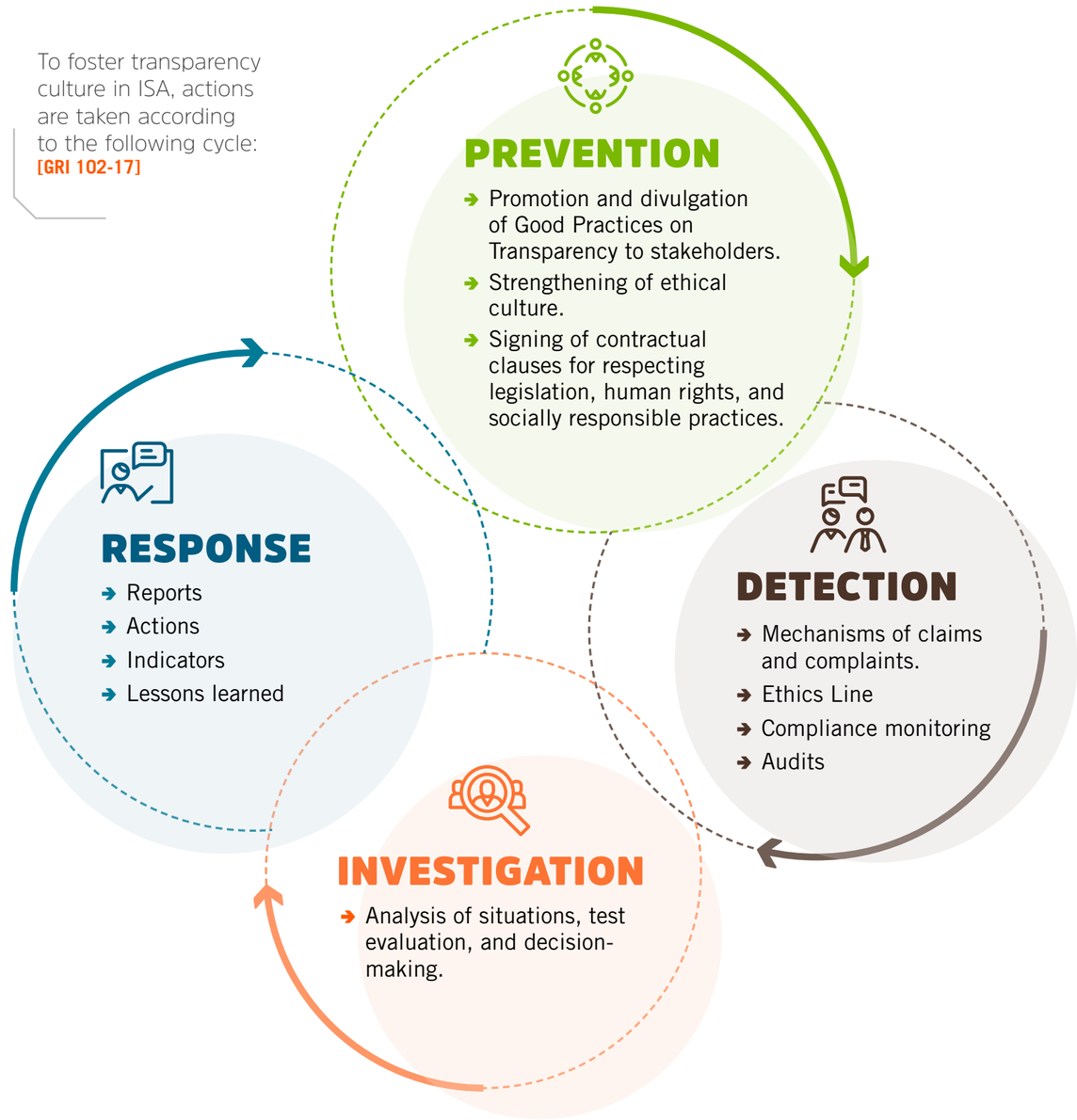
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CORPORATE INTEGRITY

ISA and its companies are aware of the importance that ethics, as "value of values", has on business. Also, they know the internal and external demands this entails in a competitive, changing, and growth environment. In 2017, an assessment to establish the relevance of ISA's transparency both to anti-corruption laws applicable to each country where ISA operates, and international practices, was carried out. As a result, improvement aspects in elements assessed were identified; which after being implemented, will provide a corporate integrity model according to this purpose, and adjusted to the exposure level of each business to fraud and corruption risks.

The approach for treating these risks is conducted by means of the following stages, by focusing prevention efforts on people, processes, and technology.

To foster transparency culture in ISA, actions are taken according to the following cycle: **[GRI 102-17]**



The elements that are part of this model and allow the cycle's management, are the following ones:

- Management commitment: promotion of ethics in ISA's business and implementation of the mechanisms needed for such purpose.
- Roles and responsibilities: various responsibilities are defined in relation to the management required, ranging from the Board of Directors to Employees. During 2017, we worked to formalize the compliance function.
- Comprehensive risk management of fraud and corruption: risks are identified, assessed, and treated according to the methodology defined for the business group. We currently work to identify (at a further level of detail) the most vulnerable processes to identify the relevance of administration measures.
- Action framework: decisions regularly made by ISA and its companies affect staff members who are part of their stakeholders, entailing a relationship based on values, policies, and commitments that strengthen corporate identity and institutional coherence.
  - Mission, vision, and values, within which ethics is declared as value of values.
  - **Code of ethics:** it is the instrument that consolidates trusting relationships and defines the global character of the economic group. Thanks to ethics, it is possible to be consistent in decision making and in the relationship with stakeholders, in pursuit of business goals and the common good.
  - **Antifraud Code:** it formalizes the will of ISA and its companies regarding fraud and corruption, sets a culture of "zero tolerance", and establishes corporate guidelines and responsibilities for its prevention, detection, investigation, and response in a homologated manner in every country where ISA is present.
  - Guidelines and procedures: they strengthen the treatment of companies in the relationship towards public officials; as well as the management of gifts and presents, events, sponsorships, donations, conflicts of interest, among others.

In 2017, in relation to suppliers' management, the guidelines and procedures required to carry out the evaluation of their performance in the business group, which allows managing ethical non-compliances of this stakeholder, in a cross-cutting manner, were defined. This action was extended to the cloud-based e-commerce platform to execute ISA's business transactions, called ARIBA, which included key aspects for the prevention and treatment of antifraud and anticorruption practices, before and during contractual relationship with suppliers.

ISA INTERVIAL RECEIVED FOR THE SECOND CONSECUTIVE YEAR, THE CERTIFICATION OF ITS ETHICS AND CORPORATE INTEGRITY MODEL, BY WHICH BRIBERY RISKS, ASSET LAUNDERING AND FUNDING OF TERRORISM ARE MANAGED.

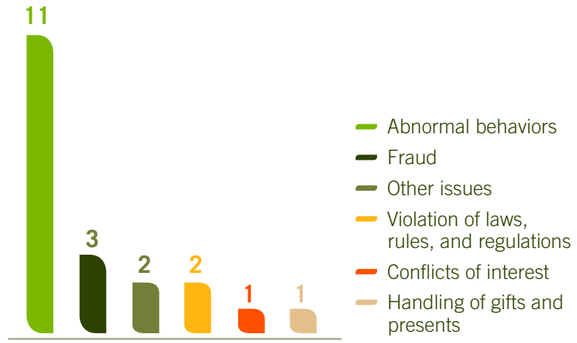
To promote awareness and experience of ethics in business practices, through electronic and physical material, the understanding and experience of ethics for ISA and its companies was strengthened.

Continuity was given to monitoring and control mechanisms in this period. Follow-up to the management of ethics lines of each company was enhanced. This follow-up is carried out in a consolidated way by means of their Ethics Committee and by ISA's Ethics Committee, as well as its improvement measures. Work was done to authorize the support line scheme, incorporating call centers for those which did not have it (INTERNEXA, ISA INTERCHILE, and ISA BOLIVIA), looking for independency and transparency during its support.

In the context of Collective Action for the Electric Sector, in which ISA, XM, ISA INTERCOLOMBIA and ISA TRANSELCA participate, in 2017, the identification for the sector of events such as fraud risks, corruption, asset laundering and free competition, as well as their treatment measures was carried out.

- To foster ethical, transparent, constructive, and respectful relations on ethics, there are indicators to control events related to potential infringements or breaches.
- During the period, no non-compliances related to corruption within ISA and its companies occurred.
- ISA INTERVIAL received for the second consecutive year, the certification of its ethics and corporate integrity model, by which bribery risks, asset laundering and funding of terrorism are managed.
- For three suppliers, there were alerts for potential asset laundering investigations, none of which was related to OFAC and UN lists. In one of the cases, the informative report of the alert to the Financial Information and Analysis Unit -UIAF- was conducted as a preventive measure, thus complying with ISA's due diligence process.

Consolidated of ethics Line cases



Relevant data of 2017 management
[GRI 102-17]

0 EVENTS
related to violations to **Human Rights** in ISA and its companies

100% COMPLAINTS **handled**

66 REPORTS **received and processed**
→ 59 closed reports
→ 7 open reports

7

Corporate Government

isa

ISA Board of Directors

[GRI 102-18] [GRI 102-19]

78%
INDEPENDENT MEMBERS

15
BOARDS OF DIRECTORS HELD DURING THE YEAR

Remuneration
COP3,28
million per meeting attended

94%
average board attendance

See Corporate Governance Report attached



1. **Carlos Caballero Argáez** □
   Appointed by the Ministry of Finance and Public Credit
2. **Luis Eduardo Aragón Varón** ○ □
   Appointed by the Ministry of Finance and Public Credit
3. **Camilo Zea Gómez** △
   Appointed by the Pension and Severance Fund
4. **Carlos Felipe Londoño Álvarez** ○ △
   Appointed by the Ministry of Finance and Public Credit
5. **Paula Ximena Acosta Márquez** ○ □
   Appointed by the Ministry of Finance and Public Credit
6. **Santiago Montenegro Trujillo** ○ ⊡
   President of the Board of Directors
   Appointed by the Pension and Severance Fund
   Not hired directly by the Company
7. **Jesús Aristizábal Guevara** ◬
   Appointed by Empresas Públicas de Medellín
8. **Carlos Mario Giraldo Moreno** ⊙
   Appointed by the Ministry of Finance and Public Credit
9. **Henry Medina González** □
   Appointed by the Pension and Severance Fund

Board Committees

- ○ Board and Corporate Governance
- ⊙ Board Committee and Corporate Governance's President
- □ Business Units
- ⊡ Business Committee's President
- △ Corporate Audit
- ◬ Corporate Audit Committee's President

Independent Members



Senior management

1 **Jorge Iván López Betancur**
Corporate Road Concession Direction

2 **Sonia Margarita Abuchar Alemán**
CLO - Chief Legal Officer

3 **Carmen Elisa Restrepo Vélez**
Corporate Communication Direction

4 **Bernardo Vargas Gibsone**
CEO

5 **Olga Patricia Castaño Díaz**
CSO – Chief Strategy Officer

6 **Guillermo González Rodríguez**
CIRO - Chief Industrial Relations Officer

7 **Carlos Alberto Rodríguez López**
Chief Financial Officer

8 **César Augusto Ramírez Rojas**
CETO – Chief Energy Transmission Officer

9 **Olga Lucía López Marín**
CIO - Chief Technology and Information Officer

10 **Carlos Ignacio Mesa Medina**
CAO - Chief Audit Officer

11 **Carlos Humberto Delgado Galeano**
CTO – Chief Talent Officer

8

Electric Energy Transmission Business Unit

If we know that excellence
is the result of the effort
we place in every single act,
there is connection.

isa

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Electric Energy Transmission Business Unit

ISA transmits 345.000 GWh per year to supply electricity to more than 150 million people, through the operation of 44.175 km of high-voltage network circuits supporting energy supply in Colombia, Peru, Brazil, Chile, and Bolivia."

CÉSAR AUGUSTO RAMÍREZ ROJAS
Chief Energy Transmission Officer, ISA



ISA's companies expand, operate, and maintain a high voltage transmission network in Colombia, Peru, Brazil, Chile, and Bolivia; as well as international connections operating between Venezuela and Colombia, Colombia and Ecuador and Ecuador and Peru, making it the best international electric energy carrier in Latin America.

In addition, in Central America, the Company has a 11,11% stake of Empresa Proprietaria de Red –EPR–, that operates the Electric Interconnection System for Central American Countries –SIEPAC–, by means of a transmission line of 1,800 km that enables the operation of the Regional Electricity Market.

In countries where ISA is present, energy transmission is an activity regulated within the electric sector production chain, whose expansion is awarded through bid processes arising from the political readiness of government to private investment.

There are different business models, such as Asset Ownership in Colombia and Chile, Concessions in Peru (ISA REP) and Brazil, and Build Operate and Transfer -BOOT- contracts in Bolivia and Peru (Transmantaro and ISA Peru).

To ensure that companies provide a service with high levels of reliability, availability, and safety, adjusted to the regulations in force in each country, there are transmission grid quality indicators. In 2017, these indicators met the established goals, set in accordance with the regulatory requirements of each country and standards of excellence worldwide.

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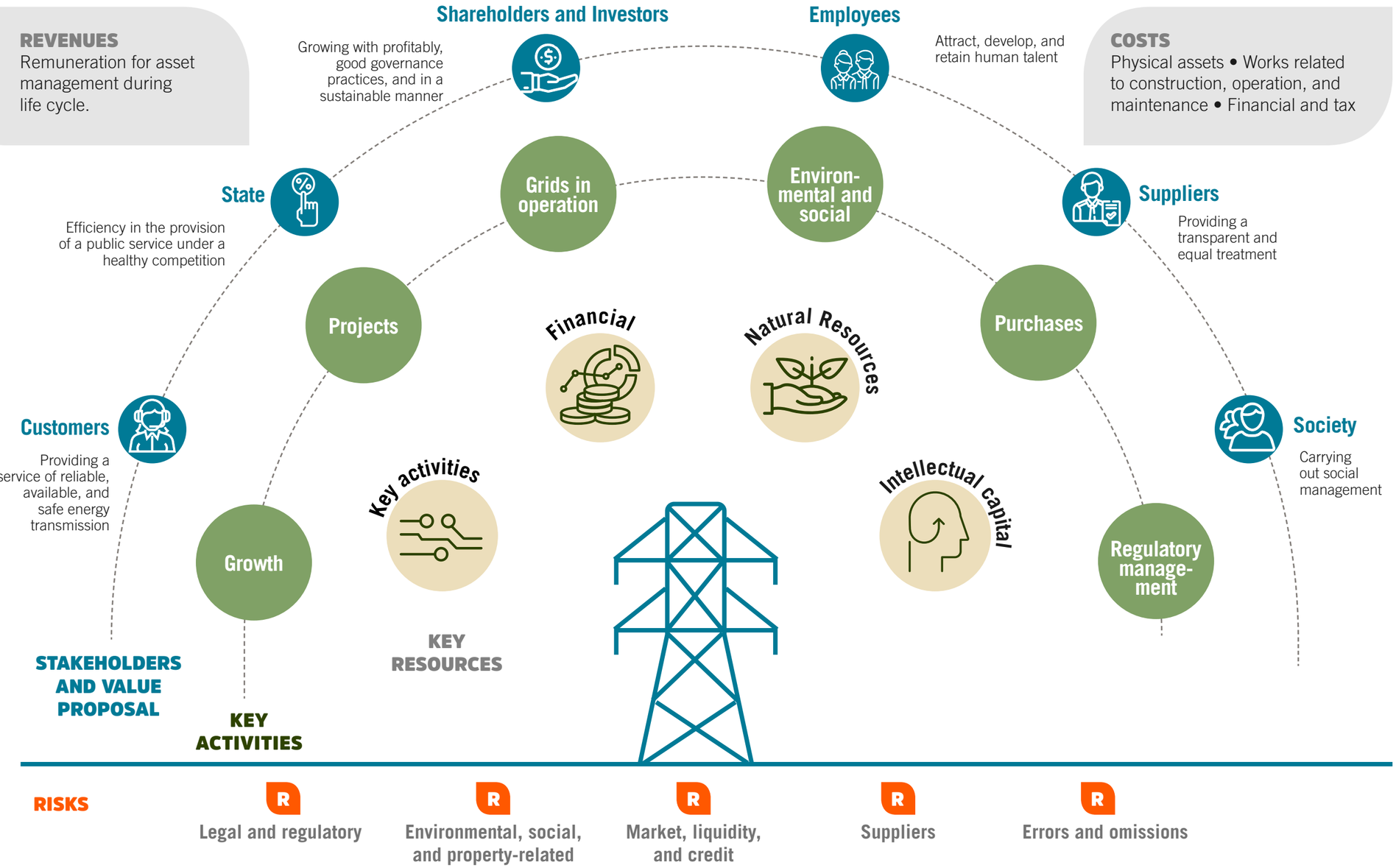
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Business Model



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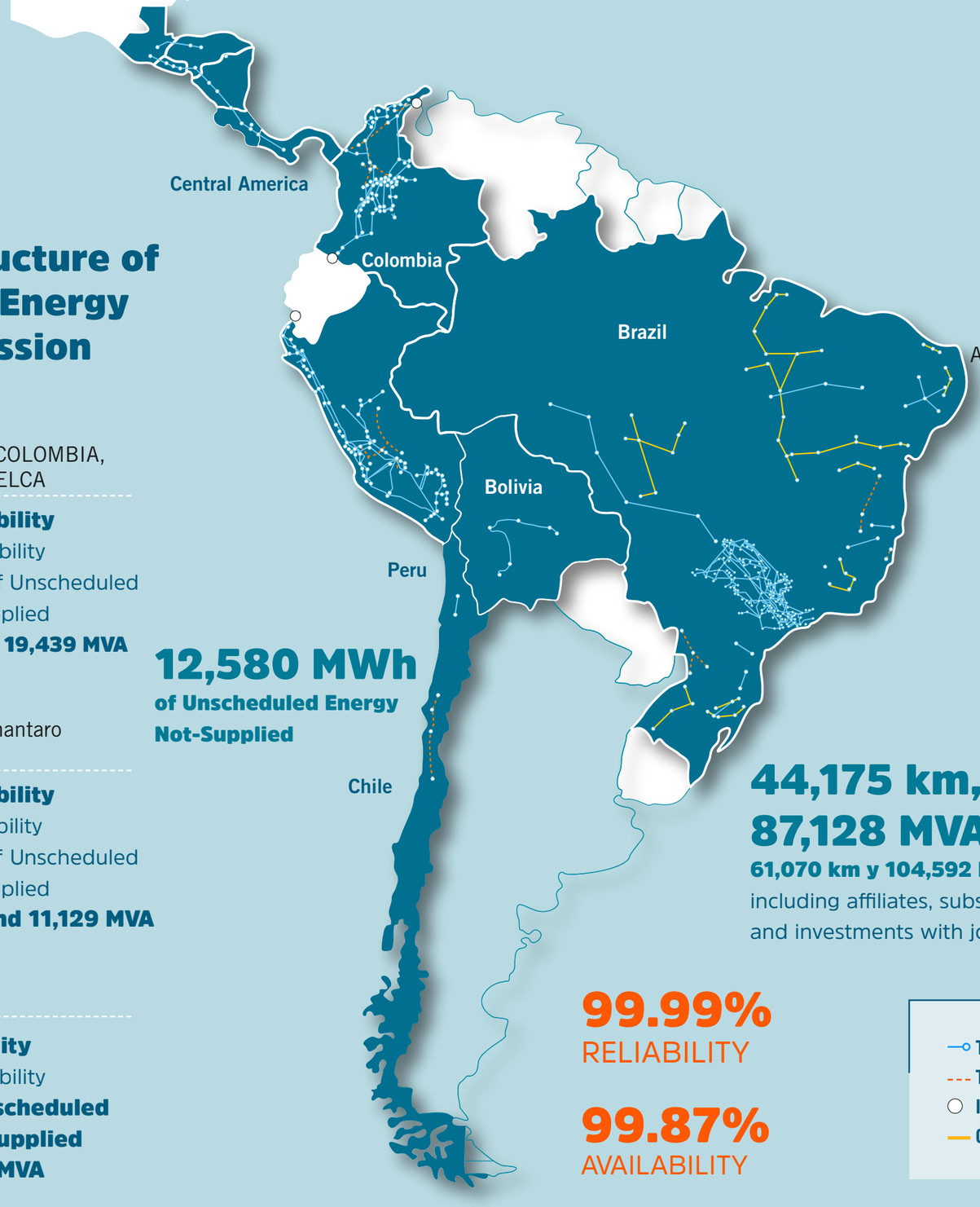
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Infrastructure of Electric Energy Transmission



COLOMBIA
ISA, ISA INTERCOLOMBIA, and ISA TRANSELCA

99.99% reliability
99.92% availability
8,945 MWh of Unscheduled Energy Not-Supplied
12,135 km and 19,439 MVA

PERU
ISA REP, Transmantaro and ISA Peru

99.99% reliability
99.61% availability
2,403 MWh of Unscheduled Energy Not-Supplied
10,855 km, and 11,129 MVA

BOLIVIA
ISA BOLIVIA

100% reliability
99.34% availability
0 MWh of Unscheduled Energy Not-Supplied
587 km, 470 MVA

12,580 MWh
of Unscheduled Energy Not-Supplied

BRASIL
IISA CTEEP, IEMG, PINHEIROS, SERRA DO JAPI, EVRECY, IENNE, SUL, MADEIRA, GARANHUNS, ITAPURA, AGUAPEÍ, ITAQUERE, TIBAGI, AIMORES, PARAGUACU, ERB1 and TAESA

99.99% reliability
99.99% availability
1,202 MWh of Unscheduled Energy Not-Supplied
20,200 km, 54,590 MVA
TAESA 11,302 km, 7,000 MVA
(investment with joint control)

CHILE
ISA INTERCHILE

99.99% reliability
100% availability
30 MWh of Unscheduled Energy Not-Supplied
397 km, 1,500 MVA

44,175 km, 87,128 MVA.
61,070 km y 104,592 MVA
including affiliates, subsidiaries, and investments with joint control

99.99%
RELIABILITY

99.87%
AVAILABILITY

- Transmission lines in operation
- Transmission lines under construction
- International Interconnection
- Control-shared transmission lines

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Project management

Projects put into service in 2017

1,528 km

2,318 MVA

USD827 million

Ongoing projects*

7,133 km

19,600 MVA

USD3,262 million

*Earned in 2017 and previous years. The investment value corresponds to the total value of the project. Figures are approximate.



3 projects
86 km
600 MVA
USD78 million

5 projects
1,287 km
1,350 MVA
USD665 million

4 projects
279 km
600 MVA
USD173 million

Relevant projects:

- **North-western:** 500 kV, 500 km, 900 MVA, USD393 millions
- **Copey – Cuestecitas:** 500 kV, 279 km, 450 MVA,USD168 million
- **Caribbean Coast:** 500 kV, 352 km, USD150 millions
- **Chinú – Montería – Urabá:** 230 kV, 195 km, 450 MVA, USD69 million



6 projects
1.066 km
1.718 MVA
USD557 millions

4 projects
118 km
600 MVA
USD124 million

3 projects
600 km
5.850 MVA
USD506 million

Relevant projects:

- **Nueva Yanango and associated projects:** 500 kV, 600 km, 5.850 MVA, USD487 million
- **Carapongo:** 500 kV, 11 km, 600 MVA, USD62 million
- **Friaspata – Mollepata:** 220 kV, 102 km, 52 MVA, USD52 millions



48 projects
USD71 million

20 projects
2,003 km
1,200 MVA
USD290 millions

11 projects
1,284 km
5,400 MVA
USD538 million

Relevant projects:

- **ERB1:** 500 kV, 1,115 km, 3,000 MVA, USD267 million
- **Aguapeí:** 500 kV, 151 km, USD107 million
- **Itaquere:** 500 kV, USD82 millions
- **Itaúnas:** 220 kV, 79 km, 1,200 MVA, USD82 million
- **Paraguacu:** 500 kV, 676 km, USD77 million



2 projects
376 km
USD120 million

2 projects
1,562 km
2,250 MVA
USD849 million

3 projects
2,250 MVA
USD117 million

Relevant projects:

- **Cardones – Polpaico:** 500 kV, 1,562 km, USD813 million
- **New transformers bank:** 2,250 MVA, USD55 million
- **Reactive compensation:** USD55 millions

Projects commissioned in 2017

Ongoing and awarded projects in years prior to 2017

Ongoing and awarded projects in 2017

INTERCONEXIÓN ELÉCTRICA COLOMBIA – PANAMÁ

ISA actively promoted the development of this relevant project for the consolidation of the regional electric integration, since it represents the interconnection of the Andean Community with Central America.

The project priority continues to be the technical studies and environmental analyses to minimize risks and uncertainties for this project's feasibility and the evaluation of financing scenarios securing its development under the proposed conditions.

In 2015, despite having a defined corridor, as a solution, Panama prioritized a marine corridor that enters into this country through Kuna de Wargandí and Guna Yala districts. The above required the approval of competent authorities from the two districts, in which information and authorization processes should be carried out according to laws. The Wargandí district has already issued the authorizations required. Likewise, it is also necessary the approval of the Guna Yala district to execute studies in its territory.

At the same time, the Company updates the regulatory harmonization assessment between the two countries, taking as a reference the provisions set out in 2011 by regulatory entities of both countries.

BEST PRACTICES

ISA and its companies carry out strategic projects to promote operational efficiency and continue to be recognized as a multi-Latin leader in technical excellence and sustainability. The following initiatives were completed in 2017:

- **Closing the gaps in asset management according to PAS 55 specification and ISO 55001 standard:** multiannual planning of asset management, decision-making considering cost, risk, performance throughout asset life cycle; as well as the development of competences and skills; were improved.
- **Optimization of the operational model and maintenance:** the implementation of the optimization plan and the consolidation of staff skills in Peru, Colombia, and Brazil were continued.
- **Caribbean Reliability:** actions related to the analysis of equipment condition taken by ISA and ISA TRANSELCA continued in order to improve reliability and security in the provision of energy transmission service in northern Colombia.
- **Process bus:** it aims at testing new technology for substation's protection, control, and communication systems. In 2017, lab tests were successfully completed, and preparatory activities for field tests started.
- **Different materials foundations for transmission towers:** computational design finalized, and field tests started.
- **References:** ISA participated in The International Transmission Operations & Maintenance Study –ITOMS–; and in the CIER11 Project - Benchmarking of Administration, Operation, and Maintenance expenses related to energy transmission. Results of both studies will be delivered in 2018 and will allow identifying the best practices worldwide to contribute to the efficiency and quality of the service.

ANALYSIS OF MATERIALITY

ISA recognizes that its operational context includes risks and growth opportunities that are dynamic and need to be monitored to adapt its strategy and create sustainable value.

Relevant issues for the Energy Transmission sector, compliance with strategy, and essential considerations of stakeholders to fulfill the stated commitments were included in this report.

The scope of this analysis included companies that respond to this type of exercise given their size and management capacity: ISA, ISA INTERCOLOMBIA, ISA REP, ISA CTEEP, ISA TRANSELCA, ISA BOLIVIA e ISA INTERCHILE. These companies represent an approximate total of 75.5% of the group's revenues.

The issues identified and prioritized in this analysis, not only become the key issues addressed in the Integrated Report, but guide ISA's management towards achieving its strategy and sustainability goals.

This review and updating process was carried out according to the standard Global Reporting Initiative –GRI– and it included the participation of an independent consulting firm, Deloitte & Touche. [GRI 102-46]

The steps taken for the definition of business materiality were:

STAGE 1
Identification

For the definition of relevant issues, it was considered the following:

- Key issues for the achievement of the strategy.
- Relation results with stakeholders.
- GRI requirements and the supplement for the electric sector.
- Requirements for the Dow Jones Sustainability Index –DJSI–.
- Future or trend analysis.

STAGE 2
Priorization

Evaluation and valuation of relevant material issues according to:

- Relevance to stakeholders.
- Impact on the strategy.
- Alignment with corporate risk.
- Alignment with associations of which ISA is a member (Global Compact and DJSI).

STAGE 3
Validation

- Review and adjustment with senior management regarding results of materiality and relevance analysis of each issue in the sustainable management of companies.

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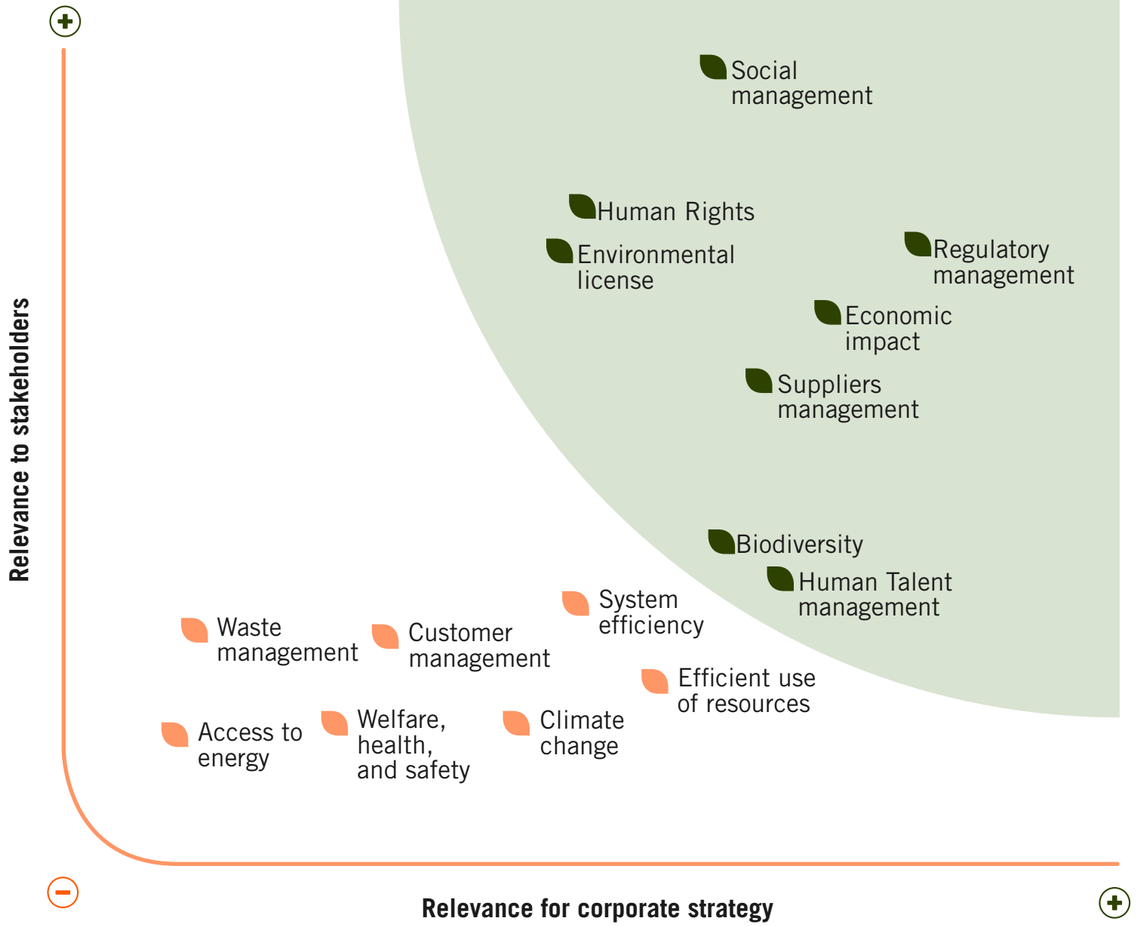
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Materiality Matrix



MATERIAL ASPECTS OF THE BUSINESS [GRI 102-47]

- **Regulatory management:** Actions aimed at generating the most appropriate conditions for business operation and promoting business growth through effective relationships with governments.
- **Social management:** It includes planning, formulation, execution, and evaluation of programs carried out by the company with the society stakeholder.
- **Economic impact:** Business performance of revenue and remuneration to its stakeholders.
- **Suppliers management:** Actions aimed at improving purchase and outsourcing processes, including stages of evaluation and follow-up, risk management, and alignment of supplies with good practices.
- **Human Rights:** Incorporation of respect practices and promotion of Human Rights, as well as the rejection of the violation or complicity among the stakeholders which participate in the supply chain (employees, suppliers, clients, shareholders, society, and State).
- **Management of permits and environmental licenses:** It includes actions aimed at compliance with environmental requirements necessary for timely obtaining the environmental license of projects.

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- **Training and development of human talent:** Practices and activities aimed at strengthening knowledge and acquiring new skills and competencies to improve the performance of employees and achieve the strategy.
- **Management of impacts on biodiversity:** Actions to manage the impacts generated by companies on biodiversity, in order to protect ecosystems (flora and fauna).

COVERAGE AND LIMITS OF MATERIAL ISSUES [GRI 103-1]

Material issue	Internal limit	External limit
Regulatory management	ISA ISA INTERCOLOMBIA ISA REP ISA CTEEP ISA TRANSELCA ISA INTERCHILE ISA BOLIVIA	State Society
Human Rights		Employees Society Suppliers
Social management		Society Suppliers
Suppliers management		Suppliers
Training and development of human talent		Employees Suppliers Customers
Permit management and environmental licenses		Society Suppliers State
Management of impacts on biodiversity		Society State
Economic impact		Shareholders and Investors Employees Society State

REGULATORY MANAGEMENT [GRI 103]

ISA assesses the risks, opportunities and impacts and evaluates the possible consequences of regulatory changes in each country. Therefore, under the principle of citizen participation, ISA creates direct relationships with public authorities in order to know priorities regarding public affairs, inform its proposals, comment on normative projects, and advocate for regulation compliance.

From this perspective, ISA's CEO, the Chief Energy Transmission Officer, and General Managers of the Electric Energy Transmission companies are responsible for regulatory management, promoting transparency and legal security.

ISA, in the different countries where it operates, advances in structuring relationship schemes with government bodies and private sector stakeholders to achieve its objectives.

> ISA RECOGNIZES THE IMPORTANCE OF THE REGULATORY MANAGEMENT AS AN INSTRUMENT TO PROMOTE THE MOST APPROPRIATE OPERATIONAL CONDITIONS FOR BUSINESS OPERATION AND CORPORATE GROWTH.

The monetary value of significant fines due to non-compliance with regulations in relation to the delivery of products and services was about COP608 million. See table attached. [GRI 419-1]

COLOMBIA

During 2017, the Energy and Gas Regulatory Commission –CREG– continued its analysis related to the review process of general principles, methodology, and formulas for the remuneration of the electric energy transmission activity. In 2018, it is expected the publication of a final resolution for implementing the new scheme in 2019.

ISA, ISA INTERCOLOMBIA and ISA TRANSELCA continue to participate actively in spaces for discussion with the Regulation entity in order to guarantee that the scheme review keeps a regulatory, solid, and stable framework, according to which transmission companies can continue to supply a reliable and efficient service that promotes the soundness of the sector, and to secure a favorable environment to the delivery of public services.

BRAZIL

Start of payment of the Basic Network of the Existing Service –RBSE–

A new payment value of ISA CTEEP's RBSE was approved for R$4.094 million, at values of December 2012, as well as regulating criteria and procedures for this payment, which would be part of the Regulatory Remuneration Basis –BRR– of the companies. The starting payment date is July 2017. This resolution was appealed by the Brazilian consumer associations –ABRACE–, which started administrative and legal processes.

To comply with the preliminary opinion in the judicial area obtained by Brazilian consumer associations, The Brazilian Electricity Regulatory Agency –ANEEL– excluded the capital cost, which is exclusive of the financial component calculation, from the RBSE payment, and extended the decision to all transmission system's users. In the administrative area, ANEEL did not recognize the action appealed by ABRACE and presented arguments against the action.

Start of public hearings with regulations for the 2018 tariff review

- According to the provisions of the regulation, ANEEL started public hearings to present the rules for tariff review to be implemented in July 2018, aiming at readjusting the annual revenue of transmission concessionaires, from the review of the price bank, the Regulatory Remuneration Basis (BRR), the regulated operational costs (AO&M), and the capital cost (WACC).
- ISA CTEEP actively participated in this process in order to secure that tariff review keeps a regulatory, solid, and stable framework, according to which transmission concessionaires can continue to deliver a reliable and efficient service.



CHILE

The Ministry of Energy and the National Energy Commission –CNE– continued elaborating regulations from the new legal framework. It is highlighted the publication of the regulation to determine and pay compensations due to unavailability of the electric supply that should be assumed by generators and transmitters. Such document establishes a transitional period for the calculation mode of the amount of compensation until 2023. From 1 January 2024, the application of the regulation will be in force completely, in which the compensation of each event is an equivalent amount of the energy not-supplied, valued about 15 times the average market price of energy for unregulated users.

ISA INTERCHILE actively participated in different discussion scenarios for the regulation of this Law.

Table [GRI 102-13]: Associations to which ISA and its companies belong to.

Associations to which ISA and its companies belong to [GRI 102-13]		
Company	**2017**	**Annual Value in COP**
ISA	Asociación de Industriales de Colombia –ANDI– (National Association of Industrialists)	202.192.000
	Comisión de Integración Energética Regional –CIER– (Regional Energy Integration Commission)	30.000.000
	CIER Colombian Committee –COCIER–	88.211.828
	Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones –ANDESCO– (National Association of Utilities and Communication Companies)	16.500.000
	Centro de Investigación y Desarrollo Tecnológico del Sector Eléctrico –CIDET– (Technology Development and Research Center for the Electricity Sector)	11.029.727
	Energy cluster	-
	Comité Colombiano del Consejo Mundial de Energía –COCME– (Colombian Committee of the World Energy Council)	-
	Consejo Internacional de Grandes Redes Eléctricas –CIGRE– (International Council of Large Electricity Systems)	-
	Local Global Compact Network	20.000.000
	Global Compact Regional Center for Latin America and the Caribbean	30.000.000
ISA INTERCOLOMBIA	CIER Colombian Committee –COCIER–	27.000.000
	Regional Energy Integration Commission –CIER–	48.370.000
	Comité Minero Energético (Mining and Energy Committee)	128.000.000
	Consejo Nacional de Operación –CNO– (National Operation Council)	16.000.000
	Comité Asesor de Planeamiento de la Transmisión –CAPT– (Transmission Planning Advisory Committee)	-
	Comisión Asesora de Coordinación y Seguimiento a la Situación Energética del País –CACSSE– (Advisory Committee for Coordination and Follow up of the Country Energy Situation)	-
	Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones –ANDESCO– (National Association of Utilities and Communication Companies)	-
ISA REP	Patronato Peru 2021	16.551.000
	Sociedad Nacional de Minería, Petróleo y Energía –SNMPE–(National Mines, Petroleum and Energy Association)	92.155.968
	Comité Peruano de la CIER –PECIER– (CIER Peruvian Committee)	14.657.408
	Alianza de empresas que promueven y financian Obras por Impuestos –ALOXI– (Alliance of Companies that promote and finance Works through Taxes)	11.034.000
	Colombian Council of Enterprises	6.598.332

Associations to which ISA and its companies belong to [GRI 102-13]		
ISA CTEEP	Associação Brasileira da Infraestrutura e Industria de Base –ABDIB–	101.249.139
	Associação Brasileira das Companhias Abertas –ABRASCA–	19.298.985
	Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica –ABRATE–	311.114.918
	Associação Brasileira de Concessionárias de Energia Elétrica –ABCE–	26.302.320
	Associação Brasileira dos Contadores do Setor de Energia Elétrica –ABRACONEE–	11.365.200
	Comitê Nacional Brasileiro da CIER –BRACIER–	23.449.646
	Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica –CIGRE Brasil–	3.480.620
	Centro de Pesquisas de Energia Elétrica –CEPEL–	90.200.009
	Instituto Ancende Brasil	234.068.567
ISA INTERCHILE	Asociación de Empresas Eléctricas de Chile A.G.	62.664.000
ISA TRANSELCA	Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones –ANDESCO– (National Association of Utilities and Communication Companies)	44.203.920
	CIER Colombian Committee –COCIER–	14.872.000
	Consejo Nacional de Operación –CNO– (National Operation Council)	-
	Asociación de Industriales de Colombia –ANDI– (National Association of Industrialists)	4.780.776
	Comisión de Integración Energética Regional –CIER– (Regional Energy Integration Commission)	-
	Consejo Internacional de Grandes Redes Eléctricas –CIGRE– (International Council of Large Electricity Systems)	-
ISA BOLIVIA	Comité Boliviano de la CIER –BOCIER– (CIER Bolivian Committee)	16.292.640
	TOTAL	**1.711.691.724**

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Inauguration of food service in Ayacucho, Peru.

SOCIAL MANAGEMENT [GRI 103]

The electric infrastructure projects in Latin America are developed in complex operational environments, in places where ISA is present through its Energy Transmission Business Unit: In Colombia, Peru, Brazil, Bolivia and Chile, there are sociopolitical complexities, as well as social and environmental conflicts, many of them attributed to the mining and energy sector. One of the main risks related to this scenario is the rejection of local communities and governments towards the development of infrastructure projects. This generates delays to obtain environmental licenses and commissioning of projects, and even cause negative impacts on reputation.

Social management is focused on territorial development, feasibility, relationship, and growth. According to these objectives, during 2017, the goal was to move forward in a social management alignment to measure effectiveness and adjustment of programs elaborated by ISA and its companies, in order to establish its strategic value and its contribution to the Company's goals. In addition, advance relations plans were developed with relevant stakeholders from influence areas to reduce social risk in the design and construction stages.

One of the biggest challenges, as well as social management progress, which is still a huge challenge, is the incorporation of supplementary and voluntary social management concepts, understood as those carried out to prevent and mitigate social risks during the asset's life cycle.

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Social management results [GRI 413-1]

COLOMBIA

USD3.5 million invested

246,209 people benefited
1,408 social organizations strengthened

CHILE

USD112 thousand invested

657 people benefited
5 social organizations strengthened

PERU

USD156 thousand invested

133,344 people benefited
8 social organizations strengthened

BRAZIL

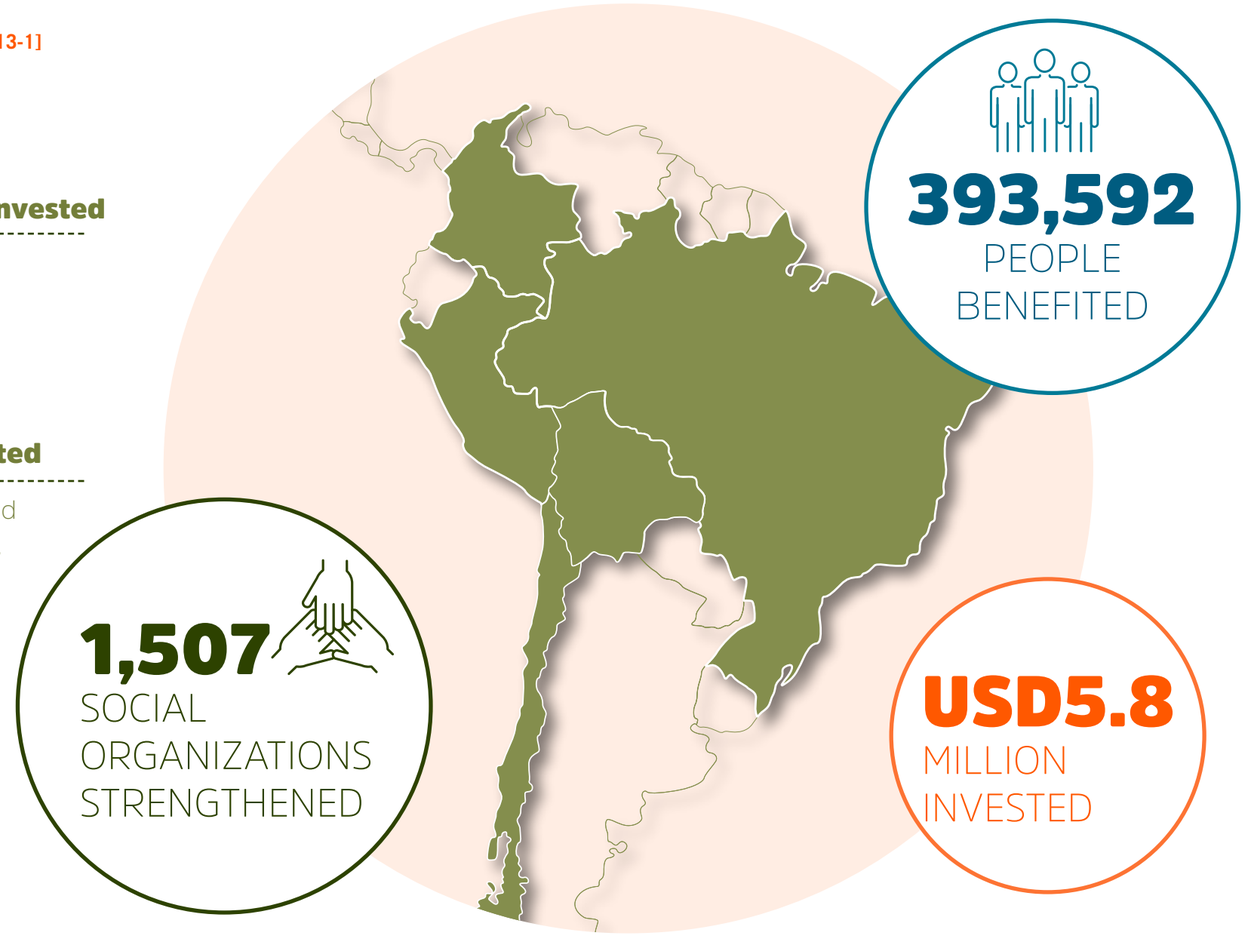
USD2 million invested

8,392 people benefited
10 social organizations strengthened

BOLIVIA

USD57 thousand invested

5,000 people benefited
76 social organizations strengthened



INVESTMENT LINES

USD2.2 million Community infrastructure

USD1.2 million Others: Culture, art, and sports

USD622 thousand Education

USD593 thousand Coexistence with infrastructure

USD445 thousand Health and welfare

USD348 thousand Institutional strengthening

USD346 thousand Local development and peace

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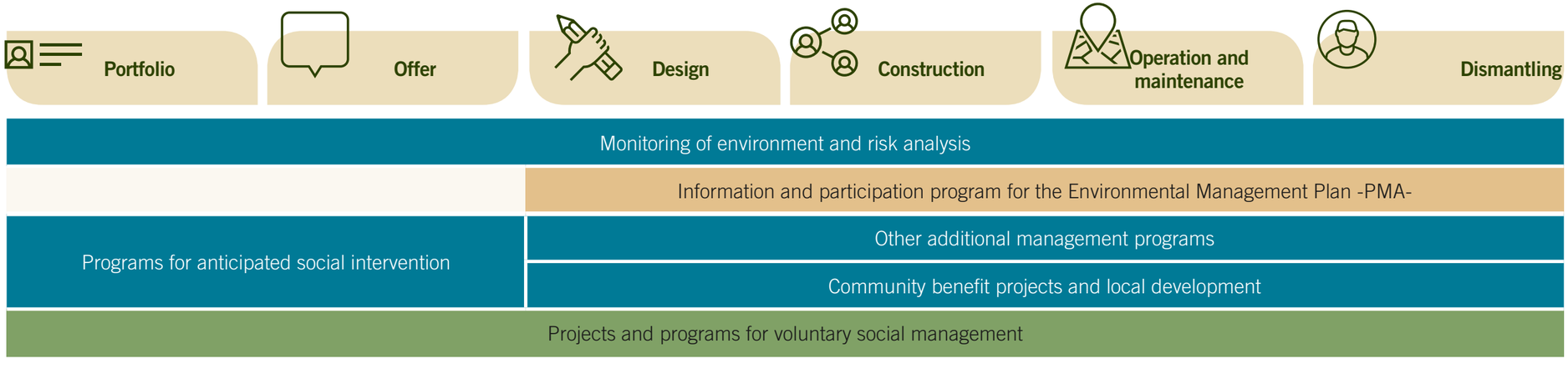
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SOCIAL MANAGEMENT IN ASSET LIFE CYCLE





Delivery of school kits of ISA REP, Peru

ISA's SOCIAL actions are leveraged by a comprehensive management as a fundamental part of corporate sustainability, which contributes to the feasibility and legitimacy of ISA and its companies, by linking as a relevant stakeholder in building a favorable environment for development. [GRI 203-1]

Presence of social programs in relevant municipalities of the Electric Energy Transmission Business Unit's influence area.

Indicator	2016 Results	2017 Goal	2017 Results	Compliance status and comments	2020 Goal
Social investment in critical municipalities	ISA INTERCOLOMBIA: 83% ISA CTEEP: 100% ISA REP: 100% ISA TRANSELCA: 100% ISA INTERCHILE: 80%	0% of critical municipalities in Colombia, Peru, Brazil, and Chile.	ISA INTERCOLOMBIA: 64% ISA CTEEP: 100% ISA REP: 33% ISA TRANSELCA: 100% ISA INTERCHILE: 100%	The goal was successfully accomplished. ISA BOLIVIA does not apply due to the Company size. ISA's assets are managed by ISA INTERCOLOMBIA.	80% of critical municipalities in all affiliates.

SOCIAL RISK MANAGEMENT

Social risk management is understood as the sign of rejection by the community towards ISA and its companies due to the presence of their infrastructure in the community's territory. In this regard, social management is supported by several tools, actions and programs oriented to timely assist social risks during the asset lifecycle, thus contributing to the acceptance and feasibility of the business.

For structuring its offers, ISA develops a specific social risk exercise in those projects whose risk analyses showed the need for proposing measures, which subsequently remain registered as actions to be implemented in the construction stage. Mitigation plans emerge from this process and are part of the Due Diligence of projects. In 2017, four projects were analyzed: three in Colombia and one in Peru. This allowed a timely identification of relevant social risk issues in the early stages, thus providing sufficient criteria for a due diligence of the project.

In the Colombian case, structural transformations in the country during the implementation of peace agreements require a convergence of all society stakeholders, including enterprises. Consequently, ISA's commitment to the construction of a peaceful nation was expressed in the following fronts:

- **Regulatory management:** ISA participated in guild, sectoral, and social spaces, with remarks and regulatory proposals for nine Draft Laws. They included topics of great relevance: use of land, environmental and indigenous authorities, prior consultation, national environment system, among others.
- **Development and Peace Programs:** Works are carried out to promote programs that are part of the supplementary and voluntary social management of the Company, which are oriented to support the development of base communities, the construction of peace, and the strengthening of territories.

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Positive impacts
Negative impacts

In 2017, the social risk context showed the following:

Main expressions of social risk:

- Social mobilizations, public demonstration, or civic strike
- Blockade or pacific occupation of facilities
- Easement invasion by socio-economic reasons
- Difficulties due to the coexistence of communities with infrastructure
- Actions to vindicate compliance with the commitments entered into by the company and unattended in any of the asset lifecycle stages
- Opposition of community to the execution of a project, transaction or service required by companies
- Pressure on officers from external institutions or authorities to reject or revoke an authorization or license

Potential social impacts identified:

- Dynamization of local economies ↑
- Education ↑
- Direct and indirect local employment ↑
- Strengthening of institutions and local organizations ↑
- Access to basic public services (energy, water, and sanitation) ↑
- Construction and/or improvement of community infrastructure ↑
- Changes of land use in properties ↓
- Affectations in ecosystem services ↓
- Violations to Human Rights and International Humanitarian Law ↓
- Resettlements ↓
- Incidents related to health and safety of community members ↓

Tools to manage risk and social impacts		
Tools	**Definition**	**Management**
Analysis of Expansion Plan Restrictions –ARPEX–	Tool that applies the analysis of georeferenced social, environmental, and property variables to the area of interest of a project in order to generate mitigation actions	ARPEX applied to four projects: three in Colombia and one in Peru
Environment analysis	Analysis exercises of context and market intelligence for identifying risks and opportunities associated with social, political and environmental realities of the influence area of infrastructure.	Monthly report of 100% of the countries where it is present
Community Benefit Projects – PBC–	Initiatives entered into with community organizations to provide populations with social infrastructure, as a support to the licensing process	In Colombia, 379 community benefit programs were developed
Safe coexistence program with infrastructure	Risk prevention program oriented to strengthen the relationship with the population in the transmission lines area of influence and to promote a safe coexistence with infrastructure	Programs carried out in Colombia, Peru and Bolivia
Anticipated Relationship Program –PRA–	Actions, projects, and programs of supplementary social management in previous stages of the construction of projects to generate an early relationship that meets previously identified risks, and timely and assertively strengthen integration links with stakeholders.	In Colombia, the pilot of the first stage of the program was carried out; 48 municipalities were defined. In Peru, a relationship protocol and a strategic relationship training were established.
Conexión Jaguar	Sustainability program to contribute to biodiversity conservation and climate change mitigation	Seven ongoing projects in Brazil, Chile, Colombia, and Peru
Promotion of Human Rights	Training actions and promotion of Human Rights	In 2017, no discrimination cases, restrictions to freedom of association, child exploitation or forced labor of any company of the corporate group were reported. Number of training hours on Human Rights: 267
Supplementary and voluntary social management	Programs to address social risk and social impacts in order to create trusting relationships with communities in areas of influence	100% of countries in which we operate have different programs that allow permanent presence in the territories
Environmental Management Plan –PMA–	Activities aimed at preventing, mitigating, correcting, compensating for environmental and social impacts and effects emerging for the development of a project, work, or activity	Colombia: environmental licenses and modifications for 7 projects were obtained. Brazil: risks and social impacts associated with licenses, through the program entitled "Amigos de la Energía" (Friends of Energy). Peru: 6 environmental licenses and modifications were obtained.
Community Participation and Information Program –PIPC– in Colombia	Comprehensive strategy to create spaces for participation of communities to establish two-way effective communication channels	About 600 agreements entered into with local communities in 9 Colombian projects

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ECONOMIC IMPACT [GRI-103]

For ISA and its companies, generation of sustainable value over time is one of the main purposes reflected in the mission, vision, and strategic pillars.

For this business, the profitable growth is the result of the application of best practices that guarantee adequate and timely financial returns for its stakeholders:

Shareholders and Investors: ISA addresses business management, establishes strategic goals, and administers risks, in order to maintain confidence among investors and strengthen the value of the share in the market. In addition, ISA guarantees a timely payment of dividends.

Employees: Through the payment of wages and benefits included in labor contracts. In addition, companies have a variable compensation system related to indicators, such as some financial indicators.

Clients: From the delivery of quality and opportunity services at competitive prices in order to build long-term relationships.

Suppliers: By means of the incorporation of quality and cost criteria in purchase processes, providing suppliers a transparent and equal treatment. Likewise, there is a strengthening program for improving critical suppliers' capacities involved in the supply chain, thus securing that goods and services are adjusted to ISA's requirements.

Society: Through obligatory, complementary and voluntary social investment in order to contribute to the development of communities in influence areas of infrastructure. Social investment in at least 80% of the surrounding critical municipalities to the Energy infrastructure has been set as a goal for 2020.

State: By means of tax management, companies execute in a transparent and timely manner the payment of contributions to the State. Also, they submit information required by monitoring, inspecting, and controlling authorities.

In 2017, the performance of companies enables the generation and distribution of value to suppliers, employees, society, and the State. See detail in table [GRI 201-1]

For the Company, economic impact goals are set in terms of compliance with net income and EBITDA. Affiliates quarterly report the performance of these indicators to their boards and to the parent company; and from the latter to ISA's Board, which evaluates progress in the implementation of the corporate strategy and establishes future contributions to each subordinate company in order to meet business group's goals.

INDICATOR	2016 result	2017 goal	2017 result	Compliance status
ISA's Net Income (millions of $)	2.141.460	1.063.514	1.442.708	The goal was accomplished. By discounting the Basic Network of the Existing System (RBSE) in Brazil, the accumulated net income amounts to $1.108.764 million. In 2018, financial goals will be redefined according to the new strategic choices of the Company.
Company's Weighted EBITDA Compliance (%)	105.1%	101.4%	102.7%	The goal was accomplished.



Dialogue with suppliers 2017.

SUPPLIERS MANAGEMENT [GRI 103]

Suppliers are strategic allies for delivering services of electric energy transmission. Its good performance has an impact on the adequate management of assets to guarantee service availability with quality and efficiency, in a safe manner for persons and in balance with the environment and communities.

The presence of suppliers in the areas of influence of ISA's business, as well as their good performance, contribute to mitigate the impacts linked to technical, social, environmental, and economic risks, among others; which may be generated during the development of their operations. In this regard, a due diligence supporting process is implemented in contracting companies by means of resources and tools such as: policies, statements, Sistema Integrado de Seguridad y Salud en el Trabajo –SST– (Integrated Occupational Health and Safety System), promotion, and regular training in risk management, as well as the management of indicators and goals related to accident reduction.

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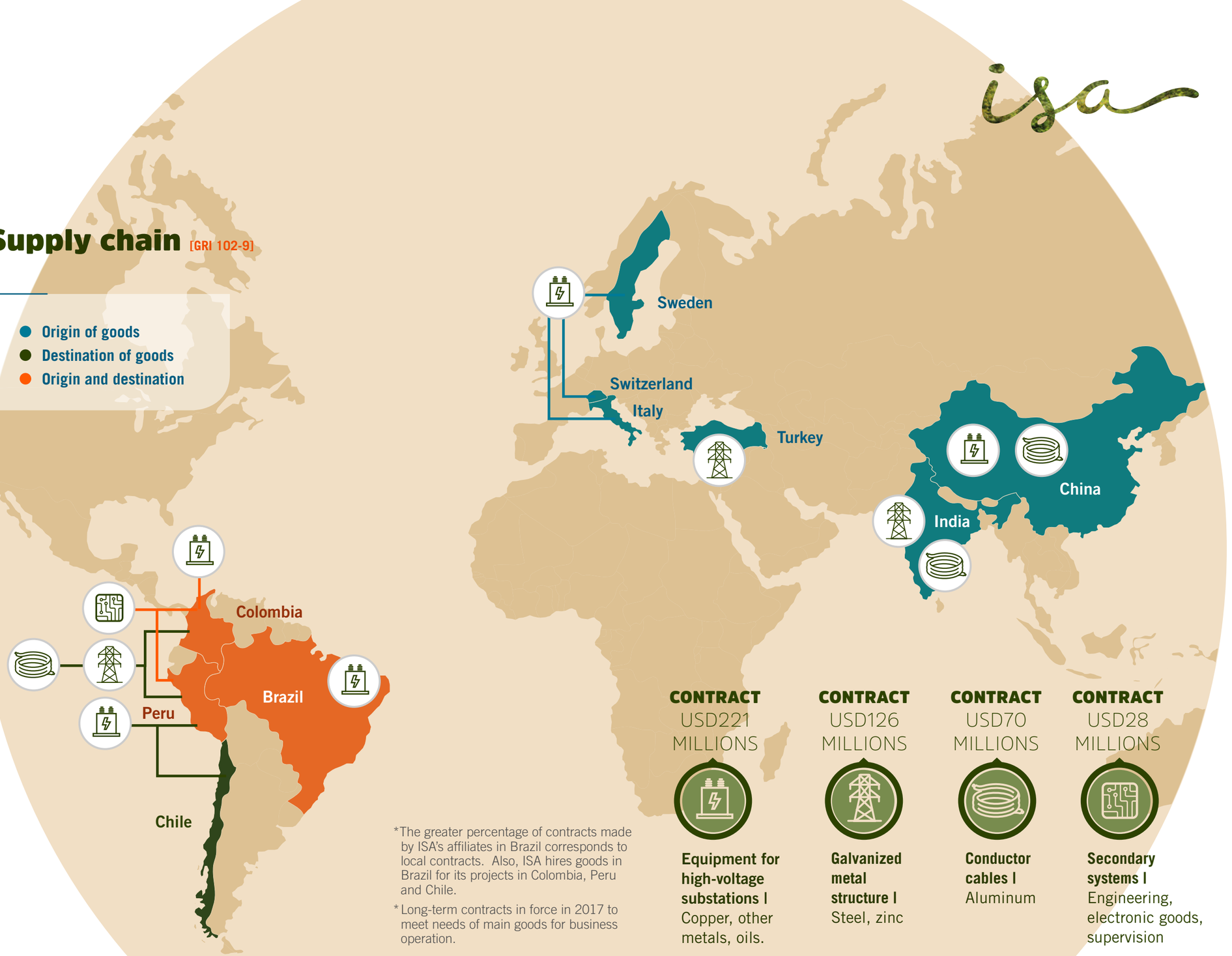
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Supply chain [GRI 102-9]

- Origin of goods
- Destination of goods
- Origin and destination



*The greater percentage of contracts made by ISA's affiliates in Brazil corresponds to local contracts. Also, ISA hires goods in Brazil for its projects in Colombia, Peru and Chile.

*Long-term contracts in force in 2017 to meet needs of main goods for business operation.

CONTRACT USD221 MILLIONS

Equipment for high-voltage substations I Copper, other metals, oils.

CONTRACT USD126 MILLIONS

Galvanized metal structure I Steel, zinc

CONTRACT USD70 MILLIONS

Conductor cables I Aluminum

CONTRACT USD28 MILLIONS

Secondary systems I Engineering, electronic goods, supervision

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The identification, valuation, and treatment of risks in the supply chain are aligned to the Comprehensive Risk Management methodology, whose administration is a responsibility of the Supply Departments in ISA and its affiliates. For each category defined in the procurement process, a risk analysis is conducted, potential impacts are assessed, and actions to mitigate them are established. The risk cycle ends with the disclosure of analyzed information, its monitoring, and report.

Procurement processes advanced in maturity level. Today, there are defined sourcing strategies per categories in terms of lifecycle and management mechanisms of suppliers, thus achieving optimizations of quality, opportunity, and costs. Among other things, this was possible due to enabling processes to ensure procurement success, such as:

- Corporate guidelines to unify and standardize processes.
- Strengthening of skills for procurement staff.
- Suppliers management: Strengthening, pre-selection and evaluation.
- Lessons learned and improvement projects

IN 2017, SAVINGS OF USD104 MILLION WERE ACHIEVED IN NEGOTIATIONS OF CENTRALIZED AND ASSISTED CATEGORIES.

SUSTAINABLE PROCUREMENT

Within the initiative of asset management, the procurement strategy was defined as a transverse process in order to support compliance with ISO55000 and PAS55 standards. Such strategy includes the current situation, the desired situation, and the initiatives to achieve strategic goals set in terms of supplier's management, procurement model, interaction to key lifecycle stakeholders, among other aspects

Alliances with suppliers of the main Company supplies were created by promoting relations based on trust, and 3-to-5-year long terms, fostering value addition and safety of supplies required for the business.

For this purpose, ISA developed in recent years several instruments to allow better follow-up of this stakeholder, as well as timely identifying and managing anomalies or gaps. This follow-up and control cycle allows a performance addressed to excellence and safety.

The most outstanding instruments are: the suppliers strengthening model, aiming at enhancing strategic suppliers that provide goods and services of a high degree of complexity and criticality for business. In 2016, 11 suppliers of ISA INTERCOLOMBIA, ISA TRANSELCA, ISA REP and ISA CTEEP were incorporated to the program. In 2017, the implementation of the model was concluded. The main benefits for ISA are:

- Potential savings of 6% for national production of goods for projects in Colombia.
- Reduction of 50% regarding reprocessing arising from the review of technical documents.
- Reduction of non-compliance risk for information delivery by the supplier due to the implementation of supporting documents.
- Reduction of 8% of the time during the issuance of performance guarantees by suppliers.
- Increase of 30% of delivery opportunity related to technical information.



Dialogue with suppliers 2017.

The following table shows the progress of affiliates when implementing follow-up and development tools addressed to suppliers:

COMPANY	ISA	ISA INTERCOLOMBIA	ISA REP	ISA CTEEP	ISA TRANSELCA	ISA BOLIVIA	ISA INTERCHILE
Suppliers register	✓	✓	✓	✓	✓	✓	
Contractors manual (occupational health and safety and environmental management)	✓	✓	✓		✓	✓	✓
Evaluation of suppliers performance	✓	✓	✓	✓	✓	✓	
Suppliers strengthening model	✓	✓	✓	✓	✓		
Code of Ethics / Antifraud Code	✓	✓	✓	✓	✓	✓	✓
Risk Management	✓	✓	✓	✓	✓	✓	✓
Audits	✓	✓	✓	✓	✓	✓	✓

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ENVIRONMENTAL MANAGEMENT AND OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION –OSHA—

One of the best opportunities for procurement is the promotion of the best occupational safety and health practices, as well as environmental management, since they relate to the main risks of the Electric Energy Transmission Business Unit.

To foster a safety culture based on prevention, reduction, and mitigation of risks, there are manuals and guides, induction processes, standardized reports, field visit protocols, assessments, and improvement plans for management contractors. ISA has a Management Manual for Contractors, which includes general requirements in environmental, labor, and occupational safety and health issues. These requirements are in addition to environmental management plans, legislation in force, technical specifications and other standard documents that are applied. In addition, there are follow-up manuals for environmental management and occupational safety and health of contractors. The results of the evaluation of these contracts are included for indicators. **[GRI 204-1] [GRI 308-1] [GRI 308-2] [GRI 414-1] [GRI 408-1] [GRI 409-1] [GRI 413-2]**

From the pre-contractual stage, during the execution and assessment of performance, compliance with occupational safety and health requirements are verified, which become pre-requisites during service delivery. In this way, compliance with these obligations are ensured, reducing risks that can emerge during the execution of contracts.

Requirements, follow-up actions, and verification	
Environmental requirements	**Occupational Safety and Health Requirements**
Compliance with all legal requirements, regulations, procedures, training, aspect and impact matrix, and environmental management plan during the execution of the contract, is assessed.	Follow up on compliance with legal requirements on this topic (it includes: control measures regarding hazards and risks, job requirements, induction requirements, competence and training for hazard control, regulations, work procedures, hazard and risk matrix, management of occupational accidents), during the execution of the activities subject to the contract.

ISA and its companies continue to strengthen competences and skills in OSHA aspects in suppliers, as explained in the table below:

Skills in OSHA aspects	
ISA e ISA INTERCOLOMBIA	➔ Management of OSHA criteria in the contractual stage, during the execution and assessment of performance. ➔ Meeting entitled "Let's talk about environmental management and occupational safety and health administration of contractors", in which 78 employees from 44 contracting companies participated. ➔ Virtual induction course on the Integrated Management System -SIG-, addressed to 4,375 contractor employees. ➔ Virtual course on Human Rights and Enterprises. During the year, the course was available at the Company's website. ➔ OHS workshops for the Electric system within the framework of the Global Compact: 120 people from supplier companies attended. ➔ "Misión Cuidarnos" campaign: to reinforce the importance of self-care and the adoption of safe behaviors, covered by 1,230 employees from 58 contractor companies.
ISA TRANSELCA	➔ Application of actions detailed in the Contractors Manual for the environmental area and OSHA. In addition, the implementation of the Occupational Safety and Health System –OSHA–, according to Decree 1111 of 2017 to comply with the minimum standards of OHS in companies.
ISA INTERCHILE	➔ Implementation and control of the Best Practices of Occupational Safety Management System for contracting and subcontracting companies in construction projects, which includes: control of legal documentation, identification nuances of hazards and assessment of risks, plans and prevention risk programs, special regulation for contracting and subcontracting companies, guidelines for contractor's behavior in the field, defensive driving manual, Code of Ethics, action manual for property adverse situation, accident investigation manual for contractors and subcontractors, guidelines for communication and contacts.
ISA REP	➔ Promotion of the Specifications Manual of Occupational Safety and Health Administration, Environment and Social Responsibility for Suppliers –STSOMARS–. ➔ Assurance of adequate performance by contractors through documentary and field supervisions by a certification company, in which all improvement opportunities and the rating of these suppliers are recorded.
ISA BOLIVIA	➔ Assessment of recruitments according to the provisions of the supplier's management document. In 2017, 116 assessments in aspects related to environmental management and occupational safety and health were carried out. In addition, there is a suppliers' database, in which they are authorized according to the compliance with the requirements provided in the suppliers' management document.

ASSESSMENTS AND FOLLOW-UP

[GRI 409-1] [GRI 410-1] [GRI 414-1]

ISA conducts assessments and improvement plans to its suppliers. The companies implement procedures to monitor and verify quality, opportunity, suppliers' management, compliance with occupational Safety and Health requirements, environmental aspects, respect, and promotion of Human Rights.

83% of suppliers of centralized categories had a performance score over 80%. None of these suppliers had problems related to environmental aspects and occupational safety and health during the execution of contracts.

On a permanent basis, the company motivates contractors and their employees to report any non-compliance with employment obligations. In addition, ISA has pedagogical tools, such as the virtual induction course, in which requirements to be met by contracting companies with ISA and its companies are explained, and where existing mechanisms to denounce bad practices are reported.

In 2017, ISA INTERCOLOMBIA's campaign entitled "Misión Cuidarnos" stood out. Its goal was to reinforce the self-care culture and the importance of safe behaviors, covered by 1,230 employees from 58 contracting companies.

The campaign was structured as an improvement measure because during 2017, 275 occupational accidents occurred, for an accident frequency rate of 7.05 per year.



Within the follow-up mechanisms, there are also other instruments that promote relations of transparency and prevention of fraud in procurement processes. This is how in the contracting process, companies have instruments such as procurement agreements approved by board of directors, guidelines, and instructions on recruitment, the Code of Ethics, the Ethics Line, the Antifraud Code, the Money Laundering and Terrorism Financing Risk Administration System –SARLAFT–, which contribute to avoid deviations and non-compliances with employment and occupational health and safety topics, as well as those related to socio-environmental management.



Dialogue with suppliers 2017.

DIALOGUE AND RELATIONSHIP MECHANISMS

Annually, ISA carries out the event entitled "Dialogues with Stakeholders", which fosters a relationship space with its stakeholders. In 2017, ISA joined the event entitled "Meeting with Suppliers", under the motto "If it moves us to know that we are made for great challenges, there is connection."

In this version, 26 strategic suppliers for the provision of goods and services of ISA and its companies attended, with whom relevant information related to the corporate strategy, revenues of ISA and its companies, and the procurement revenues for the same year, were shared. In order to reflect on how the manifesto linked suppliers as strategic allies regarding growth of ISA and its companies, a workshop of ideas was developed to identify common elements that will strengthen long-term relationships to continue connecting countries, and thus improving the quality of life of millions of people.

Likewise, ISA INTERCOLOMBIA and ISA REP carried out meetings with suppliers to strengthen relevant topics for affiliates and to award outstanding performances of suppliers.

Assessment of suppliers

	ISA	ISA INERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Suppliers assessed in quality, opportunity, HSE, ethics, and antifraud	81	121	64	39	0	75	708

HUMAN RIGHTS [GRI 103]

For ISA and its companies, Human Rights are unquestionable and universal moral attributes inherent in each person. Therefore, respect is a moral and ethical imperative ratified in policies, daily activities, and active participation in spaces for discussion at local, regional, and national level.

ISA voluntarily adhered to the Global compact and follows the Guiding Principles of the United Nations to "protect, respect, and remedy" Human Rights in companies, progressively aligning its practices and creating its own instruments such as policies, guides, guidelines, and statements to ease its implementation.

Also, ISA has the Corporate Guideline 48 on respect and promotion of Human Rights, Social Corporate Policy, and Code of Ethics.

In terms of safety and Human Rights, ISA has as reference the good practices included in the "Voluntary Principles on Security and Human Rights." This guide allows companies to maintain safety of operations under a framework that guarantees respect for Human Rights and fundamental freedoms. The Company voluntarily adhered to this instrument, progressively aligning its practices and to ease its implementation.

In this regard, ISA, through ISA INTERCOLOMBIA, participates in the construction and implementation of the Recommendations on Safety and Human Rights for the Mining and Energy Sector, issued by the Mining and Energy Committee –CME– of which it is a founding and integrating member of the Board of Directors.

NO PROVEN EVENTS
RELATED TO VIOLATIONS OR INFRINGEMENTS OF HUMAN RIGHTS IN ISA AND ITS COMPANIES.

ACTIONS FOR PROMOTION AND DISSEMINATION OF HUMAN RIGHTS

By means of Human Rights education, ISA informs the instruments and enforcement mechanisms by stakeholders, specially to employees, suppliers, and communities were ISA is present, through various trainings. [GRI 412-1]

Although the framework of Human Rights is universal, actions aimed at promotion and non-infringement in each country where ISA has operations are different. In Colombia, considering the socio-political reality, ISA and INTERCOLOMBIA gave continuity to their alliances with Peace and Development Programs.

For other countries, actions were addressed to the management of suppliers and to labor principles.

ISA, ISA REP, ISA INTERCOLOMBIA, ISA TRANSELCA, and ISA CTEEP maintained their commitment to the legal employment compliance of their suppliers and focused their efforts on the prevention of child labor and forced labor. To address this commitment, it is permanently verified the age of majority of all employees, as well as the labor contracts, both own contracts and those of contractors **[GRI 408-1].**

In relation to participation and trade union negotiation, ISA REP was recognized by the Peruvian Ministry of Labor in the Good Labor Practices 2017 contest, winning four awards in the following categories: "Safety and Health", "Trade Union Promotion and Respect", "Promotion of Labor – Family Balance", and "Retirement Preparation and Management of Unemployment."

For its part, ISA INTERCOLOMBIA successfully completed the training of its new industry trade union called ORGANISA, which was joined by 238 employees. Also, ISA entered into a new negotiation of its Global Compact for a period of three years, made up by 111 employees in a space for dialogue and collective construction.

In addition, it is a relevant action the sectoral participation of ISA INTERCOLOMBIA as a member of the Energy and Mining Committee for Safety and Human Rights.

IN 2017, NO CASES OF DISCRIMINATION IN ISA, ISA INTERCOLOMBIA, ISA REP, ISA BOLIVIA, ISA CTEEP, AND ISA TRANSELCA WERE PRESENTED. **[GRI 406-1]**

In this context, there is a development of base documents for elaborating the National Action Plan for Human Rights and Business promoted by the National Government, to protect and respect Human Rights, and the proactive action regarding risks and impacts generated by corporate activities that may affect or infringe these rights.

Follow-up and control actions are addressed not only to workers and suppliers, but to significant operating centers (administrative headquarters, transmission centers and substations). As in previous years, for 2017, there were no threats to Human Rights related to freedom of association, child exploitation and forced labor. **[GRI 407-1] [GRI 408-1] [GRI 409-1]**

In relation to the electric infrastructure, ISA INTERCOLOMBIA has an infrastructure agreement with the National Army stipulating that at least 1% of the total income should be spent on Human Rights education. Furthermore, ISA INTERCOLOMBIA prohibits the purchase of lethal weapons by using money from such agreement.

In relation to private security equipment and staff recruited directly by the company, 208 training sessions for the promotion of Human Rights were conducted.

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DUE DILIGENCE

Due diligence is doing the right thing before, during, and after the development of all projects. This means to identify weaknesses to correct them, and risks to mitigate them. It is the capacity of enterprises to be responsible for the negative impacts caused by their activities.

The main risk categories related to the most sensitive Human Rights to the Electric Energy Transmission Business Unit are: suppliers, social, armed conflict, property, terrorism, vandalism.

	Colombia	Brazil	Peru	Chile
Vulnerable groups				
Local community	✓	✓	✓	✓
Afro Communities	✓	✓		
Indigenous	✓	✓	✓	✓
Suppliers	✓	✓	✓	✓
Employees	✓	✓	✓	✓
Actions				
Social management	✓	✓	✓	✓
Coexistence programs	✓	✓	✓	
Training	✓		✓	
Declaration of Human Rights	✓	✓	✓	✓
Diagnoses of Human Rights	✓	✓	✓	
Contractual clauses	✓	✓	✓	✓
Mechanisms				
Complaints and claims	✓	✓	✓	✓
Social risk workshop	✓			
Service office	✓	✓	✓	✓
Risk analysis on expansion plans	✓		✓	
Compliance office	✓	✓	✓	✓
Risks and Impacts				
Environmental	✓	✓	✓	✓
Property: detriment and affectation to land use	✓	✓	✓	✓
Affectation to archeological and cultural heritage	✓		✓	
Labor (occupational health and safety)	✓	✓	✓	✓
Fraud and corruption	✓	✓	✓	✓
Accidents in surrounding communities	✓	✓	✓	✓

ISA implemented the United Nations framework to "Protect, Respect, and Remedy" according to the Guiding Principles of John Ruggie. In this process, ISA mobilizes actions and interests towards the following:

	FRAMEWORK	ACTIONS
PROTECT	➔ Support and strengthen the State so that it fulfills its role on Human Rights. (Promoting respect for Human Rights)	➔ Participating actively in the Energy and Mining Committee for Security and Human Rights ➔ Carrying out social actions that strengthen surrounding communities to enforce their rights ➔ Fostering the Declaration of Human Rights and Business
RESPECT	➔ Companies should respect Human Rights. ➔ Companies should refrain from violating third parties' Human Rights. In addition, they should face the negative consequences thereof, if they are involved.	➔ Declaration of Human Rights ➔ Due diligence ➔ Pedagogical strategy with collaborators and suppliers ➔ Management indicators
REMEDY	➔ Greater access of victims to effective remedy means (legal and non-legal).	➔ Ethics Line and Ethics Committee ➔ Mechanisms of claims and complaints.

FOLLOW-UP AND VERIFICATION

To promote ethical, transparent, constructive, and respectful relations on ethics and Human Rights, the goal was to have zero events related to potential violations or infringements in this regard.

Indicator	2016 results	2017 goal	2017 results	Compliance status
No proven events related to violations or infringements of Human rights in ISA and its Companies.	0	0	0	The goal was accomplished.
Number of infringements or violations to Human Rights in the Electric Energy Transmission Business Unit.	0	0	0	The goal was accomplished.
Complaints of the Ethics Line are managed annually.	100%	100%	100%	The goal was accomplished.



ENVIRONMENTAL PERMITS AND LICENSES MANAGMENT [GRI 103]

ISA and its companies are committed to comply with and respect the legislation established in each country where they operate, and to ensure that processes are aligned with the pursuit of sustainable development. Furthermore, ISA and its companies are governed by principles provided in the Corporate Environmental Policy, which promotes a responsible management for the use of natural resources, their impacts, and risks. [GRI 102-11]

During the construction stage of infrastructure projects, obtaining an environmental license and the negotiation of properties and easements are becoming more affected due to greater environmental, social, and property demands. These risks are caused by various situations, such as: a weak institutional coordination, deficiencies in environmental and social planning, delay to process licenses, greater requirements in environmental assessment, excessive paperwork, difficulties in property negotiation, conflicts over land use, difficulties in the development of prior consultations with ethnic groups, among others.

Environmental Management

	Portfolio	Offer	Design	Construction	Operation and maintenance	Dismantling
Emphasis	→ Incorporation of environmental, social, and property criteria for portfolio projects.	→ Comprehensive assessment of activities and environmental, social, and property risks in CAPEX and OPEX. → Incorporation of environmental, social, and property impacts.	→ Formulation of Environmental Impact Assessment –EIA–. → Citizen participation and prior consultation aiming at timely environmental licensing.	→ Execution of environmental licensing plans. → Execution of environmental and social compensation plans. → Provision of information to communities, authorities and other stakeholders.	→ Application of environmental management systems to ensure environmental risks and impacts management.	→ Application of the renewal strategy and final provision of assets to avoid environmental and social liabilities.
Practices	Social and environmental risk workshop.	Identification of environmental, social, and property risks.	Update and management of environmental, social and property risks			
		Environmental legal analysis.				
	Analysis of Expansion Plan Restrictions –ARPEX–	Environmental Restrictions Analysis –ARA–	Criteria for route selection	Execution of environmental, social, and property components		Renewal strategy and final disposal
	Plans for anticipated social and property intervention		Interrelation of environmental management with the Corporate Social Management Model			
		Calculation of environmental, social, and property items for CAPEX and OPEX	Environmental and social studies for licenses	Compliance with the environmental management plan		
	Regulatory monitoring and regulatory management					
	Supplier management aligned with the environmental strategy					
	Environmental Management System – ISO 14001					
	Follow-up of the social and environmental management of affiliates, progress of programs and goals					

Status of environmental licenses of projects

Company	Project	Estado
ISA INTERCOLOMBIA	Cerromatoso – Chinú – Copey	Preparation of the Environmental Impact Assessment –EIA–
	Chinú – Montería – Urabá	Licensed
	Interconexión Noroccidental	Antioquia - Cerro: Licensed
		Antioquia – Porce: Licensed
		Antioquia - Medellín - Ancon sur: Licensed
		Porce – Sogamoso: EIA Assessment
	Caracolí	Licensed
	Gecelca	Licensed
	Sochagota - San Antonio	Instrument assessment
	El Bosque	Modification of license
ISA REP	Carapongo	Licensed
	Frispata	Licensed
ISA INTERCHILE	Cardones - Polpaico	RCA granted
ISA CTEEP	ERB	EIA Preparation
	IE Paraguaqu	Pending
	IE Aimores	Pending
	IE Tibagi	Pending
	IE Itaquere	Licensed
	IE Itaunas	EIA Assessment
	IE Itapura	Licensed
	IE Aguapeí	EIA Preparation



INSTITUTIONAL MANAGEMENT

ISA and its companies establish spaces for dialogue with energy and environmental authorities to make feasible, from a regulatory perspective, the environmental, social, and property conditions, so that electric energy transmission projects can enter into operation on a timely basis, and thus achieving the purpose of ensuring sustainability for the electric energy transmission and, consequently, for the sector.

Results of the environmental institutional management

Company	Main results
ISA INTERCOLOMBIA	Promotion of the best environmental practices with the following institutions: ➔ Ministry of Mines and Energy –MME– ➔ The Energy and Gas Regulation Commission –CREG– ➔ Energy Mining Planning Unit –UPME– ➔ Superintendence of Household Utilities –SSPD– ➔ National Environmental Licensing Authority –ANLA– ➔ Ministry of Environment, Housing and Territorial Development –MADS– ➔ Colombian National Association of Industrialists –ANDI– ➔ National Association of Utility and Communication Companies –ANDESCO– Participation in the high-level round table with MME, MADS, and ANLA, for following-up environmental pending procedures. Prior consultation processes with 12 communities of Zenú ethnicity and indigenous communities from Sierra Nevada de Santa Marta.
ISA REP	Promotion of the best environmental practices with the following institutions: ➔ Ministry of Energy and Mines and Ministry of Environment: sharing lessons learned and make feasible electric transmission projects in a sustainable manner visible. ➔ Electric Committee of The National Mines, Petroleum and Energy Association: update of environmental protection regulations in the electric sector and in the simplification of prior consultation procedures. ➔ Ministry of Environment: systematization of information for calculating the carbon footprint. ➔ Control Agency and Environmental Assessment: experiences related to control processes and environmental commitments.
ISA CTEEP	Managements before the Environmental Authority to unify small reforestation projects in one area, optimizing costs related to implementation, maintenance, and ensuring effective assistance to applicable law.
ISA TRANSELCA	Establishment of urban and environmental development of the municipality Soledad-Atlántico: launching of the "Soledad Verde & Sostenible" program, delivering 1,700 seedlings of wood and fruit species.

Results of the environmental institutional management

Company	Investments (USD)	Programs
ISA INTERCOLOMBIA	9,854,906	→ Flora and fauna rescue program → Archaeology → Resettlement → Forest compensation → Environmental impact assessment → Community benefit programs → Licenses and permits
ISA REP	2,221,136	→ Archeological monitoring → Environmental monitoring → Participatory and citizen-based monitoring → Biological and follow-up monitoring of susceptible species, such as the spectacled bear and the Andean condor → Minimization of solid waste → Environmental signaling → Environmental training and awareness
ISA INTERCHILE	1,587,006	→ Cultural heritage → Commitments to the indigenous consultation process → Implementation of biological plan (flora and vegetation) → Actions towards fauna → Human means (road safety) → Noise monitoring plans → Follow-up plans for flora and vegetation measurements
ISA CTEEP	1,291,315	→ Environmental license renewal → Fauna monitoring → Reforestation → Environmental education focusing on environmental licenses of assets under operation

To monitor compliance with goals in relation to environmental permits and licenses, the following indicators were established:

Indicator	2017 results	Comments	2020 goal
Compliance with physical progress of projects* (compared to schedule approved)	Consolidated Group: 104,8% ISA INTERCOLOMBIA: 96,8% ISA REP: 99,7% ISA CTEEP: 127,2% ISA INTERCHILE: 96,9% ISA TRANSELCA: 101,8%	All companies complied with.	Greater than or equal to 95%
Delay to obtain the environmental license (compared to schedule)	ISA INTERCOLOMBIA: 260 days ISA REP: 226 days ISA INTERCHILE: 568 days ISA CTEEP: 0 days TRANSELCA: NA	These results reveal the complexities of the environment for obtaining licenses	Obtaining environmental license according to the schedule

* The calculation methodology, in which the measurements of projects with delays attributed to external causes are stopped, is modified.

ENVIRONMENTAL LEGAL MANAGEMENT

In the management of environmental licenses, there are natural legal processes generated for business.

During validity, the following situations were presented:

Sanctioning processes	
Company	**State**
ISA INTERCOLOMBIA	A sanctioning process was opened by Regional Environmental Authorities. There are six processes including previous periods.
ISA REP	No sanctioning processes were opened by Regional Environmental Authorities.
ISA CTEEP	➔ 26 processes were opened in relation to land cleaning, conservation of the safety fringe, vegetation intervention, diesel-motor smoke emission, and noise in substations ➔ One (1) USD455 fine.

Non-monetary sanctions due to non-compliance of environmental regulations				
Company	2014	2015	2016	2017
ISA INTERCOLOMBIA	2	0	0	0
ISA REP	2	0	1	0
ISA CTEEP	NA	18	5	25
ISA TRANSELCA	0	0	0	0
ISA BOLIVIA			NA	0

NA: Not Available



MANAGEMENT OF IMPACTS ON BIODIVERSITY [GRI 103]

ISA and its companies, in the exercise of their activities, generate direct and indirect impacts on biodiversity, associated with logging and pruning activities of vegetation in easement areas of transmission lines. To manage such impacts, the Company takes obligatory and voluntary actions.

On the one hand, obligatory actions are those arising from Environmental Management Plan –PMA–. On the other hand, voluntary actions are those such as Conexión Jaguar Program, as a specific decision made by companies regarding care for the environment and in observance of their Corporate Environmental Policy. This is how the corporate group is committed to generate mechanisms to protect and minimize the impact on natural ecosystems and contribute to their conservation.

To create and operate the Electric Energy Transmission Business Unit, during asset lifecycle, there are actions taken to prevent, mitigate, and compensate impacts on biodiversity. [GRI 304-2]

ACTION IN CONSTRUCTION, OPERATION, AND MAINTENANCE STAGES

From project planning, environmental studies that define optimal alternatives for the transmission lines corridor from the environmental, property, social, and technical perspective, are defined. In addition, for environmental licenses, the Red Lists of the International Union for Conservation of Nature used to identify endangered species, are consulted.

To manage the impacts identified in the Environmental Impact Studies –EIA, companies have Environmental Management Plans –PMA– and forestry compensation plans. This can be consulted on the companies' websites and those of environmental authorities in charge of licensing in each country.

See Table of impacts on biodiversity **[GRI 304-2] [GRI 304-3] [GRI 304-4]**

During the period, the following actions were implemented:

Company	Investment (USD)	Program
ISA INTERCOLOMBIA	1,489,295	➔ Land clearing and rescue of flora and fauna. ➔ Implementation of measures for forestry use. ➔ Vegetation management under operational stage. ➔ Installation of flight diverters. ➔ Landscape management and ornamentation ➔ Rescue of protected, endemic, or threatened flora for projects Conexión Puerto Libertador-Montelíbano, Interconexión Noroccidental, Betania-Mirolindo, Caracolí substation and lines associated with Interconexión Chinú-Montería-Urabá. ➔ Forest compensation. ➔ Monitoring of fauna and flora for Sogamoso Project. ➔ Conservation and seeding program of epiphytes.
ISA BOLIVIA	12,787	➔ Implementation of low-height agro-forest plantations in an approximate area of 5 Ha of the power grid to optimize maintenance costs and benefit owners by using and selling their crop, such as: • Línea Carrasco - Arboleda: 2.45 Ha of fruit trees. • Línea Arboleda – Urubó: 1 Ha of fruit trees and 0.23 Ha of gramineous plants • Línea Arboleda – Urubó: 1.64 Ha of gramineous plants.
ISA TRANSELCA	50,216	➔ Maintenance of 5,753 individual plants (Department of Atlántico, Colombia), as a compensation measure to comply with the provisions of pruning permits and forestry use: • 700 trees planted in the Municipalities of Malambo and Luruaco. • 4,893 trees planted in Sabanalarga, Baranoa, and Galapa. • 160 trees planted in Barranquilla.
ISA REP	240,000	➔ Biological monitoring in the Machu Picchu – Cotaruse transmission line: follow-up of spectacled bear and Andean condor, even though the transmission line does not cross the natural conservation area. ➔ Agreement related to the Cordillera Azul Protected Natural Area, located in the San Martin Region, leveraging programs for biodiversity conservation, in which 91 jaguars were identified.
ISA INTERCHILE	199,676	➔ Installation of bird anti-collision devices, controlled disturbance, training to contractors, and relocation of towers to avoid affectation.
ISA CTEEP	83,000	➔ Environmental and reforestation programs: • Valle do Paraíba transmission system: 1,020 native trees in 2 Ha, within the Permanent Preservation Area of Hacienda Bom Jesús del Ipiranga. • Valle do Paraíba transmission system: 968 trees in 1.77 Ha, within the Chavantes Hydroelectric Power Plant. • Línea Paraibuna – Caraguatatuba: monitoring of fauna in the Caraguatatuba municipality.



Novus Colombia Award 2017.

ISA AND INTERCOLOMBIA, FOR THE FOURTH CONSECUTIVE YEAR, COMPENSATED **100% OF THEIR GREENHOUSE GASES EMISSIONS.**

NOVUS COLOMBIA INNOVATION TOUR

ISA, together with Universidad Nacional de Colombia (National University of Colombia), designed the NOVUS COLOMBIA INNOVATION TOUR, to create proposals to solve company challenges related to the development of infrastructure projects. In 2017, the winners of the program were selected: Innovation, Social ISA, Greenovation, Serendipia and Challenge Hunters. They received an economic incentive of COP5.000.000 in prize due to their outstanding performance in social, property, material, and vegetation challenges. The *Innovation* staff of the materials challenge was the winner and will receive up to COP100.000.000 to implement its proposal during 2018.

ISA AND ITS CONTRIBUTION TO ENVIRONMENT

As a signatory of the Global Pact, ISA is committed to promote greater environmental responsibility, and to maintain an environmentally favorable preventive approach. This is how ISA and its companies develop actions to mitigate and adapt climate change in three areas:

- Climate change management
- Compensation of Greenhouse Gases –GHG–
- Eco-efficiency

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Climate change management

ISA has a climate strategy that is aligned with joint priorities and actions of governments, society, and companies, from a consolidated compensation practice of Greenhouse Gases –GHG– generated by operations in the Electric Energy Transmission Business Unit. ISA reviewed its approach according to COP 21 commitments and the phenomena caused by climate change in recent years, adjusting its risk maps and planning a series of actions by 2020.

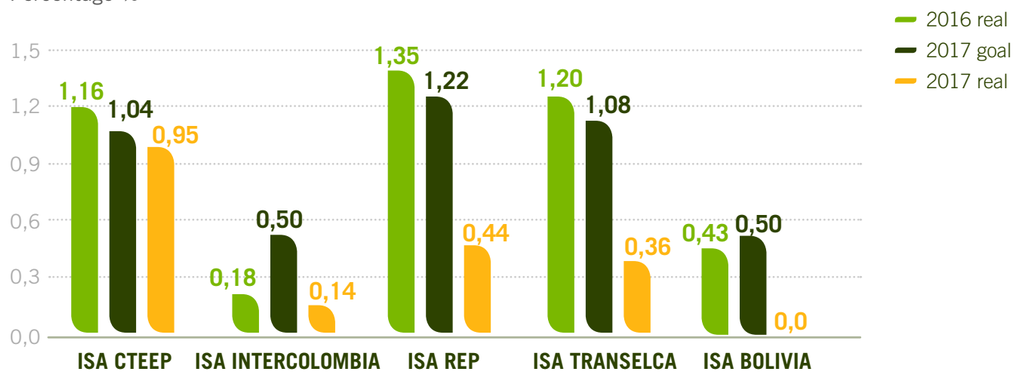
Within these actions, ISA and its companies recognized the importance of the SF_6 management as the main greenhouse gas in their operations, which is required in some high-voltage equipment. ISA has set up as consolidated target for 2017 to reduce SF_6 leaks to a value of 0,98%. This target was exceeded by obtaining a value of 0,71% leaks, thanks to the best practices and the commitment towards the adequate operation and maintenance of equipment. Emissions were reduced to 24,913 tCO_2, thus avoiding the emission of 8,738 tCO_2.

The following actions were developed to reduce SF_6 emissions:

- Maintenance of failing switch breakers and recurrence for obsolescence or frequent leaks.
- Improvement of data logging related to leaks in Colombia, Peru, and Bolivia.
- Reuse of SF_6 in maintenances.

→ SF_6 leaks

Percentage %



- Use of infrared cameras to avoid uncontrolled leaks during equipment operation.
- Final disposal of 1,628 kg and 700 kg in ISA CTEEP and ISA INTERCOLOMBIA, respectively.

On the other hand, ISA CTEEP joined the Carbon Credit project, a pioneer initiative in the Brazilian electric sector, through the conversion of 205 vehicles from gasoline to ethanol. The methodology of the project, which has the Verified Carbon Standard –VCS– international certification, in 2017, reached a total of 99% vehicles using ethanol.

GHG Compensation

In Colombia, the compensation was carried out in the project entitled "Restauración Ecológica de Vegachí en Tierras Degradadas" (Vegachi Ecological Restoration on Degraded Lands.)" This project covers almost 800 hectares, where native species have been planted, such as cedar, walnut, pacó and guayacán, as well as endangered species of the Magnoliaceae family such as Magnolia hernandezii and Magnolia polyhypsophylla. This is located in the Jaguar and Puma's conservation corridor.

This initiative generates 14 permanent jobs, reduces 3,900 tCO2e of GHG emissions, and preserves 184.6 Ha of forest.

Eco-efficiency

The intensity in the consumption of natural resources and the generation of emissions and waste are only slightly relevant for the energy transmission industry. In this regard, for ISA, eco-efficiency is barely a relevant issue. However, companies manage the main environmental impacts generated during asset lifecycle and develop best practices to mitigate them.

"EN LA MOVIDA" MOBILITY PROGRAM AVOIDED **7,1 tCO2,** EQUIVALENT TO 3.8 HA PLANTED WITH FOREST,



Company	Program
ISA INTERCOLOMBIA	➔ "En la Movida" sustainable mobility program: • 7.1 tCO2 avoided, equivalent to 3.8 hectares planted with forest. • 29 savings days due to displacements of the total number of participants. • 8,000 connections in shared car. • 627 walks. • 523 conventional bicycle rides and 824 in electric bicycle rides. • Implementation of telework, flexible schedule, and an intelligent system called Try my Ride, which facilitates and promotes the use of different mobility alternatives. ➔ Use of waste generated and trade of recyclable waste and industrial surplus.
ISA REP	➔ Use of an environmental searcher for reforestation activities. ➔ Change of R-22 by R-140 refrigeration gases, which has zero ODP, and WPS less than 2,100 for a 100-year period. ➔ Signature of the agreement for Diesel +e fuel supply, which is Sulphur-free. ➔ Replanting program in substations. ➔ Signature of the agreement with municipalities and NGOs for paper, cardboard, and glass recycling, obtaining a total of 10 tons of recycled waste. ➔ Change of plumbing in administrative offices by a maximum savings system caused a reduction of 70% in water consumption.
ISA TRANSELCA	➔ Program for using plant waste from Santa Marta substation.

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TRAINING AND DEVELOPMENT OF HUMAN TALENT [GRI 103]

The Corporate Human Management Policy aims at developing and retaining human talent of ISA and its companies within the framework of clear, respectful, equal, and fair working relations that create an atmosphere of trust and comprehensive development of human, labor, and social aspects.

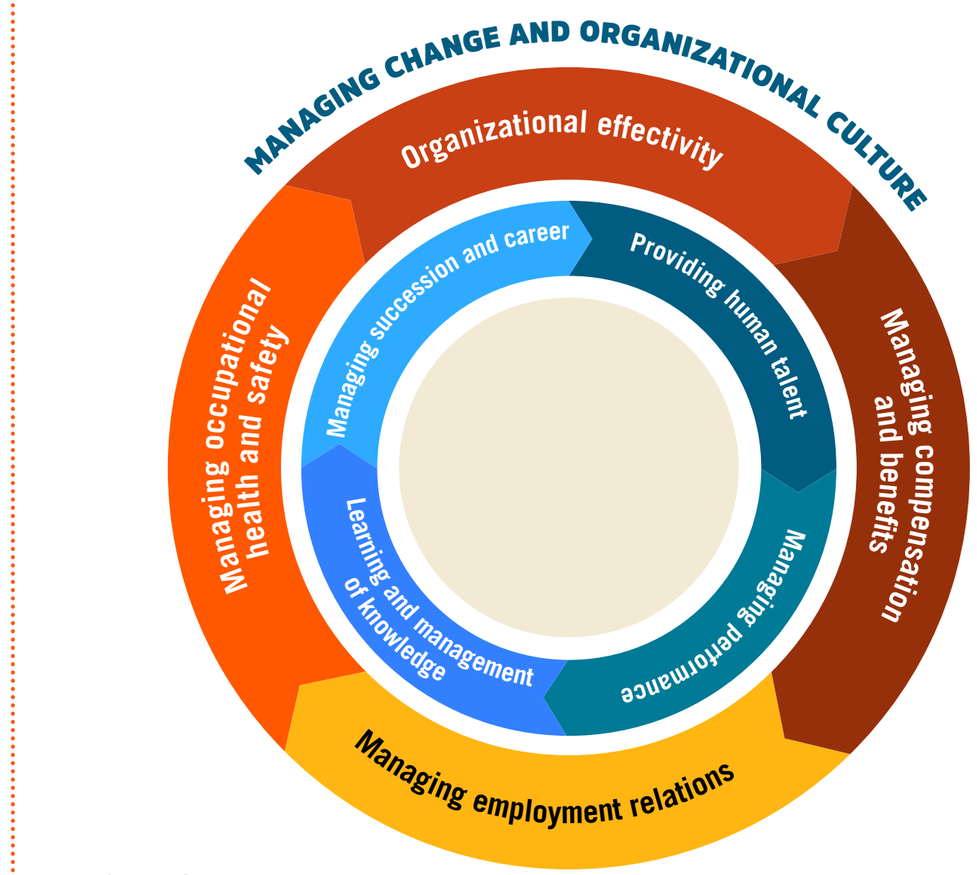
It is relevant for the Company to maintain and manage human talent in a permanent way as the focus of competitive advantages and strategy, as well as addressing the risk of loss of competitive advantage, lack of institutional knowledge and brain drain.

In this regard, ISA and its companies enable human talent through the management of persons, organizational design, and knowledge management, framed within cultural traits and defined government schemes in ISA.

During 2017, ISA developed actions to frame the development of human talent in the relationship of the following examples:

- **Transformation model for organizational talent:** it facilitates the relationship between leaders and employees for generating value to the company.
- **Leadership style:** it is the decoding of leadership into functions and roles, so that leaders mobilize the cycle of talent, performance, and development towards the achievement of results.
- **Talent cycle:** it comprehensively presents the key moments that ensure human talent management daily.

Cycle of talent, performance, and development, which is relevant for training and development of human talent.



MANAGING PERFORMANCE

It is an annual process by which the organizational strategy is translated into individual and team results. It includes defining goals of results and measurement of competences.

Performance management is the basic mechanism so that leaders can make decisions related to human talent management under their responsibility, through the following stages:

- Agreements of objectives and individual development plans
- Results monitoring
- Measurement of competences
- Closure and calibration of performance

LEARNING AND MANAGEMENT OF KNOWLEDGE

To prepare human capital and considering the capacities that ISA should keep and develop, training plans that include formal and informal learning experiences are structured, supported by accompaniment and continuous exposure. For this purpose, ISA has three management centers related to leadership, knowledge, and excellence.

Leadership

It is focused on an adaptive, transforming, and guiding leadership. It is aimed at directors and leaders in development to strengthen their skills and readiness to face challenges in the organization.

In 2017, 293 collaborators from Colombia, Peru, Bolivia, Chile, and Brazil participated, achieving a satisfaction evaluation of 9.5. The benefits of this program resulted in an increase of the leadership index that passed from 80% to 83% compared to 2016.



2017 knowledge days.

Knowledge

It allows managing critical knowledge of business, so that an incremental improvement in processes can be captured, assimilated, recorded, and applied.

During 2017, nine virtual courses led by company's employees were developed, taking advantage of their knowledge and experience on key engineering topics. The benefits associated to this strategy are: transfer and withholding of information, teaching, and learning experiences, and recognition to the employee that contributed to his knowledge to formulate and develop content.

Excellence

It ensures the professional development of key talent on relevant topics for the strategy. During the period, Knowledge Days were carried out.

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Knowledge Days

It is the most renowned event in ISA and its companies, which serves as a platform to mobilize knowledge management and innovation. The 8th edition of this event was carried out and for the first time it included the participation of the four businesses.

Asset Management

Strategic initiative aiming at implementing the best practices arising from PAS 55 and ISO 55000 standards.

The following actions stand out during the period:

- Measurement of technical skills to 510 employees and development of training plans to strengthen relevant knowledge.
- Virtual courses in which ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, ISA CTEEP, ISA REP and ISA BOLIVIA participated for a total of 22,000 training hours.
- Learning path for continuous improvement with 50 managers of ISA, ISA INTERCOLOMBIA, and ISA TRANSELCA.
- Asset management fair for ISA and ISA INTERCOLOMBIA to validate the appropriation of asset management practices and facilitate the transition from project stage to operational stage.

Relevant figures in Knowledge Days:

500 participants

144 works presented by Group employees

25 external lecturers

22 external juries

22 special guests

30 suppliers in the technical sample

MANAGING SUCCESSION AND CAREER

It allows to identity, develop, and prepare the most skilled and with the greatest potential employees, to hold the most relevant positions and roles within the company in the upcoming years.

The succession is the "final exam" of the talent cycle and it is articulated with other processes to ensure approval of the human resource and the integrity and coherence of value proposal to the employee.

For the period, the following stands out:

- Succession exercise for 84 senior management positions of ISA and its Companies (10 Level Zero Positions: CEO and General Managers and 74 Level 1 Positions: directors.)
- Talent review sessions that identified 105 successors for 65 of the 84 relevant positions.

To carry out these processes, the ÍNTEGRO system technology platform is used to provide information for appropriate decision making.

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ORGANIZATIONAL CLIMATE

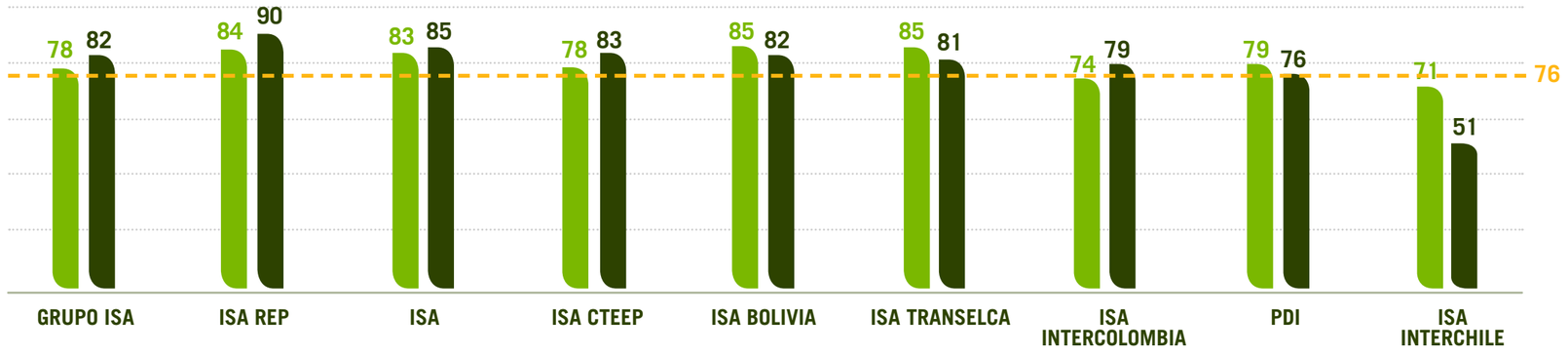
Annually, ISA and its companies measure the climate supported by the Korn Ferry/Hay-Group methodology. Climate results are evident in the collective perception of practices, policies, structures, processes, and systems; as well as the sense of belonging of the Company employees. This allows generating value talks and creating action plans that deliberately support a great place to work.

For 2017, results are very positive if compared to historical results and to market averages. In the last 10 years, a growth curve has been evident, both in adhesion (3,487 persons representing 94% of the invited population) as well as favorability.

CONSOLIDATED RESULTS OF ISA AND ITS COMPANIES SHOW A FAVORABILITY INDEX OF 82%, INCREASING 4% COMPARED TO THE MEASUREMENT OF THE PREVIOUS YEAR, THUS OBTAINING THE BEST RESULT SINCE 2007.

→ Organizational climate

Percentage %



PERSPECTIVES

Today's world evolves because of macro-trends that have a global impact, and for this reason, it faces new realities, which are also influenced by new disruptive technologies. Most of these trends have an impact on business. Likewise, if each trend materializes, there will be a new paradigm for sectors in which ISA develops its activities: energy, mobility, ICTs.

The company is aware of the complexity, dynamism, and uncertainty of the business environment, and through its strategic review exercise, it identifies changes associated with the materialization of new trends and the more active involvement of society, which will affect all segments of the supply chain.

Even if the most "disruptive" trends can be a threat to current ISA's business, their potential (market, scope, growth) can be a great opportunity to complete current business or develop some new businesses. For this reason, the company is preparing to face potential disruptions in its business areas.

ISA's purpose is to create "Connections that Inspire" and this goal should be decoded regarding new challenges we face: decarbonization and penetration of unconventional renewable energy sources, efficiency and optimization of energy resources, digital transformation, adaptation of markets and new business models, and a more active social participation of communities.

These changes have significant implications for our business. In current business, we face a new action framework (with greater demand for current infrastructure, under a new regulatory architecture and more social and environmental awareness). Also, we should formulate alternative and disruptive business models that respond to new market opportunities, based on our skills and strengths (extension of the transmission control, connection of unconventional renewable energy, decentralized and coordinated operation, convergence between energy, mobility, and ICTs.)

Faithful to its mission, aware of its role in electric markets of the region and supported by accumulated experience (50 years) in planning, construction, and operation of grids, ISA expects to play a strategic role for sectoral consolidation, which will demand ISA's greater skills for continuous improvement and adaptation to a changing environment that imposes new challenges every day.

9

Road Concessions Business Unit

If we recognize that our planet
is fragile and needs our care,
there is connection.

isa

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Road Concessions Business Unit

During 2017, we devoted to materializing growth initiatives through additional projects in our operating routes and industry opportunities, having success in both cases. We generate connections that inspire together with our environment, developing projects focused on creating a better quality of life for all who circulate and coexist on our routes, to strengthen the bonds already created with our stakeholders, transforming ourselves in a reference for sustainability and road safety in Chile."

EDUARDO LARRABE LUCERO
ISA INTERVIAL General Manager

Country	Concessionaire	Km of road in operation
Chile	Ruta del Maipo	237
	Ruta del Maule	193
	Ruta del Bosque	161
	Ruta de la Araucanía	144
	Ruta de los Ríos	172
Total		907



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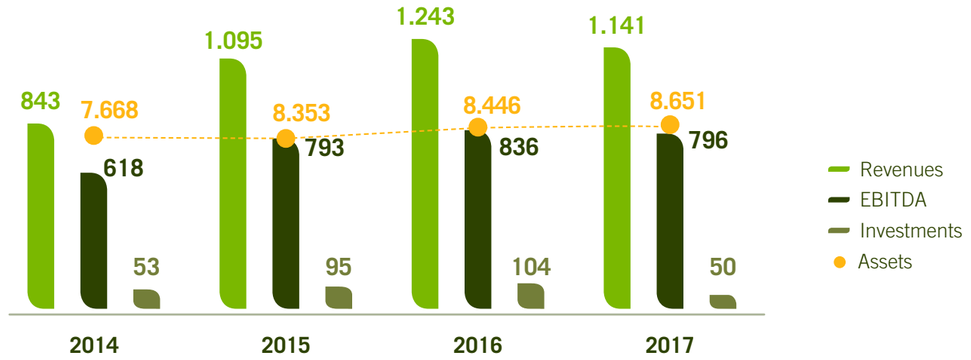
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isa

Road concessions
Billion $



ISA STRUCTURES, DESIGNS, BUILDS, OPERATES, AND MAINTAINS ROAD INFRASTRUCTURES, WITHIN THE REGULATORY FRAMEWORK AND STANDARDS SET BY THE BUSINESS AUTHORITY IN EACH COUNTRY. ADDITIONALLY, ISA IS SUPPORTED IN PROCESSES THAT GUARANTEE OPERATIONAL EXCELLENCE AND SAFETY FOR USERS.

BUSINESS MANAGEMENT

ISA INTERVIAL is the main interurban roads operator in Chile, with 907 km which connect people through five concessionaire companies between Santiago and Rio Bueno through Ruta 5.

During 2017, ISA INTERVIAL made important investments in safety regulations works in the existing five concessionaires. In addition, ISA INTERVIAL presented the best economic offer for the public bidding announced for Rutas del Loa project, which will be awarded in 2018 to its affiliate ISA INTERVIAL.

This project is for the construction of a new concession road, 136 km, between the cities of Carmen Alto and Calama, in the Antofagasta region, with an approximate investment of USD315 million.

To support users, concessionaires have control stations, SOS posts, emergency vehicles, and service areas. Safety is one of the priority topics, so that on the roads, the company maintains a fluid and timely communication with users and the community, through mass media campaigns, variable information panels, websites, mobile applications mobiles (alliance with Google's Connected Citizens, Waze), Twitter accounts, among others. These means

make it possible to know the traffic status on roads, weather conditions, communication of safety campaigns, contingency plans in peak traffic periods, and recommendations for travels.

Road infrastructure							
Concessionaire	In operation						Under construction
	Ruta del Maipo	Ruta del Maule	Ruta del Bosque	Ruta de la Araucanía	Ruta de los Ríos	Total	Rutas del Loa
Tranche	Santiago - Talca	Talca - Chillán	Chillán - Collipulli	Collipulli - Temuco	Temuco - Río Bueno	Santiago - Río Bueno	Carmen Alto-Calama
Length (km)	237	193	161	144	172	**907**	136
Toll stations	3	2	2	2	2	**11**	1
Lateral tolls	39	16	16	8	5	**84**	0
Service areas	4	4	3	3	4	**18**	1

Traffic and revenues

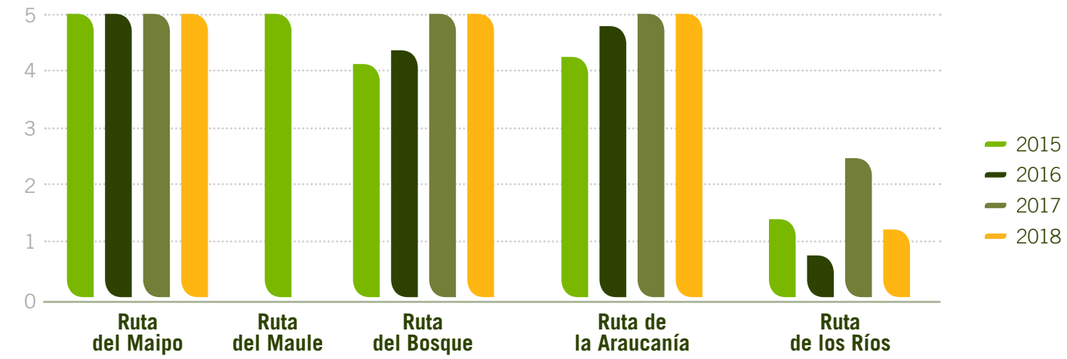
From 2003, concessionaires, except Ruta de los Ríos, joined the Revenue Distribution Mechanism –MDI–, by which the concession period becomes variable and the purpose thereof is the moment in which a present value of the expected income is reached.

According to concession contracts, the Ministry of Public Works –MOP– pays an annual grant to concessionaires with lower traffic flow, which applies for Ruta del Bosque and Ruta de los Ríos.

Likewise, for concessionaires that execute during the year a good safety management on the route, reducing accident rates and deaths compared to a baseline year, the MOP authorizes, for the following year a tariff increase of up to 5%, called Road Safety Award –RSA–. The value corresponding to –RSA– is not considered within the revenues included in the MDI for the concessionaires assigned to the system.

Increase of tariff authorized by –RSA–

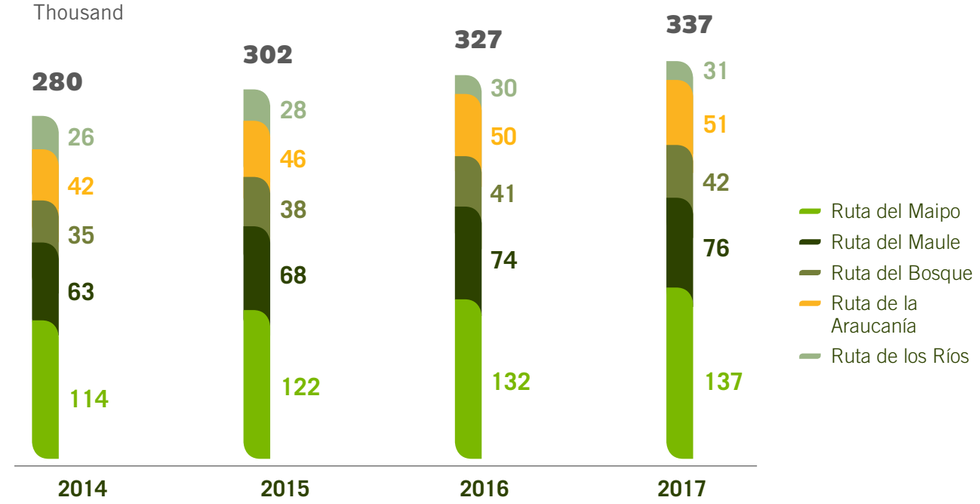
Percentage %



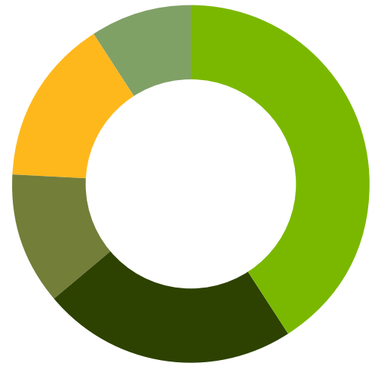
During the validity, traffic in equivalent vehicles in the five concessionaires registered an increase of 3.7% compared to previous year, in which Ruta del Maipo and Ruta de los Ríos concessionaires reveal the greater increase, reaching 4.4% in Average Equivalent Daily Traffic –TMDE. The light vehicles category obtained 5.1% showing the greatest joint increase between five concessionaires.

Traffic growth
Average Equivalent Daily Traffic –TMDE–

Thousand



Traffic distribution



- **41%** Ruta del Maipo
- **23%** Ruta del Maule
- **12%** Ruta del Bosque
- **15%** Ruta de la Araucanía
- **9%** Ruta de los Ríos

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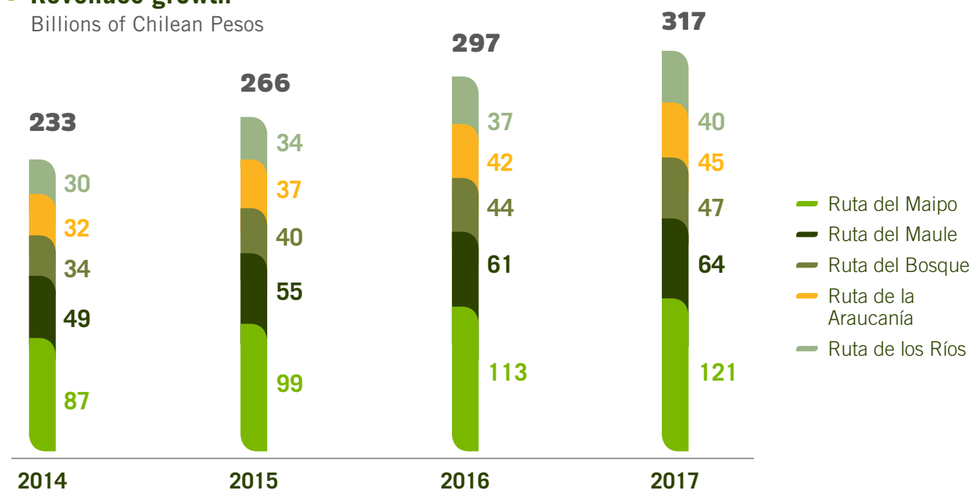
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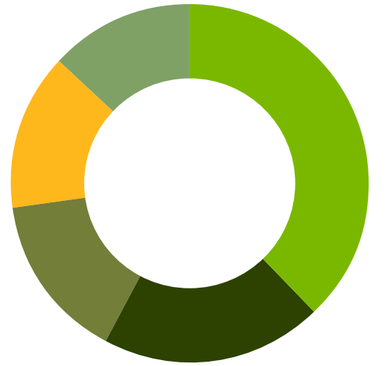
Revenues of concessionaires, including traffics and subsidies, increased 6.7% compared to 2016. The highest growth was reached at Ruta de los Ríos with 8.1%.

Revenues growth

Billions of Chilean Pesos



Revenue Growth



Ruta del Maipo Upgrade project

In 2017, Ruta del Maipo presented to MOP - Ministry of Public Works, the first part of the Third Lane expansion project of the Santiago – Talca tranche for Ruta 5 Sur in Chile. The delivery meant an increase of road capacity from 2,400 to 3,600 vehicles per hour in one direction and in other sectors the layout and design speed were improved from 100 to 120 km/h. This project represented an investment of about USD80 million.

ProPyme Seal Certificate

Re-certification by the Ministry of Economy in relation to the ProPyme Seal was achieved due to the excellent payment management to suppliers and contractors in a maximum period of 30 days. This payment method allows the development of suppliers and it is a good social management practice.

Alianza Connected Citizens de Google

An alliance with Google's Connected Citizens program, which operates through Waze digital navigation platform was achieved in each concessionaire, allowing a better connection with users.



Nueva Angostura toll plaza, Ruta del Maipo, the largest toll plaza in Chile

RUTA DEL MAIPO, RUTA DEL BOSQUE AND RUTA DE LA ARAUCANÍA, OBTAINED THE HIGHEST SCORE IN THE ROAD SAFETY AWARD –RSA–.

Update of Core systems

The technology migration project of the toll system was developed, allowing the approval of the entire road operation in Chile. Five concessions in operation, 95 toll plazas, and 340 roads were migrated.

"Mi Ruta Educativa" project

In Ruta del Maule, "Mi Ruta Educativa" safety project was designed collaboratively with suppliers Bitumix, Ingetrak, Fich and Kafra, to teach children from surrounding communities about safety and self-care on streets and roads, by using an interactive system.

PERSPECTIVES

In the upcoming years, the region will continue making significant investments in infrastructure and favorably adjusting the regulatory frameworks to attract a greater foreign investment.

In this regard, the portfolios of countries such as Chile, Colombia, Peru, Brazil, and Argentina show several opportunities in the road infrastructure sector, for which ISA will conduct the corresponding analyzes in view of consolidating and growing the road concession business unit in Latin America.

In Chile, we will continue carrying out an increasingly efficient operation, looking for adding value through relevant works for the country, which could be developed by means of existing concessions.

10

Information and Communications Technology Business Unit

If we understand that our actions, however small, have an impact,

there is connection.

isa

Information and Communications Technology Business Unit

"In 2017, INTERNEXA made substantial progress in its strategy as enabler of digital technological change for a diversified B2B market, providing digital ICT solutions with services that provide value to any type of company or business, and starting vertical solutions development for its target markets in Latin America."

JAIME PELÁEZ ESPINOSA
General Manager



- Agreements among operators to exchange internet traffic –PEERING-
- Content servers
- Internet Exchange Points -IXP&NAP-
- Cities served

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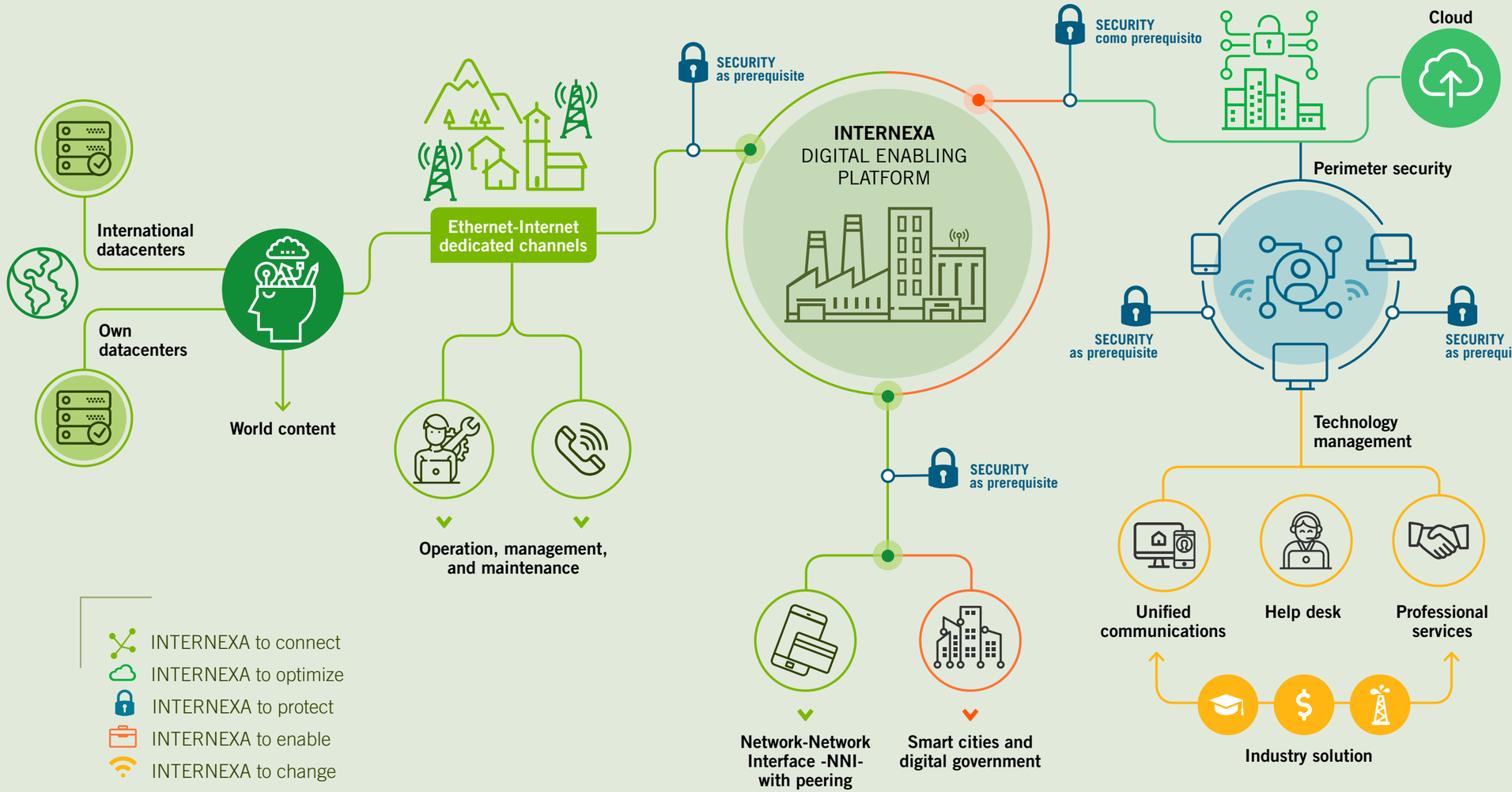
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Business management

With 16-year experience in a highly dynamic industry, INTERNEXA is a platform for telecommunication operators, companies, and government institutions to speed up their digitalization processes by providing reliable, flexible, and innovative technology business solutions.



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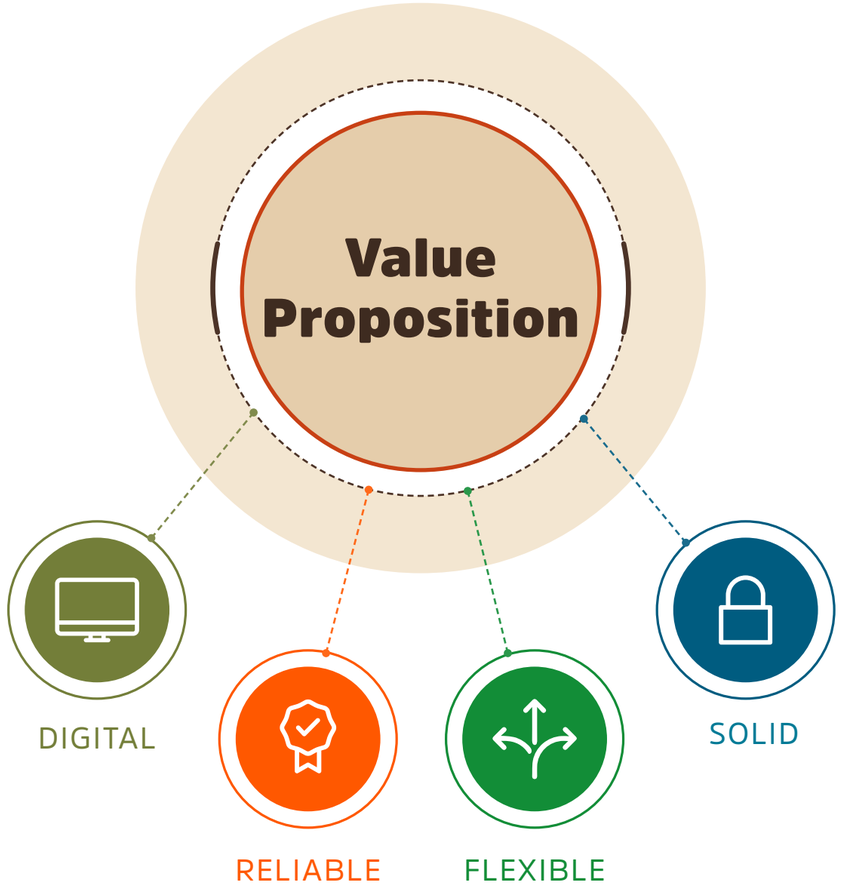
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INTERNEXA has evolved from infrastructure business and connectivity services, which have been currently extended in two paths: diversification of products and markets. The first path is related to the development of a more solid value proposition, not only with connectivity but with technology added value services. The second path is related to the market focus of the company, where Telcos and Over The Top –OTTs– (companies that render internet services even if they are not operators such as Netflix, Facebook, and Google) Operators' market penetration continues and is expanded to the business sector. This path has been crucial to understand environment conditions, especially those of the market served by INTERNEXA, whose pace of change is accelerated with impacts on digital economy in all stakeholders.

To support its services, the company operates an international, national, and metropolitan network ecosystem, equipped with cutting-edge technology, which unites Latin American countries and these with the United States. With 48,866 km of fiber optics, this network multiplies the supply service in more than 257 points across the continent, benefiting more than 868 clients, while developing its function with an economic, environmental, and social sustainability. In addition, it complies with the highest international standard regarding integrated quality management systems and occupational safety and health systems.

Value Proposition Consolidation

During 2017, by integrating own and third parties' capabilities, with high efficiency, flexibility, and operational agility, INTERNEXA was able to consolidate an integrated value proposition according to our current and future clients' needs.



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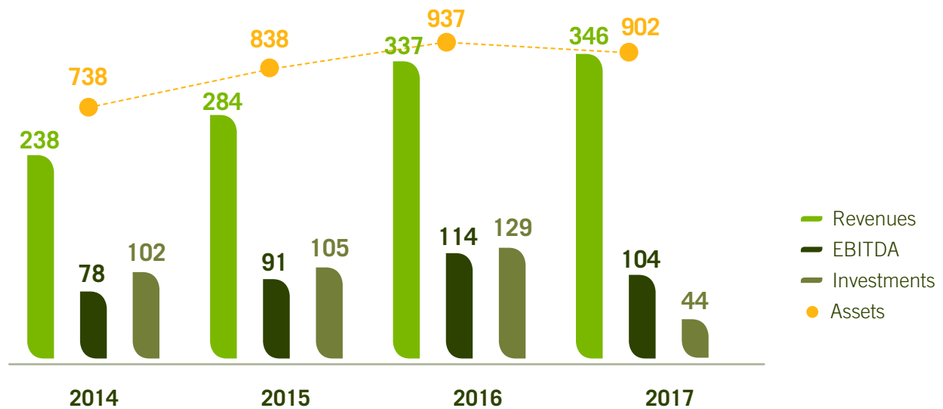
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➔ Information and Communications Technologies

Billion $



INTERNEXA achieved an important performance in terms of EBITDA margin and a prudent management of its investments, without sacrificing future growth, to obtain positive cash returns. This was achieved in a year in which the telecommunications wholesale market had complex situations due to the macroeconomic environment, industry revenues, demand behavior, and sharing of infrastructure among Telcos' largest companies.

Business market evolution

INTERNEXA showed an interesting progress related to the consolidation of its value offer in the corporate market, by means of an increase in the number of customers in sectors such as education, utility companies and government, and expanding the portfolio of contracted services in the current customer base. The above has enabled the diversification of ISA's revenues and the consolidation of long-term trade relations with customers.

Datacenter

INTERNEXA launched its new Datacenter in Bogotá – Colombia, which hosts and virtualizes equipment of operators and companies under a state-of-the-art controlled environment, which offers optimal security conditions, redundancy, and capacity.

The Datacenter, which includes 7x24x365 on-site monitoring by experts, received a "Tier III Certification of Constructed Facility" rating issued by Uptime Institute, which certifies the best practices in operation of datacenters worldwide.

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PERSPECTIVES

The macroeconomic environment in Latin America has a perspective of recovery and moderate growth in the upcoming years. However, there are great opportunities in the market served by INTERNEXA associated with the development of the digital economy. An increase in infrastructure and service demand is expected, pressured by the growth of internet service providers, as well as providers of major investments required for expanding 4G technology, and the development of 5G technology expected in the next four years.

Within the main digital economy trends, we can highlight situations such as the increased demand for traffic, services, applications, and solutions of ICTs in final and corporate users, which are clear defined agendas of governments to reduce digital gaps and the participation of new stakeholders in the OTTs segment.

Other relevant trends are consolidating in the sector, such as the infrastructure sharing by telecommunication operators, the concentration of some key stakeholders through operations of mergers and acquisitions, and the changes that can experiment the network neutrality principle, mainly defined by the last competent authority's statement in the United States.



New INTERNEXA Datacenter in Bogota, with 7x24x365 on-site monitoring by experts.

These trends, together with regulatory pressures due to the strong flow of OTTs towards the region and by electoral processes, which affect public procurement in countries where INTERNEXA is aiming at this market segment, have led the company to consolidate a market approach towards operators and medium-sized enterprises, always looking for delivering solutions to real business needs, through a close relationship and the delivery of a proposition that adds own services with other value-added services from allies. INTERNEXA reaffirms its customer orientation, whose service is the priority in the day-to-day activity of each collaborator.

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Real-time System Management Business Unit

If we realize that in each of us
lies the change that we want
for the world,

there is connection.

isa

Real-time System Management Business Unit

Innovation and change are a constant in XM, whose essence includes knowledge, experience, skills, and training of employees, everything oriented towards the generation of value.

In 2017, XM won two prizes awarded in Medellin by Ruta N to innovation managers. The first prize was due to the commitment to the implementation and management of the innovation system, obtaining the maximum score among 106 companies participating in the Innovation Managers Program. It also obtained the first position with the Geometrical Analysis of Power Systems (GAPS) among the 10 companies with the best innovation projects.

The company was also a promoter of Alianza Energética 2030 (2030 Energy Alliance), a scientific ecosystem without precedent in the Colombian energy sector, whose scope establishes 10 projects, among prototypes, proposals for sustainable electricity supply and new business models. This program is promoted by the Ministries of Education, Trade, Industry and Tourism, Colciencias, and ICETEX.

In 2017, XM participated in the Colciencias call for R+D+i (Research, Development, innovation) projects, deserving of tax benefits. This is an initiative from the National Government aiming at creating favorable conditions for the generation of scientific knowledge, stimulating the innovative capacity of the production sector and, in general, providing incentives for creativity. The Technology Development score required for the five projects submitted was obtained in such call. In addition, the "Modification to processes, procedures, and operational regulations regarding the incorporation of unconventional renewable energy sources was approved."

The compliance audit (2016 validity), conducted in 2017 by the Comptroller General of the Republic on "Management of investment for modernization" produced a result of "NO RESERVATION", this is, it certifies compliance with regulations related to resources invested in the projects assessed: SCADA/EMS and improvement of processes of the Nuevo Centro de Control (New Control Center) program, planning and

> In XM, we support innovation as an intended, structured, articulated, methodical, and progressive process, which contributes to sustainability, growth, and generation of value to enhance individual and organizational competences and skills."
>
> **MARÍA NOHEMÍ ARBOLEDA**
> **General Manager**

implementation of the Sistema de Administración de Mercados –SAM– (Market System Management), and development of the Intelligent Supervision and Advanced Control –iSAAC–, which contribute to the achievement of the company's goals.

El informe de la Contraloría concluye además que en XM se aplica en forma adecuada la metodología de planificación y ejecución de los proyectos y la normatividad aplicable al proceso contractual.

The Comptroller's report also concludes that, in XM, the planning and execution methodology for projects and the regulations applicable to the contract process are properly applied.In 2017, a portfolio made up of three programs and 27 projects was managed, whose development allowed the incorporation of new capabilities not only driving the company's growth, but also the modernization of the Colombian electric sector.

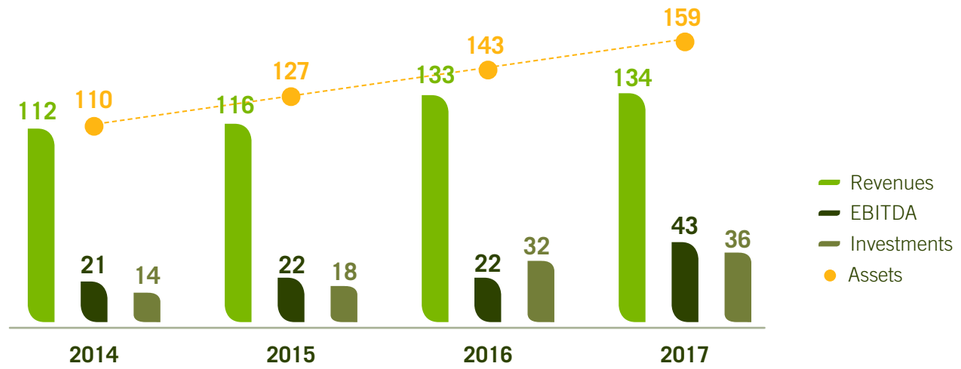
To drive and change market operation, XM advances in the SAM project, a challenge that besides integrating a new technology platform, it will allow responding in an expeditious, flexible, and effective manner as long as the market evolves towards the inclusion of trends, such as renewable energies, distributed generation, response to demand, and market integration.

Moreover, Centro Nacional de Despacho (National Dispatch Center) was also updated to be prepared for the integration of new trends and technologies, such as unconventional renewable energy sources and distributed energy resources. Also, 25 engineers were certificated with the German company Franhoufer, strengthening their skills in planning and operation of electric power systems with unconventional renewable energy sources. In addition, the OPAL real-time lab simulator was acquired, which can simulate in our system the impacts of incorporating new stakeholders, reducing risks during operation, and contributing to security in supporting the demand.

The experience and knowledge developed by XM to operate the Electric System and the Management of the Wholesale Energy Market, allow ISA through its companies, to offer transactional solutions to other sectors, based on technology and the knowledge acquired.

Intelligent Management of Real-Time Systems

Billion $



BUSINESS MANAGEMENT

XM conducts the operation planning and coordination of resources from the National Interconnected System –SIN–, administers the Commercial Settlement System –SIC– in the Wholesale Energy Market –MEM–, manages the International Electricity Transactions –TIE– with Ecuador, and carries out the settling and clearing of charges for use of the SIN's grids.

XM, as operator of the SIN, guarantees the continuous balance between electric energy production and consumption in the country. Based on electricity demand estimates, XM carries out the coordinated real-time operation of the generation plants and the electric grid to continuously match power plants' generation with consumers' demand in an economic, reliable, and safe manner under standards of quality.

Energy generation

In 2017, SIN operation and MEM management presented an "hydrological normality", indicating that water supplies during the year were registered between 80% and 120% compared to the average values (criteria used by climate agencies). This meant a large supply of water plants and a reduction of thermal generation.

Energy generation						
Resources	**2014 (GWh)**	**2015 (GWh)**	**2016 (GWh)**	**2017 (GWh)**	**%**	**% Variation**
Hydraulic	42.158	42.464	44.246	**53.553**	80,3	21,0
Thermal	18.406	20.631	17.789	**7.941**	11,9	-55,4
Minor	3.293	2.927	3.193	**4.421**	6,6	38,4
Co-generators	472	526	600	**649**	1,0	8,1
Auto-generators			111	**109**	0,2	-1,7
Wind				**3**	0,0	
Solar				**5**	0,0	
Total	**64.328**	**66.548**	**65.939**	**66.681**	**100**	**1,1**

As of December 31, the SIN had an effective net installed capacity of 16,779 MW, registering a growth of 1.1% compared to 2016, mainly due to the increase of commercial use of minor plants and auto-generators. Furthermore, the commercial use of the first solar plant in Colombia with a capacity of 9.8 MW stands out.

XM LED THE CREATION OF THE COLOMBIAN CHAPTER OF THE INTERNATIONAL COUNCIL ON LARGE ELECTRIC SYSTEMS (CIGRÉ).

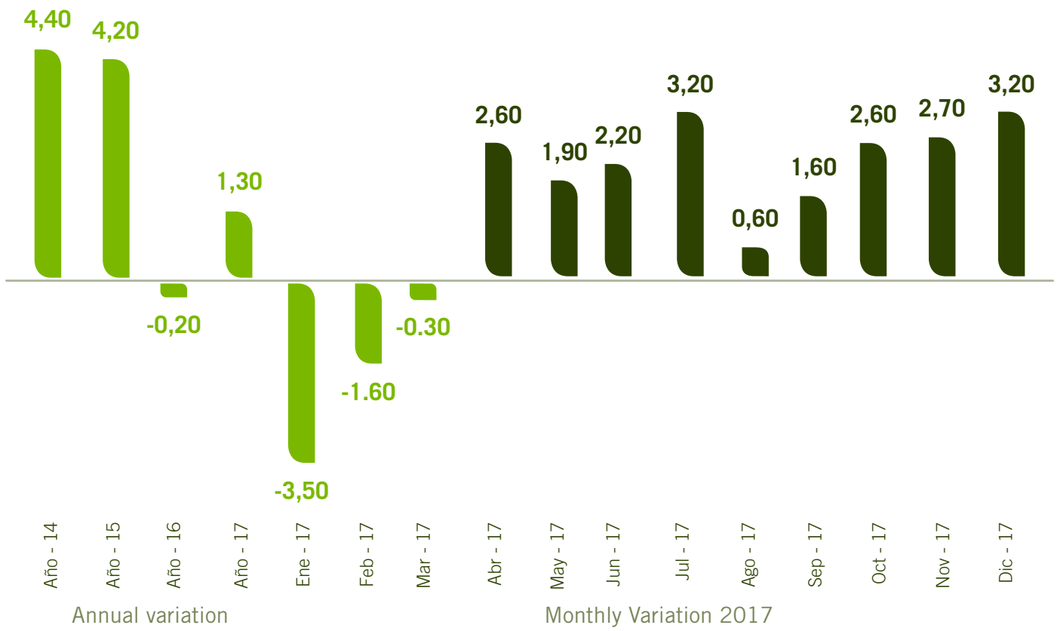
Effective net capacity of SIN						
Resources	**2014 MW**	**2015 MW**	**2016 MW**	**2017 MW**	**%**	**% Variation**
Hydraulic	10.315	10.892	10.963	**10.943**	65,2	-0,2
Thermal	4.402	4.743	4.728	**4.729**	28,2	0,0
Minor	695	698	772	**924**	5,5	19,7
Co-generators	77	87	100	**123**	0,7	23,0
Auto-generators			32	**32**	0,2	0,0
Wind				**18**	0,1	
Solar				**10**	0,1	
Total SIN	**15.489**	**16.420**	**16.595**	**16.779**	**100**	**1,1**

For this year, the Jepirachi wind plant is showed in an independent category, which in previous years was included in the Minors Plants category.

Energy demand

Energy demand reached 66,893 GWh (1.3% more compared to 2016), due to the 1.9% increase of the regulated market, while the unregulated market remained stable.

Variation of energy demand*
Percentage %



* Increasing demand for energy is calculated as the weighted average of increases during different types of days (commercial, Saturdays, and Sundays). This type of calculation reduces fluctuations arising from monthly monitoring, caused by the dependence of energy consumption in relation to the number of days presented within the month analyzed.

XM RANKED 1ST IN THE INNOVATION MANAGERS PROGRAM WITH ITS INNOVATION MODEL, AWARDED BY RUTA N.

Electric market behavior

The Commercial Settlement System Administrator –ASIC– provides service to 74 generators, 109 marketers, 16 transmitters and 32 network operators.

Commercial borders					
Borders	**2014**	**2015**	**2016**	**2017**	**% Variation**
Regulated users	9.670	8.957	9.554	**10.409**	8,9
Non-regulated users	5.546	5.461	5.373	**5.459**	1,6
Public lighting	393	372	346	**350**	1,2
Total	**15.609**	**14.790**	**15.273**	**16.218**	**6,2**

As of December 31, 2017, there was an increase of 6.2% in the registry of commercial borders, mainly driven by the increase of 8.9% of regulated users.

Market behavior	2014	2015	2016	2017	% Variation
Whole Energy Market –MEM– Transactions					
Total market transactions (trillion COP)	14,6	19,0	19,0	**16,1**	-15,5
Purchases in energy exchanges (trillion COP)	3,5	3,9	4,1	**2,0**	-50,5
Weighted average price in exchange (COP/kWh)	225,5	378,3	304,7	**107,8**	-64,6
Weighted average price in contracts (COP/kWh)	131,5	143,4	156,1	**167,8**	7,5
Account Settling and Clearing –LAC–					
STN usage fee (trillion COP)	1,33	1,52	1,81	**1,94**	7,2
FAER, FAZNI, FOES, PRONE funds (billion COP)	203,6	218,2	427,7	**422,2**	-1,3



Centro Nacional de Despacho -CND- (National Dispatch Center).

The total volume traded by purchase and sale of energy in the MEM was COP16.1 trillion, less than the total volume traded in 2016.

Compared to 2016, stock exchange purchase for 2017 showed a 50.5% decrease, while the weighted average price in exchange decreased by 64.6%, due to the hydrological normality presented during 2017.

It is highlighted the secure and efficient management of collections made by MEM, which amounted to COP4.39 trillion in 2017, as well as the bank guarantees and prepayments to support obligations that amounted to COP3.9 trillion. At the end of 2017, the collection of these obligations was 99.98% for the Commercial Exchange System -SIC- and for the National Transmission System -SNT-.

OTHER SECTORS

Financial

DDERIVEX administers a trading and registration System in Colombia (in case of electricity futures contracts) that permits generators, traders and consumers hedging against price volatility in the electricity exchange, with total security compared to the compliance risk of its counterparty, because its instruments are compensated and settled by means of the Colombian Central Counterparty Clearing House.

This way, generators can guarantee energy sale price and hedge against low rainfall risk which makes it difficult to fulfill contract obligations. At the same time, traders can guarantee energy purchase price, avoiding exposure to high prices during shortage periods. Additionally, electricity hedges permit large consumers to ensure the price of one of their main supplies, such as electricity.

One of the most important achievements of this year is that the Forward Curve was extended to 24 months with futures contracts allowing to hedge up to a 2-year horizon, and it includes sale offers throughout the whole curve.

Now, DERIVEX has seven financial members acting as intermediary agents for negotiations. Since its entry into operation in 2010, 689.54 GWh have been traded between monthly futures contracts of 360,000 kWh-month and contracts of 10,000 kWh-month.

For its part, the Central Counterparty Clearing House –CRCC– is a financial entity managing the counterparty's risks resulting from financial instruments trading. For this reason, its existence is a special element for the development of an organized market of energy derivatives such as Derivex. In 2017, CRCC recorded a daily average of transactions around COP6.5 trillion and incorporated new products in its portfolio such as variable income repos.

Mobility

Sistemas Inteligentes en Red, an affiliate of XM, designed the medium-term strategy. It was present in the innovation ecosystem of Ruta N and maintained its two main businesses: the operation of the Traffic Control Center (CCT) in partnership with UNE and Consorcio ITS, for the Medellin's Mobility Secretariat (SMM), and the operation of the Monitoring Center of Transportation Activities (CEMAT), for the Superintendence of Ports and Transport (SPT). CCT and CEMAT were awarded during the last version of the INDIGO+ awards for Digital Public Innovation, promoted by the Ministry of Communications and Information Technology, in the Digital Innovation of State Services at Territorial Level and Digital Innovation in National State Management, respectively.

XM IS UNDERTAKING INITIATIVES AND PROJECTS AIMING AT ADAPTING AND BEING A RELEVANT STAKEHOLDER IN THE TRANSITION OF THE COLOMBIAN ELECTRIC SECTOR.

During the year, the organization was able to structure four new business proposals, such as the creation of the traffic lights central at ISA's headquarters (functional prototype), which incorporates a wireless traffic light. In addition, it developed the analytic video software for locations with images taken using drones, and other initiatives that are still under development and tests to extend product offering and respond to market needs.



Medellin's Traffic Control Center, operated by Sistemas Inteligentes en Red, an affiliate of XM.

PERSPECTIVES

The electrical industry is experiencing one of its greatest transformation moments. The decarbonation of the economy, resulting from the need to adapt and mitigate the climate change effects, is putting pressure on the introduction of production technologies and electricity storage, which to date were not competitive compared to traditional sources such as liquid fuels, gas, and carbon.

On the other hand, the digitization makes citizens to become more involved in decision making regarding their consumption, and even in relation to how the society resolves the electricity supply.

Production, consumption, and electricity storage technology developments close to the consumer (solar panels, smart appliances, electric vehicles, batteries, among others) will lead consumers to become producers in the medium-term and to actively participate in the market.

This new paradigm presents major challenges on many fronts: it will be necessary to develop a more flexible and simple regulation; as well as involving new stakeholders as demand aggregators, micro-networks, and storage agents. Likewise, it will be necessary to develop procedures to harmonize new technologies and stakeholders with existing structures.

XM, as system operator and market administrator, is undertaking initiatives and projects aiming at adapting and being a relevant stakeholder in the transition of the electric sector. With the support of universities, local and foreign research centers, and technology allies, scenarios are being established, by designing tools and defining the most appropriate manner of making the transition to a more distributed system, focused on reliability, safety, and cost-effective for the country.

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Financial returns

If we are committed to act constructively and responsibly in the decisions we make, **there is connection.**

isa

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Resultados financieros

LA UTILIDAD NETA CONSOLIDADA DE ISA PARA EL AÑO 2017 ALCANZÓ $1.437.936 MILLONES, CIFRA QUE SUPERÓ LA VISIÓN ISA2020 DE MULTIPLICAR X 3 LAS UTILIDADES DE 2012.

RESULTADOS CONSOLIDADOS ACUMULADOS

En el plano financiero consolidado ISA alcanzó una utilidad neta de $1.437.936 millones, cifra que equivale a 5,3 veces la utilidad del año 2012 y permite confirmar tres años antes el cumplimiento de la visión ISA2020. Por su parte, el EBITDA acumuló $4.430.597 millones y los ingresos operaciones fueron de $6.954.265 millones. Estas cifras incluyen los impactos positivos de dos eventos extraordinarios, particularmente en Brasil, que ocurrieron en 2016 y 2017:

- En el año 2016 se realizó el primer ajuste del valor de la Red Básica del Sistema Existente –RBSE– en ISA CTEEP de BRL1.491 millones a BRL3.896 millones, valores base al 31 diciembre de 2012, evento que sumó $1,4 billones a la utilidad neta de ISA de 2016. En junio de 2017 el valor de BRL3.896 se incrementó a BRL4.094 millones, cifras base al 31 diciembre de 2012, hecho que aumentó la utilidad neta de ISA en $85.269 millones.
- Para el mismo año 2017, el Gobierno de Brasil aprobó una amnistía tributaria conocida como Programa Especial de Regularización Tributaria –PERT–, con la cual ISA Capital do Brasil e ISA CTEEP optimizaron el pago de obligaciones fiscales. ISA Capital cruzó pérdidas fiscales de períodos anteriores, de los años 2006 al 2010, con los impuestos asociados a la reversión del pasivo (nota 1) originado en el contrato de compra venta de ISA CTEEP, amnistía que incrementó las utilidades de ISA en $238.794 millones. A su vez ISA CTEEP aprovechó la amnistía para el pago de obligaciones fiscales, obteniendo mayores utilidades por $27.545 millones, de los cuales ISA recoge en la utilidad consolidada la suma de $9.881 millones.

Nota (1)

Pasivo originado en el contrato original de compra - venta de ISA CTEEP entre el Estado de São Paulo e ISA Capital do Brasil. Esta obligación debía pagarse al Estado de São Paulo si ISA CTEEP fuera exonerada del pago de los beneficios complementarios de los pensionados estatales cobijados en la Ley 4819 antes del 30/06/2015. Cumplido el plazo, si bien no hubo una exoneración definitiva de la obligación, la Administración de ISA decidió mantener el pasivo después de los análisis fácticos y en consonancia con lo que determinan las normas contables en Brasil. En 2017, frente a la no ocurrencia de elementos nuevos, se consideró la cobranza de dicho valor como "no probable" y por lo tanto se reversó el pasivo.

En 2017, el negocio de Transporte de Energía Eléctrica continuó consolidándose en Brasil, a través de la compra por USD309 millones del 14,88% del capital social de TAESA, una de las mayores compañías privadas del sector de transmisión de energía en dicho país; la adquisición del 75% de IENNE por parte de ISA CTEEP por BRL101,6 millones, quedando con el 100% del control accionario y mejorando la rentabilidad total de esta compañía, y el inicio de la construcción de ocho proyectos de transmisión de energía eléctrica adjudicados a ISA CTEEP en 2016 y 2017.

En el negocio de Tecnologías de Información y Telecomunicaciones, ISA adquirió el 26,5% de ATP Tower Holdings LLC –ATP– por USD 159,2 millones. Esta empresa está dedicada al desarrollo de torres de comunicación inalámbrica en Chile, Perú y Colombia. Adicionalmente, ATP adquirió de Berkshire Partners el 100% de Torres Unidas, compañía que provee soluciones y servicios de torres de comunicación e infraestructura celular en Chile, Perú y Colombia. Con esta operación, ATP se consolida como uno de los principales operadores de torres de Latinoamérica.

Estas oportunidades se dieron en un entorno macroeconómico y de negocios exigente y volátil que desafió las competencias de ISA. Debe tenerse en cuenta que las tarifas de los ingresos dependen del comportamiento de variables macroeconómicas, en particular la inflación, índice que se caracterizó por una desaceleración en 2017 versus 2016. Del mismo modo, la revaluación del real brasilero, del peso colombiano y del peso chileno frente al dólar, impactaron a la baja los ingresos. Este escenario de menores ingresos operacionales fue neutralizado parcialmente en la utilidad neta, gracias a la estrategia de cobertura natural de ISA que busca tomar la deuda en la misma moneda e indicadores en que recibe los ingresos.

El siguiente es el detalle de los resultados acumulados:

RESULTADOS CONSOLIDADOS EN EL PERÍODO (MILLONES $)	2017	2016	Var. %	Var. % sin Amnistía Tributaria en Brasil y RBSE
Ingresos operacionales	6.954.265	11.892.626	-41,5	5,5
EBITDA	4.430.597	8.923.823	-50,4	24,9
Margen EBITDA	63,7%	75,0%		
Utilidad operacional	4.126.925	8.503.234	-51,5	26,2
Margen operacional	59,3%	71,5%		
Utilidad Neta	**1.437.936**	**2.136.629**	**-32,7**	**44,5**
Margen Neto	20,7%	18,0%		

Indicadores sin Amnistía Tributaria en Brasil y RBSE	2017	2016
Margen EBITDA	62,1%	52,5%
Margen operacional	54,8%	45,8%
Margen neto	16,7%	12,2%

La utilidad de ISA disminuyó 32,7% con respecto al año anterior, variación explicada por eventos no recurrentes, y ya mencionados, asociados al ajuste del valor de la RBSE y la amnistía tributaria en Brasil ocurridos en 2016 y 2017.

La utilidad neta de 2017, descontando estos hechos extraordinarios, alcanzó la suma de $1.103.992 millones, con un aumento de 44,5% comparado con el mismo período del año anterior y un margen neto de 16,7% frente a un 12,2% de 2016.

El EBITDA de 2017 acumuló $4.097.471 millones, 24,9% más que el año anterior. El margen EBITDA se situó en 62,1% para el 2017 y 52,5% para el 2016. Sin las actividades de construcción, las cuales no tienen impacto en el EBITDA dado que los costos de construcción tienen los mismos ingresos asociados, el margen en 2017 es de 70,0% y el de 2016 fue de 65,5%.

El crecimiento del EBITDA se explica principalmente por los rendimientos financieros de la RBSE por $893.095 millones correspondientes a 12 meses versus 3 meses de estos que se registraron en 2016 por $173.494 millones.

Igualmente, en el incremento del EBITDA se destacan los nuevos resultados asociados a la entrada en operación de proyectos:

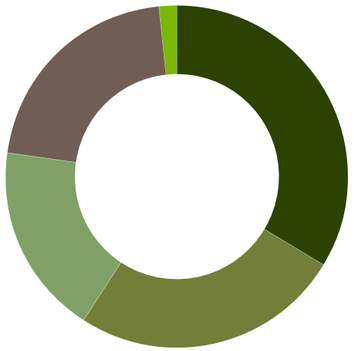
- **Perú:** los proyectos de transporte de energía eléctrica Mantaro – Montalvo – Socabaya, uno de los proyectos más extensos en la historia de Perú y el de mayor altura construido en Latinoamérica, los proyectos Planicie – Industriales, Orcotuna y las Ampliaciones 13, 17, Cotaruse y Termochilca.
- **Chile:** la energización de los primeros proyectos de ISA INTERCHILE como son la línea de transmisión Encuentro-Lagunas, la ampliación de la subestación Nueva Cardones y la línea Cardones–Maitencillo. En el Negocio de Concesiones Viales se resalta la entrada en operación de las Terceras Pistas Tramo II y el circuito cerrado de televisión y pasarelas de servicialidad.
- **Colombia:** los mayores ingresos de los proyectos Conexión Gecelca al Sistema de Transmisión Nacional –STN– y la Ampliación Chivor.

Estos eventos positivos permitieron compensar unos menores ingresos: a) en Colombia debido a la disminución prevista en el perfil de ingresos de las convocatorias UPME Primavera – Bacatá, Bolívar – Copey, Guatiguará – Primavera – Tasajero y Sabana – Bolívar, y una menor tasa de cambio a la cual están indexados los ingresos de las mismas; b) en Brasil, asociados al ajuste por inflación del ciclo tarifario julio 2017/junio 2018, como consecuencia del menor Índice Nacional de Precios al Consumidor –IPCA– e Índice General de Precios al Mercado –IGPM– de 2017 frente al de 2016 y c) en Chile por la disminución de los rendimientos financieros de las concesiones viales.

Los costos y gastos de operación, descontando los costos de construcción, presentaron una leve disminución de 0,4% frente al año anterior, como resultado de la disciplina en gastos que la compañía mantiene, el registro del impuesto a la riqueza en Colombia acorde con la normatividad vigente y el reconocimiento en 2016 de la provisión de la inversión y la cartera de Electricaribe por $31.450 millones.

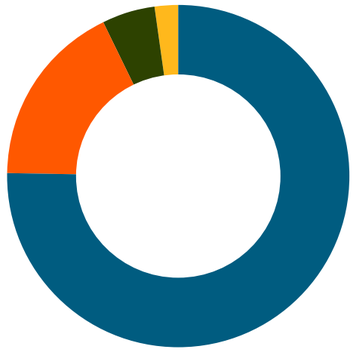
La composición de los ingresos y del EBITDA por país y negocio es la siguiente:*

Ingresos consolidados por país



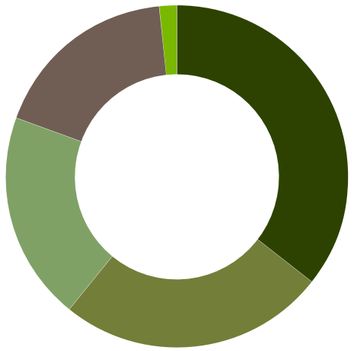
- **33,7%** Brasil
- **25,5%** Colombia
- **17,9%** Chile
- **21,2%** Perú
- **1,7%** Otros

Ingresos consolidados por negocio



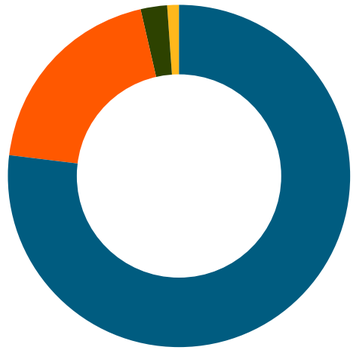
- **75,5%** Transporte de Energía Eléctrica
- **17,3%** Concesiones Viales
- **5,2%** Tecnologías de Información y Telecomunicaciones
- **2,0%** Gestión de Sistemas de Tiempo Real

EBITDA consolidado por país



- **35,7%** Brasil
- **25,4%** Colombia
- **19,5%** Chile
- **17,8%** Perú
- **1,6%** Otros

EBITDA consolidado



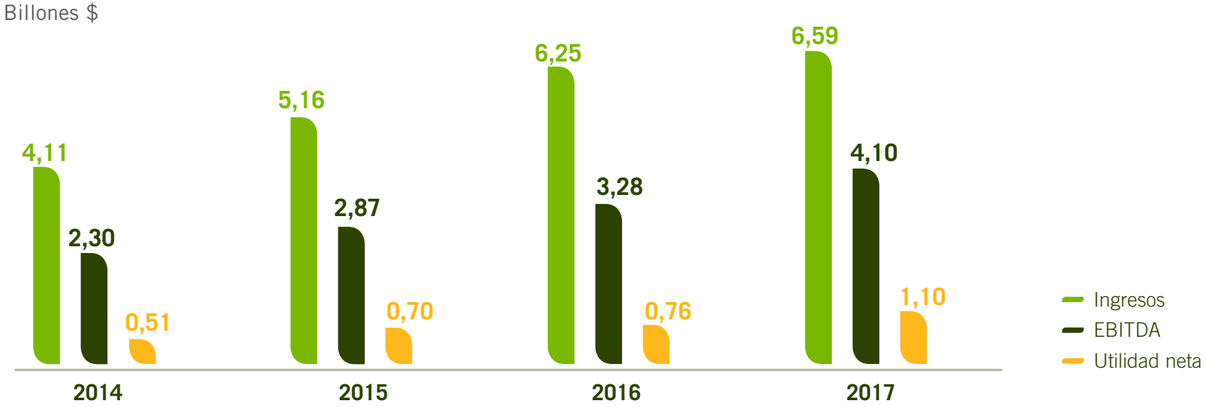
- **77,0%** Transporte de Energía Eléctrica
- **19,4%** Concesiones Viales
- **2,5%** Tecnologías de Información y Telecomunicaciones
- **1,1%** Gestión de Sistemas de Tiempo Real

* Sin eventos no recurrentes RBSE y amnistía tributaria en Brasil.

A continuación, se presenta el comportamiento de los últimos cuatro años de las principales cifras consolidadas:

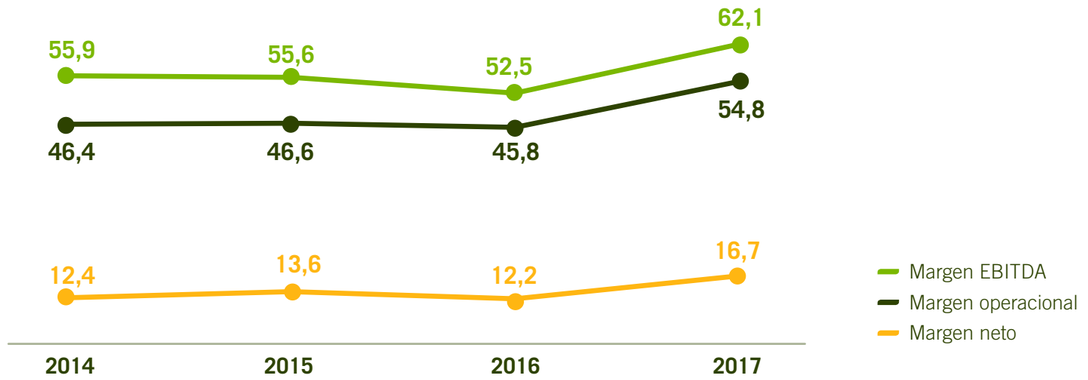
Cifras financieras consolidadas*

Billones $



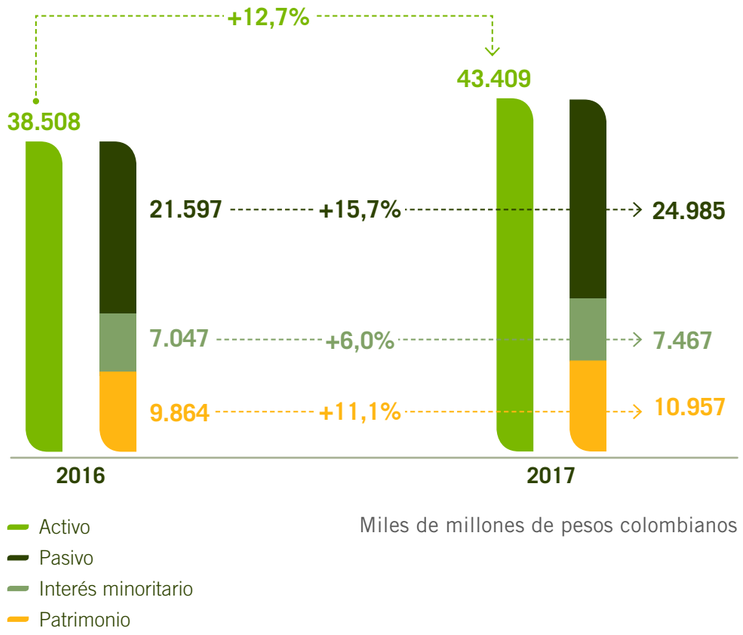
Indicadores financieros del consolidado*

Porcentaje %



(*) Sin contribuciones al FAER, PRONE y FOES en Colombia; y eventos no recurrentes RBSE y amnistía tributaria en Brasil.

BALANCE GENERAL CONSOLIDADO



Los activos de ISA al cierre de 2017 sumaron $43.408.501 millones con un crecimiento de 12,7% comparado con los de 2016. Esta variación se explica por el ajuste de valor y la actualización financiera de la RBSE, la adquisición de TAESA, la capitalización de ATP Tower Holdings LLC, la consolidación de los activos de IENNE y la construcción de los nuevos proyectos de transporte de energía eléctrica adjudicados en Colombia, Brasil, Perú y Chile, así como las nuevas obras en las concesiones viales en Chile.

El pasivo ascendió a $24.984.979 millones, con un crecimiento del 15,7% frente al año anterior, explicado por las necesidades de financiación para la construcción y las inversiones del grupo.

El patrimonio de los accionistas se situó en $10.957.037 millones, un 11,1% superior al del 2016, explicado por el efecto neto de las mayores utilidades y la distribución de dividendos a los accionistas.

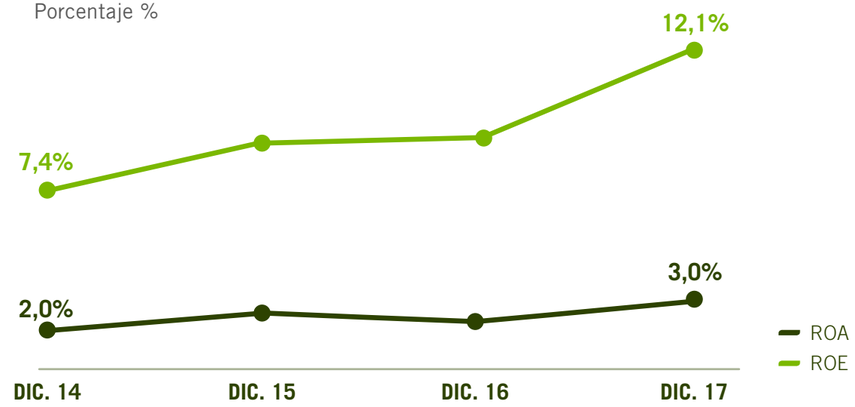
Otros hechos financieros relevantes presentados durante el año están relacionados con:

- En Brasil, el recaudo de cinco cuotas de la RBSE por $541.324 millones desde el mes de agosto, tal y como estaba previsto en ISA CTEEP.
- En Chile, la recuperación anticipada del IVA pagado en la construcción por $251 mil millones; recursos que fueron utilizados por ISA INTERCHILE para amortizar la línea de crédito de IVA y disminuir los gastos financieros.

En materia de indicadores, descontando la amnistía tributaria en Brasil y la RBSE, se destaca la tendencia creciente de la rentabilidad sobre el patrimonio del accionista –ROE– y la rentabilidad del activo –ROA– por los últimos cuatro años, período en el cual el ROE pasó de 7,4% en 2014 a 12,1% en 2017; y el ROA de 2,0% en 2014 a 3,0% en 2017.

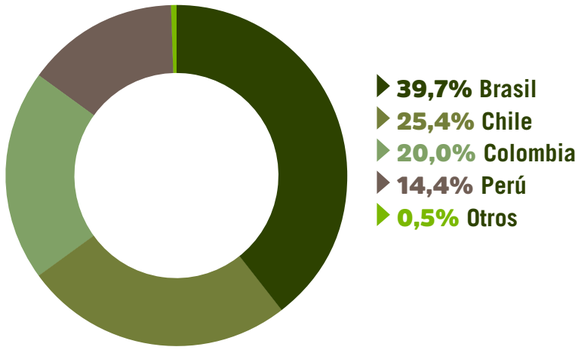
ROE - ROA

Porcentaje %

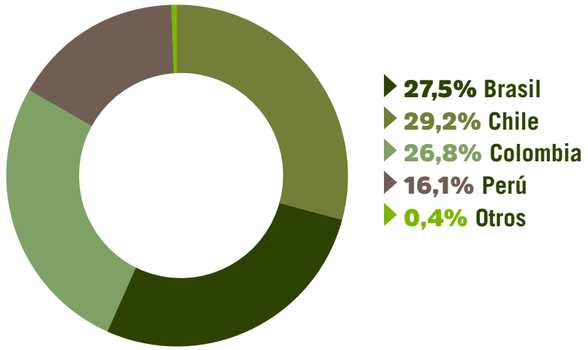


El detalle de los activos y pasivos por país y por negocio se exponen a continuación:

Activos consolidados por país



Pasivos consolidados por país



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Road Concessions business unit

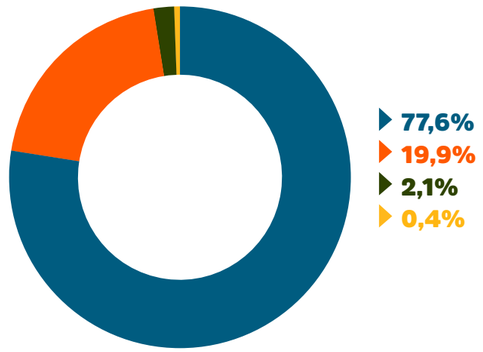
Information and Telecommunication Technologies business unit

Management of Real-Time Systems business unit

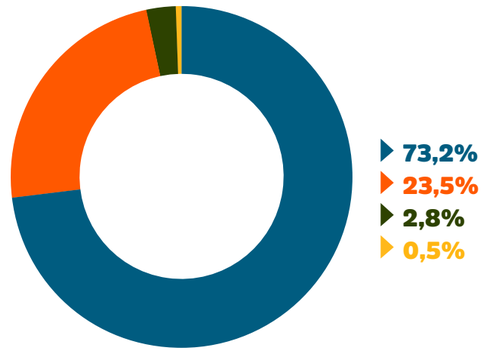
12 **Financial results**

Annexes

Activos consolidados por negocio

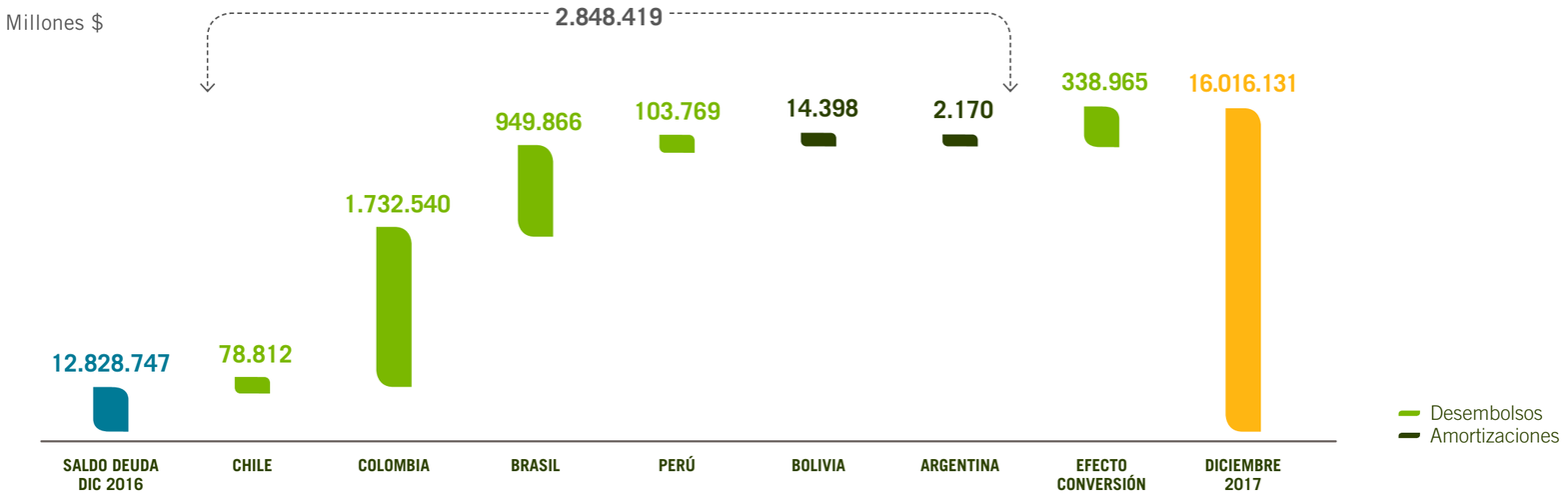


Pasivos consolidados por negocio



Transporte de Energía Eléctrica
Concesiones Viales
Tecnologías de Información y Telecomunicaciones
Gestión de Sistemas de Tiempo Real

OBLIGACIONES FINANCIERAS Y BONOS



La deuda financiera de ISA y sus empresas cerró en $16 billones, con un incremento de 24,8% respecto al año anterior ($12,8 billones), principalmente en Colombia y Brasil, respaldando las inversiones en cada uno de ellos.

En Colombia, ISA llevó a cabo dos emisiones de bonos por $1,2 billones y recibió desembolsos de los bancos BBVA y Davivienda por un total de $600.000 millones. Estos recursos se destinaron a financiar el plan de inversiones donde se incluyen no sólo las inversiones en proyectos de construcción sino también la adquisición de nuevas compañías. Así mismo, INTERNEXA recibió desembolsos por $74.000 millones, los cuales se utilizaron para inversiones en activos y para la capitalización de sus inversiones en Brasil a través de su filial INTERNEXA Brasil.

En Brasil, ISA CTEEP emitió debentures (bonos por su traducción al español) de infraestructura por BRL650 millones, recibió desembolsos de BTMU y BNDES por USD50 millones y BRL152 millones, respectivamente. Estos fondos fueron destinados a cubrir su plan de inversiones y aumentar la participación de ISA CTEEP en IENNE alcanzando a consolidar el 100%. Además, ISA Investimentos emitió debentures por BRL350 millones dentro de la estrategia de adquisición del 14,9% del capital social de TAESA. Este mayor endeudamiento fue compensado en parte por ISA Capital do Brasil que canceló la emisión de bonos internacionales por USD31,6 millones y amortizó a los accionistas preferencialistas BRL79 millones.

Chile y Perú tuvieron un ligero incremento en su saldo de deuda, la cual estuvo destinada a financiar su plan de inversiones.

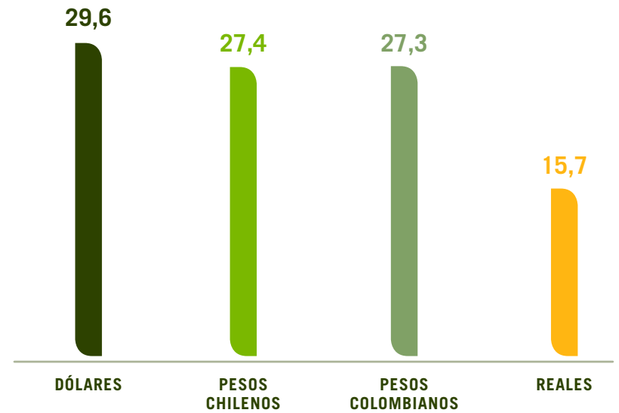
En las Notas 12 y 13 de los Estados Financieros, se encuentra el detalle y los principales movimientos de la deuda de ISA y sus empresas durante el 2017.

Finalmente, la deuda también incorporó el efecto por conversión el cual representa el 2,1% del total y no generó impacto en el flujo de efectivo.

Siguiendo con la estrategia de obtener una cobertura natural frente al riesgo cambiario, ISA y sus empresas buscan contratar la deuda en la misma moneda de sus ingresos; y considerando que los proyectos que desarrollan son remunerados en el largo plazo, gran parte de su deuda la consiguen en el mercado de capitales (bonos) a tasas competitivas.

Deuda consolidada por monedas

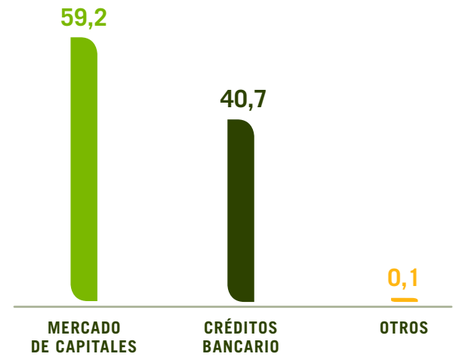
Porcentaje %



(*) Unidades de Fomento de Chile

Deuda consolidada por fuentes

Porcentaje %



CALIFICACIONES DE RIESGO CREDITICIO

En 2017 las calificaciones de riesgo corporativo y de emisiones de bonos locales e internacionales, otorgadas por las agencias especializadas, ratificaron la fortaleza y solidez financiera de ISA y sus empresas, la estabilidad y predictibilidad de sus flujos de caja, la destacada posición como transportador de energía en Latinoamérica y su rol como participante en el negocio de Concesiones Viales en Chile. En Colombia, El programa de Valores de ISA, tuvo la máxima calificación de riesgo crediticio "AAA" para los bonos y F1+ (col) para papeles comerciales.

No obstante lo anterior, la calificación internacional de ISA, se ha visto afectada por la baja en la calificación de riesgo soberano de Colombia, al ser la Nación el accionista mayoritario de la Compañía. En diciembre de 2017 Standard & Poor's –S&P– disminuyó el rating de la Nación pasándolo de BBB a BBB -, lo cual tuvo un efecto en la calificación de ISA con esta agencia calificadora.

A diciembre de 2017, ISA mantiene su grado de inversión por las tres agencias internacionales más reconocidas, siendo sus ratings de la siguiente manera:

COMPAÑÍAS	RATINGS	S&P	MOODY´S	FITCH	FELLER-RATE	APOYO Y ASOCIADOS	PACIFIC CREDIT RATING	EQUILIBRIUM	HUMPHREYS
ISA	Corporativa	BBB- (Estable) Dic. 2017	Baa2 (Estable) Dic. 2017	BBB+ (Estable) May. 2017					
	Emisión Bonos Locales			AAA (Estable) Dic.2017					
	Papeles Comerciales			F1+ Dic. 2017					
ISA TRANSELCA	Emisión Bonos Locales			AAA (Estable) Mar. 2017					
ISA CTEEP	Corporativa			AAA (Estable) Ago. 2017					
	Emisión de Bonos			AAA(Estable) Ago. 2017					
TRANSMANTARO	Emisión Bonos Internacional		Baa3 (Estable) Jul. 2017	BBB- (Estable) Abr. 2017					
	Papeles Comerciales					CP-1+(Estable) Oct. 2017			
ISA REP	Emisión Bonos					AAA (Estable) Oct. 2017		AAA (Estable) Oct.2017	
	Papeles Comerciales					CP-1+(Estable) Oct. 2017		EQL1(Estable) Oct. 2017	
RUTA DEL MAIPO	Emisión Bonos	BBB- (Estable) Nov. 2017	Baa3 (Estable) Oct. 2017		A (Estable) Jul. 2017				A (Estable) Sep. 2017
RUTA DEL BOSQUE	Emisión Bonos		Baa3 (Estable) Oct. 2017	A- (Estable) Oct. 2017	A (Estable) Jul. 2017				

En 2017, ISA Capital canceló la deuda en moneda extranjera (bonos), por tanto, no tiene efectos sobre la calificación del vehículo.

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Management of Real-Time Systems business unit

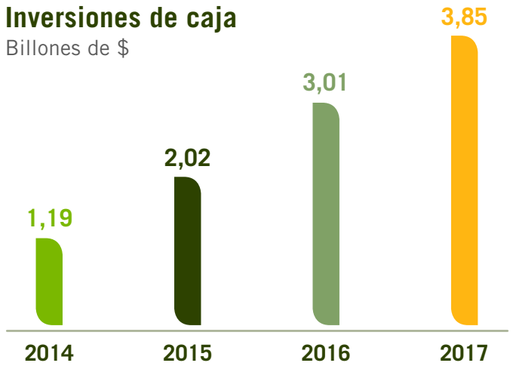
12 **Financial results**

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INVERSIONES

Las cifras presentadas contienen las inversiones de caja de ISA y de las empresas que se consolidan en la contabilidad. La conversión a pesos se realiza con la tasa de cierre de cada trimestre.

Inversiones de caja
Billones de $



En 2017 ISA y sus empresas invirtieron $3,8 billones en sus planes de crecimiento:

Colombia: inversiones por $1.965.142 millones

- **ISA:** $1.835.583 millones, destinados a la construcción de proyectos de transmisión.
- **ISA TRANSELCA:** $30.348 millones, para la renovación de activos y proyectos en construcción.
- **INTERNEXA:** $63.505 millones en la ampliación de su infraestructura y en aportes a su filial en Brasil.
- **XM:** $35.706 millones en desarrollos tecnológicos

Brasil: ISA CTEEP realizó inversiones por $237.397 millones para reforzar su red y realizar aportes de capital a las empresas en las que tiene participación. Asimismo, las subsidiarias PINHEIROS, SERRA DO JAPI, EVRECY e IEMG invirtieron $1.825 millones en la ampliación de sus redes. De otro lado, INTERNEXA Brasil ejecutó $40.701 millones para inversión en la ampliación de su red de fibra óptica.

Perú: Transmantaro invirtió $565.608 millones para la ejecución de los proyectos adjudicados por el gobierno peruano, mientras que ISA REP dedicó $104.194 millones a la ampliación de su red eléctrica. ISA Perú invirtió 8.929 millones asociados a proyecto de ampliación. De otro lado, INTERNEXA Perú ejecutó $4.474 millones para inversión en la ampliación de su red de fibra óptica.

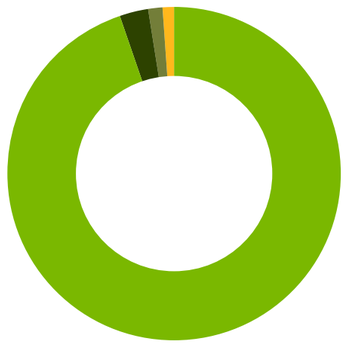
Chile: ISA INTERCHILE realizó inversiones por $863.001 millones en la construcción de proyectos de transmisión eléctrica. Las compañías de concesiones viales realizaron inversiones por $52.620 millones, ejecutadas en gran parte por Ruta Maipo para finalización de Terceras Pistas, en Ruta del Maule para obras de seguridad normativa y en Ruta de Araucanía para obras de ampliación de plaza de peaje.

Inversiones por país



- **51,0%** Colombia
- **23,9%** Chile
- **17,7%** Perú
- **7,3%** Brasil
- **0,1%** Otros paises

Inversiones por negocio



- **94,8%** Transporte de Energía Eléctrica
- **3,0%** Tecnologías de Información y Telecomunicaciones
- **1,4%** Concesiones Viales
- **0,9%** Gestión de Sistemas de Tiempo Real Real

RESULTADOS INDIVIDUALES

RESULTADOS DE ISA EN EL PERÍODO (MILLONES $)	2017	2016	% Variación
RESULTADOS INTEGRALES			
Ingresos operacionales	889.239	881.241	0,9
EBITDA	751.997	743.106	1,2
Utilidad operacional	1.718.023	2.463.754	-30,3
Utilidad neta*	**1.442.708**	**2.141.460**	**-32,6**
INDICADORES			
Margen neto (%)	65,9	54,3	
Rentabilidad del activo (%)	8,6	15,5	
Rentabilidad del patrimonio (%)	13,1	21,7	

(*) La utilidad neta del estado financiero consolidado se diferencia de la del individual en la amortización de los créditos mercantiles por $4.772 millones.

ACUMULADO A DICIEMBRE DE 2017, LA UTILIDAD NETA (*) SE SITUÓ EN $1.442.708 MILLONES. DESCONTANDO LOS IMPACTOS DEL AJUSTE DEL VALOR DE LA RBSE Y DE LA AMNISTÍA TRIBUTARIA EN BRASIL, LA UTILIDAD NETA ACUMULADA SUMÓ $1.108.764 MILLONES QUE REPRESENTARON UN AUMENTO DE 44,2% COMPARADO CON EL MISMO PERÍODO DEL 2016.

ISA presentó un EBITDA de $751.997 millones, con un crecimiento del 1,2%, asociado a los ingresos percibidos de las convocatorias UPME Caracolí - Soledad y Montería.

Los costos y gastos presentaron un comportamiento a la baja, que se explica por una menor depreciación asociada al ajuste de la vida remanente de los activos, acorde con la normatividad vigente, y a que en el año 2016 se reconoció una provisión de $10.107 millones de la inversión que ISA posee en Electricaribe.

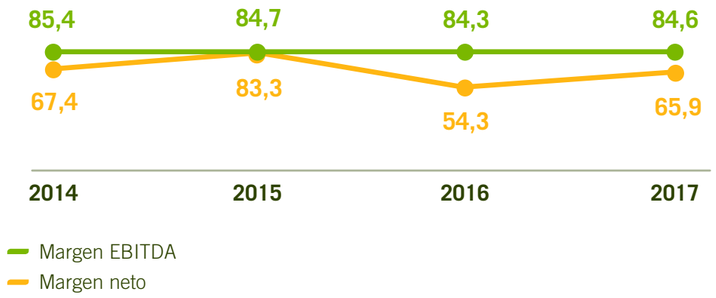
Descontando el impacto de los eventos no recurrentes mencionados, los otros ingresos netos incluyen las utilidades de las compañías donde ISA tiene participación, las cuales presentaron un crecimiento de 48,6%, explicado básicamente por los mayores resultados asociados a la actualización financiera de la RBSE, en ISA CTEEP; la incorporación del 14,88% de los resultados de TAESA y a los menores gastos financieros en Chile y Colombia.

Para el año 2017, el gasto financiero neto fue de $201.518 millones, 12,3% menos que en 2016, disminución asociada al comportamiento de las variables macroeconómicas a las cuales está indexada la deuda.

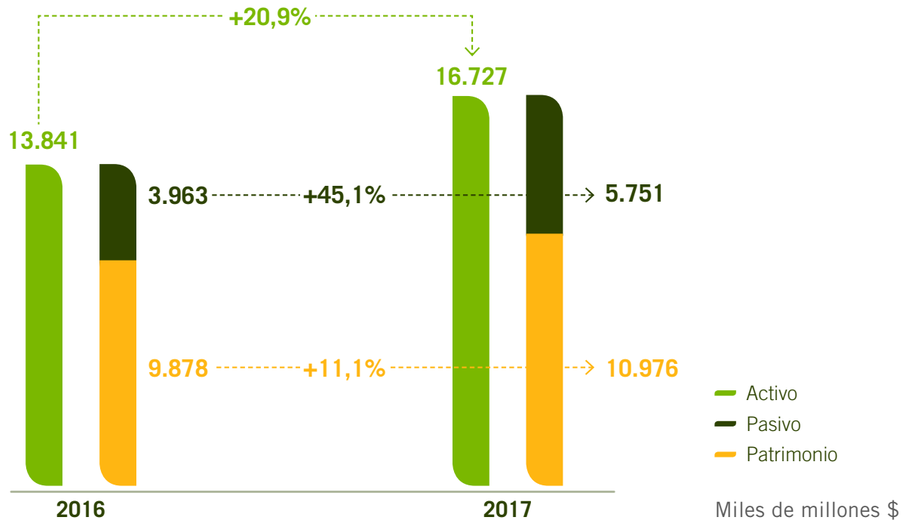
En materia de impuestos, es importante resaltar el aprovechamiento del beneficio fiscal de activos fijos de trasmisión de energía, que representó una disminución de 20,1% en el gasto por impuestos al pasar de $92.395 millones en 2016 a $73.797 millones en 2017.

El evolutivo de los márgenes EBITDA y margen neto se presentan a continuación:

Indicadores financieros de ISA
Porcentaje %



BALANCE GENERAL INDIVIDUAL



Al cierre de diciembre de 2017, los activos de ISA sumaron $16.726.509 millones, 20,9% más que a diciembre de 2016. El aumento se explica principalmente por la compra de TAESA a través de ISA Investimentos, la compra adicional del 75% de la Compañía Interligação Elétrica Norte e Nordeste –IENNE– a través de ISA CTEEP, la adquisición de ATP, el aumento de los resultados de las compañías donde ISA tiene participación, y la mayor inversión en los proyectos que están en construcción, entre los que se encuentran Conexión Noroccidental y Caracolí.

Consecuentemente, los pasivos aumentaron un 45,1%, equivalente a $1.787.983 millones, para financiar los proyectos de infraestructura en Colombia y las inversiones en los diferentes países.

El patrimonio alcanzó la suma de $10.976.128 millones, 11,1% más que en 2016, como consecuencia de los buenos resultados del año, compensados con la distribución de dividendos.

OBLIGACIONES FINANCIERAS Y BONOS

Al 31 de diciembre de 2017, la deuda financiera registró un saldo de $3,9 billones, 77,5% más que en 2016 ($2,2 billones). Este crecimiento está explicado por el nivel de inversiones del periodo, el más alto de los últimos años.

Se destacan los siguientes movimientos:

- La Compañía llevó a cabo dos emisiones de bonos que hacen parte del Programa de Emisión y Colocación de Valores de ISA por un total de $1,2 billones y recibió desembolsos de los bancos BBVA y Davivienda por un total de $600.000 millones. Estos recursos se destinaron a financiar inversiones como la adquisición del 14,9% del capital social de TAESA en Brasil y la capitalización de ATP (Andean Tower Partners).

- Se realizaron inversiones de convocatorias UPME en Colombia, tales como nueva subestación Ituango, corredor Cerromatoso Chinú-Copey, subestación Caracolí y la línea Chinú-Montería-Urabá, entre otras.
- En las Notas 12 y 13 de los Estados Financieros, se encuentra el detalle y los principales movimientos de la deuda de ISA y sus empresas durante el 2017.

Al cierre del 2017 la deuda se encontraba contratada en pesos, debido a que la mayor porción de los ingresos de ISA están expresados en esta misma moneda.

La mayoría de los ingresos de ISA se encuentran indexados al IPP, indicador que no se negocia en el mercado financiero, por lo que la deuda es contratada principalmente en IPC ya que este índice guarda alguna relación con el IPP, permitiendo minimizar los impactos de riesgo de tasa de interés asociados a variables macroeconómicas.

ISA desarrolla proyectos en el largo plazo. En consecuencia, gran parte de la deuda está contratada en el mercado de capitales (bonos) a tasas competitivas, reduciendo el riesgo de refinanciación.

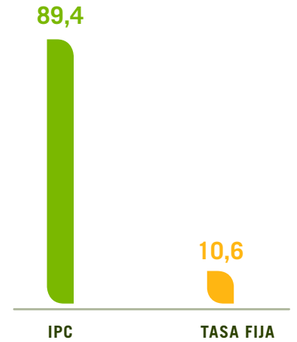
Ley 1676 de 2013

Dando cumplimiento a la Ley 1676 de 2013, la cual modificó los artículos 2, 7 y 8 de la Ley 1231 de 2008, ISA permitió la libre circulación de las facturas emitidas por los vendedores o proveedores.

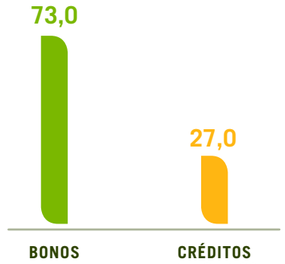
Deuda ISA por Monedas
Porcentaje %



Deuda ISA por Tasas
Porcentaje %



Deuda ISA por Fuentes
Porcentaje %



Litigios y demandas

Durante el año 2017 no se presentaron litigios o contingencias que pudieran afectar materialmente la situación de ISA. Las acciones judiciales y administrativas que se instauraron en su contra fueron oportuna y adecuadamente atendidas en defensa de los intereses de la Empresa y en cumplimiento de los deberes y responsabilidades que le competen.

A su vez, la Compañía promovió las acciones judiciales y administrativas necesarias para el desarrollo de su objeto social y la defensa de sus intereses, respetando las normas vigentes.

Información adicional sobre los litigios y demandas a la Empresa está contenida en las Notas a los Estados Financieros de ISA.

DESEMPEÑO DE LA ACCIÓN

Mercado accionario

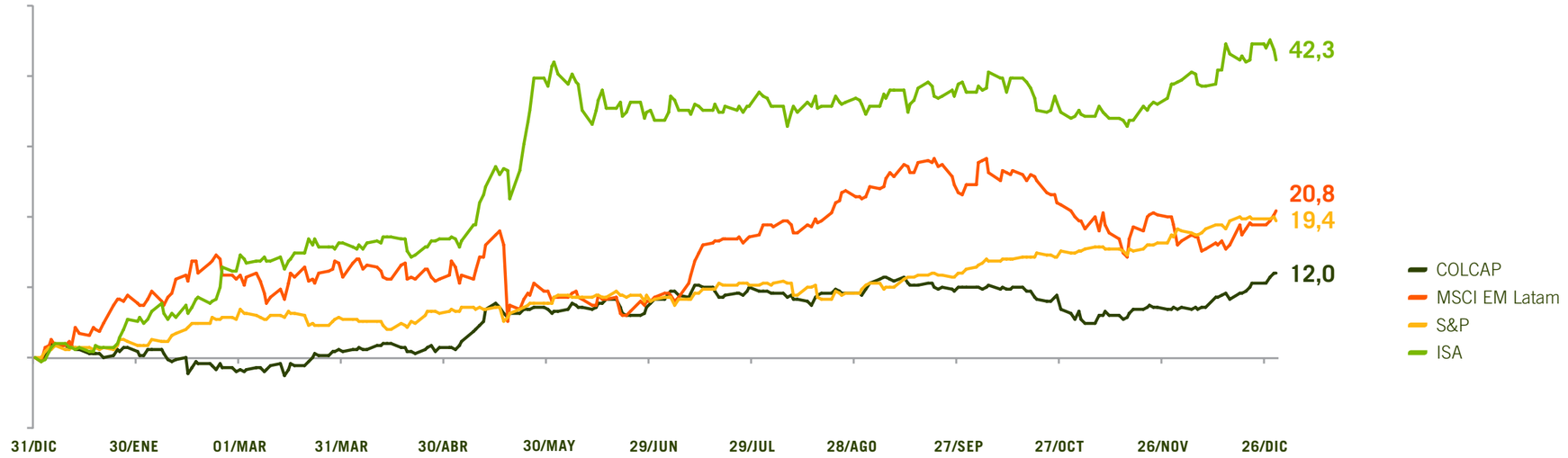
Durante el 2017, los mercados de valores de la región tuvieron un desempeño positivo. El índice Morgan Stanley Capital International Emerging Markets –MSCI EM– Latin America, diseñado para medir el desempeño del mercado bursátil de Brasil, Chile, Colombia, México y Perú, presentó un retorno positivo de 20,8%.

El índice COLCAP de Colombia terminó el año con una variación positiva de 12% pero por debajo del promedio MSCI EM - Latam.

Por su parte, el S&P, considerado el índice más representativo de la situación del mercado de Estados Unidos, presentó un comportamiento positivo acumulando de 19,4% durante el año, en línea con el comportamiento de la región.

ISA, como se observa en la gráfica, tuvo una valorización superior a los mercados, acumulando 42,3% y fue la segunda más valorizada en 2017 en la Bolsa de Valores de Colombia.

Variación principales índices vs. ISA 2017
Valoración %



Los eventos más relevantes que influyeron en estos resultados se pueden resumir en:

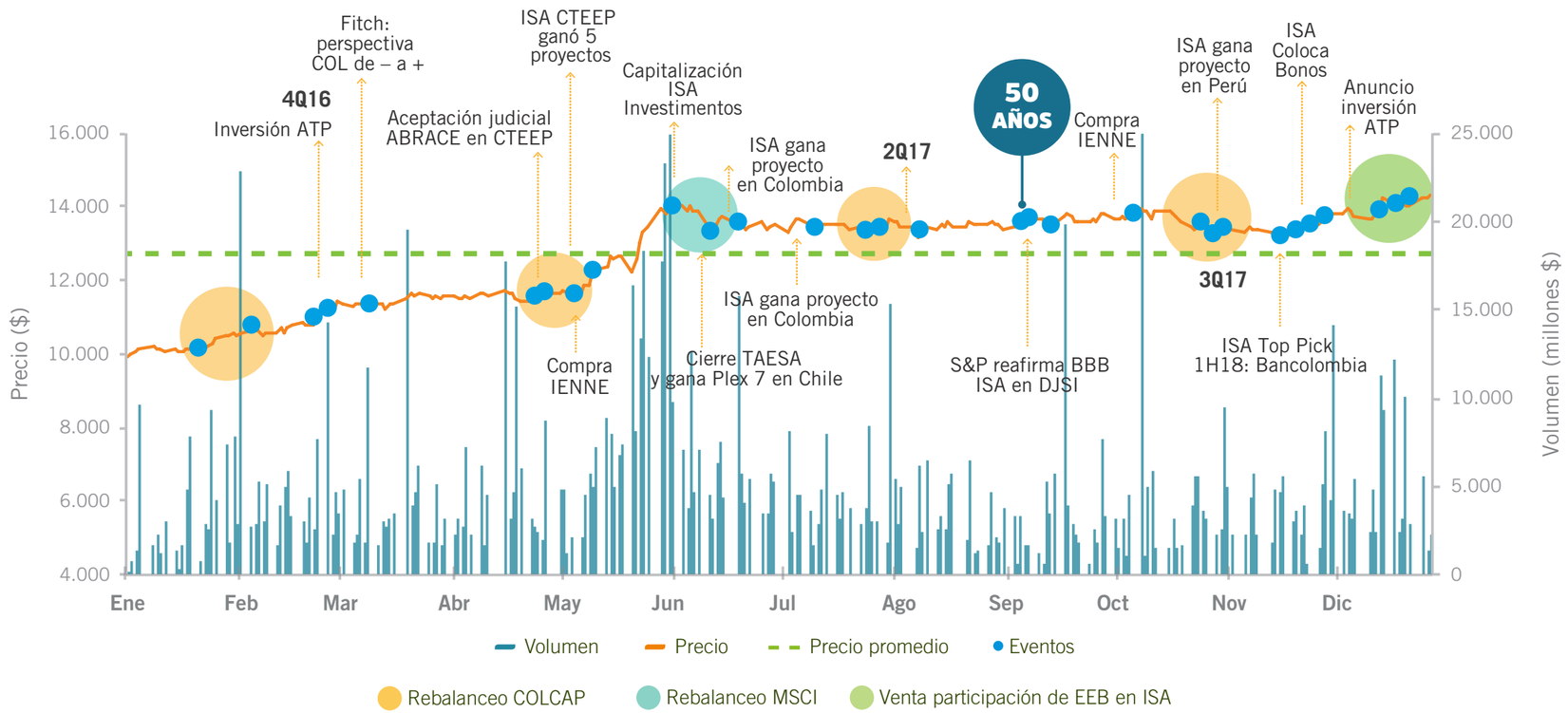
- La economía mundial evidenció una recuperación moderada, liderada por Estados Unidos y algunos países de Europa, que en su orden mostraron mejorías en sus indicadores de producción, inflación y empleo. Adicionalmente China, con mayor uso de la capacidad instalada, impulsó el precio de los productos básicos como el cobre y el petróleo. Este último con una cotización promedio cercana a USD 54 / barril, y expectativas de incrementos por los acuerdos entre la OPEP y Rusia para moderar la producción en 2017 y 2018.
- América Latina no mostró un panorama favorable en su crecimiento. Sin embargo, para impulsar el crecimiento, los bancos centrales implementaron políticas monetarias en su mayoría expansivas dados los niveles de inflaciones controlados. Por su parte Chile, se vio beneficiado de los incrementos en el precio del cobre al obtener mayores ingresos por exportaciones. Brasil enfrentó en el primer semestre un aumento en la percepción de riesgo, presionando la salida de capitales en busca de mejores activos. Para el segundo semestre del año la percepción negativa disminuyó, abriendo una ventana a la entrada de inversionistas extranjeros. Colombia presentó una desaceleración mayor a la presupuestada que, sumada al panorama global, favoreció la salida de capitales extranjeros. Sin embargo, durante el año, los inversionistas extranjeros fueron compradores netos de renta variable, aunque en menor medida que el año anterior.

> LA ACCIÓN DE ISA TUVO UNA VALORIZACIÓN SUPERIOR A LOS MERCADOS Y FUE LA SEGUNDA MÁS VALORIZADA EN LA BOLSA DE VALORES DE COLOMBIA.

- La acción de ISA presentó una valorización superior al mercado. La acción se vio favorecida por unos resultados financieros positivos durante el año, evidenciando un mayor valor de la RBSE pendiente desde 2012 en ISA CTEEP y el inicio de su pago a partir de agosto. La acción también recoge el mayor dinamismo en nuevas inversiones tanto en subastas para proyectos de transmisión de energía, así como de concesiones viales, y también en operaciones de adquisiciones de negocios en marcha.

ACCIÓN DE ISA

En 2017 la acción de la Compañía se situó 30,3% por encima del índice COLCAP. Durante la mayor parte del año, ISA fue la acción más valorizada del mercado colombiano y terminó el año en el segundo lugar. La acción de ISA alcanzó un precio máximo de $14.320 (27 de diciembre), un mínimo de $9.930 (2 de enero) y promedio de $12.647. El precio de cierre para el 2017 fue $14.200, que representó un aumento de 42,3% durante el año.



El volumen diario promedio transado en 2017 fue de $5.352 millones, lo cual representa un incremento en la liquidez de 46% con respecto al año inmediatamente anterior. La mayor liquidez fue la consecuencia de un mejor apetito por la acción, producto de los buenos resultados de la compañía, unas mejores expectativas por el fuerte crecimiento en nuevas inversiones y el inicio del pago de la RBSE en ISA CTEEP.

$14.200

precio de cierre de la acción de ISA para 2017

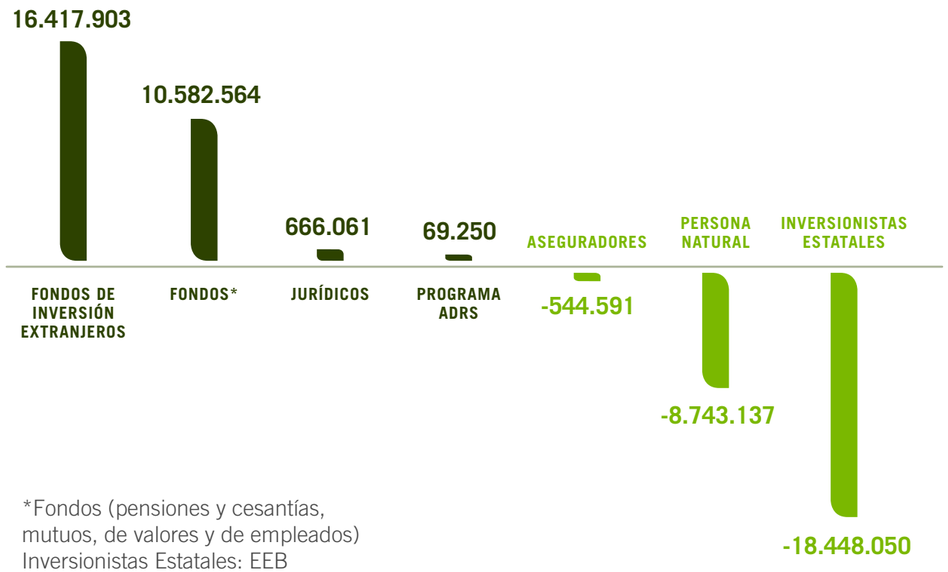
Variación emisores COLCAP
Porcentaje %



El aumento de la liquidez también se dio por la venta de la participación que la Empresa de Energía de Bogotá –EEB– tenía en la Compañía, aumentando el porcentaje del flotante (porcentaje del total de acciones de una sociedad que se puede negociar en bolsa), que pasó de 36,76% a 38,42%. Esta venta se realizó mediante oferta pública en el mes de diciembre, donde se adjudicó el 100% de su participación (85,3% el día 18 y 14,7% el día 22).

Durante 2017 los compradores netos fueron los fondos de inversión extranjeros y los fondos colombianos que incluyen los fondos de pensiones y cesantías, fondos mutuos, fondos de valores y fondos de empleados. Los grandes vendedores fueron la EEB y las personas naturales.

Negociación de la acción
Millones $



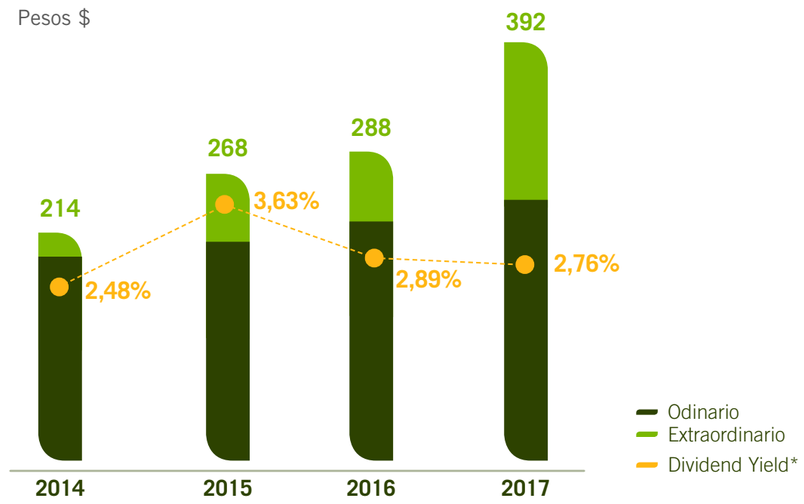
*Fondos (pensiones y cesantías, mutuos, de valores y de empleados)
Inversionistas Estatales: EEB

DIVIDENDOS

La Asamblea General de Accionistas, celebrada el 31 de marzo de 2017, aprobó distribuir utilidades a sus accionistas por $434.210 millones, corresponde al 21% de la utilidad líquida de 2017 y al 64% de la utilidad líquida descontando el reconocimiento de la RBSE en ISA CTEEP. El dividendo pagado fue de $392 por acción, 36% más que el año anterior, compuesto por un dividendo ordinario de $248 y uno extraordinario de $144.

El pago se realizó en dos cuotas iguales de $196 por acción el 25 de julio y 12 de diciembre de 2017.

Dividendos



(*) Dividend Yield: rendimiento del dividendo anual sobre el precio de cierre de la acción.

Información bursátil

	2017
BVC: ISA CB – ADR: IESFY	
Nro. de acciones en circulación	1.107.677.894
Flotante (%)	38,42%
Cantidad de Accionistas	29.272
Valor Nominal ($)	32,8
Precio de cierre	14.200
UPA: Utilidad por Acción ($)	997
Dividendo ordinario	248
Dividendo extraordinario	144
Capitalización bursátil (millones $)	15.729.026
Volumen diario promedio (millones $)	5.346
Bursatilidad	ALTA - Puesto 6
Índices	
Participación COLCAP	6,29%
Participación COLEQTY	6,23%
Participación COLIR	6,52%
Múltiplos	
RPG: Precio / Utilidad (%)	14,25
Q de Tobin: Precio/Valor en libros (veces)	1,72
EV/EBITDA: Valor de la Compañía/EBITDA (veces)	8,57
Yield (%)	2,76

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017, and 2016

Amounts expressed in millions of Colombian pesos

	NOTES	2017	2016
ASSETS			
Current assets			
Cash and cash equivalent	4	1.529.470	1.146.761
Current financial assets	6	4.402.971	3.828.360
Current tax	17.1	309.451	463.818
Inventories - net	8	83.481	101.743
Non-financial assets	7	95.357	132.491
Total current assets		**6.420.730**	**5.673.173**
Non-current assets			
Restricted cash	5	78.204	60.495
Non-current tax	17.1	46.870	-
Investments in associates and joint ventures	9	3.093.842	1.690.711
Financial instruments	9	16.335	16.315
Financial assets	6	17.609.166	16.569.813
Inventories - net	8	85.778	72.931
Property, plant, and equipment - net	10	9.063.803	7.761.835
Intangibles	11	6.424.407	6.179.860
Non-financial assets	7	65.102	67.802
Deferred tax	17	504.264	415.450
Total non-current assets		**36.987.771**	**32.835.212**
Total assets		**43.408.501**	**38.508.385**

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	NOTES	2017	2016
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Financial liabilities	13	1.603.839	1.674.203
Accounts payable	15	779.066	905.227
Employee benefits	-	75.534	73.253
Current tax	17.2	407.912	245.065
Provisions	16	126.676	537.283
Other non-financial liabilities	19	114.763	229.713
Total current liabilities		**3.107.790**	**3.664.744**
Non-current liabilities			
Financial liabilities	13	14.085.189	10.797.222
Accounts payable	15	995.292	979.709
Non-current taxes	17.2	1.054.405	1.041.742
Employee benefits	18	492.616	457.326
Provisions	16	253.275	267.893
Other non-financial liabilities	19	490.647	401.776
Deferred tax	17	4.505.765	3.986.495
Total non-current liabilities		**21.877.189**	**17.932.163**
Total liabilities		**24.984.979**	**21.596.907**

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	NOTES	2017	2016
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	20		
Subscribed and paid-in capital	20.1	36.916	36.916
Premium for placement of shares	20.4	1.428.128	1.428.128
Reserves	20.6	3.585.959	1.878.709
Retained earnings	-	3.228.134	3.232.907
Net income	-	1.437.936	2.136.629
Other comprehensive income	-	1.239.964	1.150.568
Equity attributable to controlling interest	-	**10.957.037**	**9.863.857**
Non-controlling interest	-	7.466.485	7.047.621
Total shareholders' equity		**18.423.522**	**16.911.478**
Total liabilities and shareholders' equity		**43.408.501**	**38.508.385**

See accompanying notes to consolidated financial statements

Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
Chief Accounting Officer
Professional Card N° 34420-T
(See attached certificate)

Patricia Mendoza Sierra
Statutory Auditor
Professional Card N° 78856 – T
(See my report attached)
Appointed by Ernst & Young Audit S.A.S TR-530

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended as of December 31, 2017, and 2016

Amounts expressed in millions of Colombian pesos

	NOTES	2017	2016
Revenues from ordinary activities	21		
Energy Transmission services		4.335.715	8.738.226
Connection charges		223.979	211.553
Road Concessions		1.088.430	1.126.331
Dispatch and coordination CND-MEM		83.402	75.112
MEM Services (STN, SIC, SDI)		32.644	39.625
Information and Telecommunications Technologies		345.386	337.167
Other operating revenues		67.664	61.423
Constructions for sale		777.045	1.303.189
Total revenues from ordinary activities		**6.954.265**	**11.892.626**
Operating costs	23.1	2.499.854	2.657.136
Gross profit		**4.454.411**	**9.235.490**
Administrative expenses	23.2	645.893	980.510
Other net revenues/(expenses)	24	179.116	14.564
Equity method net revenue/(expense)	24	139.291	233.690
Profit from operating activities		**4.126.925**	**8.503.234**
Financial revenues	25	573.195	1.054.174
Financial expenses	25	1.440.014	2.087.515
Income before taxes		**3.260.106**	**7.469.893**
Income tax	17	916.298	2.452.158
Income of the year		**2.343.808**	**5.017.735**
Non-controlling interest		905.872	2.881.106
Income attributable to controlling interest		**1.437.936**	**2.136.629**

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	NOTES	2017	2016
INCOME OF THE YEAR			
Net income attributable to controlling interest		1.437.936	2.136.629
Non-controlling participation		905.872	2.881.106
TOTAL NET INCOME OF THE YEAR		**2.343.808**	**5.017.735**
Actuarial earnings (losses) from definite benefit plans, net of taxes		(12.830)	(14.042)
Earnings from cash hedging, net of taxes		(7.698)	69.949
Earnings from foreign exchange differences, net of taxes		109.924	150.108
Other comprehensive income		**89.396**	**206.015**
Total net income attributable to controlling interest		1.527.332	2.342.644
Non-controlling participation		905.872	2.881.106
Comprehensive income of year		**2.433.204**	**5.223.750**

See accompanying notes to consolidated financial statements

Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)

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Chief Accounting Officer
Professional Card N° 34420-T
(See attached certificate)

Patricia Mendoza Sierra
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(See my report attached)
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CONSOLIDATED CASH FLOW STATEMENT

December 2017 - December 2016

Amounts expressed in millions of Colombian pesos

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from loans and operations portfolio	32.601	32.868
Collections from deposits and exigibilities	2.192	789
Collections from insurance accounts receivable	12.461	5.623
Collections from sales of goods and service	6.791.903	7.669.277
Other collections from operating activities	407.602	51.107
Collections (Payment) from Secr da Fazenda Ações - Lei 48	(146.524)	(169.815)
Payments from accounts payable to insurance	8.224	4.450
Payments to suppliers for the provision of goods and services	1.585.363	1.993.938
Payments to and on behalf of employees	737.436	634.306
Payments for premiums and benefits, annuities, and other obligations	10.175	-
Other payments for operating activities	893.658	1.264.325
Net cash flows from operating activities	**3.865.379**	**3.692.830**

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	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Interests paid, classified as operating activities	159.525	128.563
Interests received, classified as operating activities	35.304	29.790
Tax on reimbursed income (paid)	923.887	564.124
Other cash inflows (outflows)	(30.216)	5.766
Payments to suppliers for the supply of goods and services	(112.342)	19.553
Net cash flows from operating activities	**2.899.397**	**3.016.146**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Other payments to acquire equity or debt instruments	9.443	(11.156)
Other payments to acquire shares in joint ventures	1.462.899	154.574
Amounts from the sale of property, plant, and equipment	1.758	6.762
Purchase of properties, plant, and equipment	1.675.299	2.082.755
Amounts from the sale of intangible assets	-	448
Purchase of intangible assets	596.110	1.047.291
Cash advances and loans given to third parties	18.355	(9.378)
Collections from the reimbursement of advances and loans	(12.052)	40.742
Payments from future contracts, term contracts, option contracts	(3.478)	(217.948)
Interests received, classified as investment activities	73.077	54.604
Other cash inflows (outflows)	(156.682)	(70.059)
Net cash used in investment activities	**(3.852.527)**	**(3.013.641)**

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	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts from loans	5.317.809	2.917.822
Loan reimbursement	2.293.986	1.749.581
Finance lease liabilities payment	6.503	(5.075)
Dividends paid, classified as financing activities	858.082	422.458
Interests paid, classified as financing activities	519.549	886.982
Tax on reimbursed income (paid)	2.725	1.477
Other cash inflows (outflows)	85.552	18.738
Net cash provided by (used in) financing activities	**1.722.516**	**(118.863)**
Cash and cash equivalents, without exchange effect	**769.386**	**(116.358)**
Effects of exchange rate variation on cash and cash equivalents	(386.677)	233.869
Net cash and cash equivalents	**382.709**	**117.511**
Cash and cash equivalent at the beginning of the period	**1.146.761**	**1.029.250**
Cash and cash equivalent at the end of the period	**1.529.470**	**1.146.761**

Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
Chief Accounting Officer
Professional Card N° 34420-T
(See attached certificate)

Patricia Mendoza Sierra
Statutory Auditor
Professional Card N° 78856 – T
(See my report attached)
Appointed by Ernst & Young Audit S.A.S TR-530

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended as of December 31, 2017, and 2016

Amounts expressed in millions of Colombian pesos

			RESERVES									
	SUBSCRIBED AND PAID-IN CAPITAL	PREMIUM FOR PLACEMENT OF SHARES	LEGAL	BY TAX REGULATION	RESERVE FOR REACQUISITION OF OWN SHARES	FOR EQUITY STRENGTHENING	FOR REHABILITATION AND REPLACEMENT OF STN ASSETS	TOTAL RESERVES	COMPREHENSIVE INCOME	OTHER COMPREHENSIVE INCOME	NON-CONTROLLING INTEREST	TOTAL
NOTES	20.1	20.4	20.6									
Balance as of December, 2015	**36.916**	**1.428.128**	**18.458**	**716.143**	**38.100**	**681.264**	**37.434**	**1.491.399**	**3.939.228**	**944.553**	**3.552.829**	**11.393.053**
Transfers approved by the General Shareholders' Meeting	-	-	-	95.816	-	291.494	-	387.310	(387.310)	-	-	-
Payment of ordinary dividends at COP228 per share and an extraordinary dividend at COP60 settled on 1.107.677.894 outstanding shares	-	-	-	-	-	-	-	-	(319.011)	-	-	(319.011)
Foreign exchange difference	-	-	-	-	-	-	-	-	-	150.107	613.686	763.793
Other comprenhensive income	-	-	-	-	-	-	-	-	-	55.908	-	55.908
Net income as of December 31, 2016	-	-	-	-	-	-	-	-	2.136.629	-	2.881.106	5.017.735
Balance as of December, 2016	**36.916**	**1.428.128**	**18.458**	**811.959**	**38.100**	**972.758**	**37.434**	**1.878.709**	**5.369.536**	**1.150.568**	**7.047.621**	**16.911.478**
Transfers approved by the General Shareholders' Meeting	-	-	-	86.843	(38.100)	1.658.507	-	1.707.250	(1.707.250)	-	-	-
Payment of ordinary dividends at COP248 per share and an extraordinary dividend at COP144 settled on 1.107.677.894 outstanding shares	-	-	-	-	-	-	-	-	(434.210)	-	-	(434.210)
Foreign exchange difference	-	-	-	-	-	-	-	-	58	202.820	(487.008)	(284.130)
Other comprenhensive income	-	-	-	-	-	-	-	-	-	(113.424)	-	(113.424)
Net income as of December 31, 2017	-	-	-	-	-	-	-	-	1.437.936	-	905.872	2.343.808
Balance as of December, 2017	**36.916**	**1.428.128**	**18.458**	**898.802**	**-**	**2.631.265**	**37.434**	**3.585.959**	**4.666.070**	**1.239.964**	**7.466.485**	**18.423.522**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2017, and 2016

Amounts expressed in millions of Colombian pesos, except for the nominal value of the share and the net income per share; foreign currency in original amounts

I. GENERAL NOTES

1. ISA AND ITS COMPANIES

Interconexión Eléctrica S.A. E.S.P. –ISA–, parent company, with headquarters in Medellin, was incorporated as joint stock company by public deed N° 3057 issued by the 8th Notary of the Notarial Circuit of Bogota, on September 14, 1967.

The Company demerged on April 4, 1995 by public deed N° 230 granted by the Sole Notary Public of Sabaneta.

On December 1, 1995, by means of public deed N° 808 granted by the Sole Notary Public of Sabaneta and pursuant to the provisions of the Household Public Utilities Services Law –Law 142 of 1994–, the Company changed its legal status to an Official Utility Company, comprised by public entities as a joint stock company with national scope, ascribed to the Ministry of Mines and Energy, subject to the legal regime set forth in Law 142 of 1994, and adopted the corporate name of Interconexión Eléctrica S.A. E.S.P., also using the acronym ISA E.S.P.

On November 22, 1996, by public deed N° 746 issued by the Sole Notary of Sabaneta, ISA changed its legal nature to Mixed Utility Company, incorporated as a Joint Venture of commercial and national nature, linked to the Ministry of Mines and Energy, and subject to legal regime provided by Law 142 of 1994, a situation that materialized on January 15, 1997 by means of the income of the private contribution.

In accordance with the considerations of the Constitutional Court in its ruling C-736 dated September 19, 2007, ISA has a special legal nature by been defined as a Mixed Utility Company, decentralized by services, part of the executive branch of the public power with special and legal regime of private law.

Headquarters is located in Medellin, Calle 12, Sur # 18-168.

ISA's purpose is:

- The provision of the Energy Transmission public service, pursuant to the provisions of Law 142 and 143 of 1994 and the regulations adding, amending, or replacing them, as well as the rendering of services associated,

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complementary, and related to such activities, as per the legal and regulatory framework in force.

- The development of systems, activities and services of Information and Telecommunication Technologies.
- The direct or indirect participation in activities and services related to the transport of other energies.
- The provision of technical and non-technical services in activities related to their purpose.
- The development of infrastructure projects and their commercial operation, as well as the execution of activities related to the exercise of engineering according to Law 842 of 2003 and the regulations that add, modify, or replace it.
- The investment in national or foreign companies whose purpose is the use of any legal economic activity; the investment of movable and immovable assets, and the investment of shares, fees or parts, bonds, commercial papers, fixed income, or variable documents, registered in the public securities market, or any other modality provided by Law, allowing the investment of resources.
- Management of the economic group companies by defining strategic, organizational, technical, and financial guidelines, among others.

The Company was registered as a business group before the mercantile registry of the Chamber of Commerce of Medellin in October 2001. For such effects, the parent company is Interconexión Eléctrica S.A. E.S.P., –ISA–, and its subsidiaries are:

INTERCOLOMBIA S.A. E.S.P., TRANSELCA S.A. E.S.P., Compañía de Expertos en Mercados S.A. E.S.P., –XM–, and its subsidiary, SISTEMAS INTELIGENTES EN RED S.A.S.; ISA Capital do Brasil S.A., and its affiliate, Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– and its subsidiaries, Interligação Elétrica de Minas Gerais S.A., Interligação Elétrica Pinheiros S.A., Interligação Elétrica Serra do Japi S.A., and Evrecy Participações Ltda, Interligação Elétrica Tibagi S.A, Interligação Elétrica Aguapeí S.A., Interligação Elétrica Itaquerê S.A., Interligação Elétrica Itapura S.A., Interligação Elétrica Itaúnas, Interligação Elétrica Norte e Nordeste, and the investment funds, Referenciado DI Bandeirantes and Xavantes Referenciado DI., and Fundo de Investimento Assis; ISA Investimentos e Participações, Interconexión Eléctrica ISA Perú S.A., Red de Energía del Perú S.A. –ISA REP–, Consorcio Transmantaro S.A., Proyectos de Infraestructura del Perú –PDI–, Interconexión Eléctrica ISA Bolivia S.A., INTERNEXA S.A., and its subsidiaries, INTERNEXA in Peru and Chile, Transamerican Telecommunication S.A., in Argentina, INTERNEXA Participações S.A., and its subsidiaries, INTERNEXA in Brazil Operadora de Telecomunicações S.A.; INTERCHILE S.A., ISA Inversiones Chile Ltda., ISA Inversiones Maule Ltda., and its subsidiary INTERVIAL CHILE S.A., which also has its concessionaires: Ruta de la Araucanía Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., Ruta del Maipo Sociedad Concesionaria S.A., and Ruta de los Ríos Sociedad Concesionaria S.A.; INTERVIAL COLOMBIA S.A.S.; ISA Inversiones Toltén; and LYNEAR SYSTEMS RE LTD., companies in which the parent company owns direct and indirect interest (hereinafter the subordinates).

ISA's companies included the following employees chart during 2017 and 2016, which is reported to comply with the External Circular 002 of 1998, issued by the Financial Superintendence of Colombia.

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Balance as of December (current year)						
PARENT COMPANY/ SUBSIDIARIES	**MANAGEMENT AND TRUST PERSONNEL**		**OTHER**		**TOTAL**	
	N° PEOPLE	**VALUE**	**N° PEOPLE**	**VALUE**	**N° PEOPLE**	**VALUE**
ISA	209	41.811	13	1.107	222	42.918
ISA INTERCOLOMBIA	380	58.244	197	24.619	577	82.863
ISA CAPITAL DO BRASIL S.A.	2	1.811	2	-	4	1.811
ISA CTEEP	119	37.920	1.489	165.471	1.608	203.391
INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–	6	307	10	831	16	1.138
INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–	7	368	24	2.364	31	2.732
INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI	7	720	14	1.496	21	2.216
EVRECY	6	100	9	901	15	1.001
ISA PERÚ S.A.	1	114	-	-	1	114
ISA REP	227	40.978	150	17.344	377	58.322
CONSORCIO TRANSMANTARO S.A.	1	219	-	-	1	219
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–	12	1.643	70	4.234	82	5.877
ISA BOLIVIA	3	1.211	26	1.856	29	3.067
ISA TRANSELCA	16	4.548	197	23.700	213	28.248
XM S.A. E.S.P.	238	40.061	3	316	241	40.377
Sistemas Inteligentes en Red S.A.S.	49	2.220	-	-	49	2.220
INTERNEXA S.A.	194	29.943	16	1.002	210	30.945
INTERNEXA S.A. (PERU)	21	5.103	8	1.276	29	6.379
INTERNEXA CHILE S.A.	14	3.306	-	-	14	3.306
Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	2	838	7	1.625	9	2.463

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INTERNEXA PARTICIPAÇÕES S.A.	-	-	-	-	-	-
INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.	9	5.113	86	34.006	95	39.119
ISA INTERCHILE	2	1.679	40	3.903	42	5.582
INTERVIAL CHILE	11	5.468	65	14.923	76	20.391
Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	-	-	29	2.076	29	2.076
Ruta del Maipo Sociedad Concesionaria S.A.	5	2.808	123	12.091	128	14.899
Ruta del Maule Sociedad Concesionaria S.A.	2	776	40	3.098	42	3.874
Ruta del Bosque Sociedad Concesionaria S.A. (*)	-	-	32	2.448	32	2.448
Ruta de los Ríos Sociedad Concesionaria S.A. (*)	-	-	28	2.028	28	2.028
TOTAL	**1.531**	**287.309**	**2.678**	**322.715**	**4.221**	**610.024**

➔ (*) The concessionaire company does not have managers and trust personnel, as it is directly hired by INTERVIAL CHILE S.A.

2016						
PARENT COMPANY/ SUBSIDIARIES	**MANAGEMENT AND TRUST PERSONNEL**		**OTHER**		**TOTAL**	
	N° PEOPLE	**VALUE**	**N° PEOPLE**	**VALUE**	**N° PEOPLE**	**VALUE**
ISA	200	36.391	15	1068	215	37.459
ISA INTERCOLOMBIA	374	52.413	202	22.961	576	75.374
ISA CAPITAL DO BRASIL S.A.	2	1.587	-	-	2	1.587
ISA CTEEP	124	30.686	1.459	117.574	1.583	148.260
INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–	7	239	11	648	18	887
INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–	5	285	37	2.082	42	2.367

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	2016					
INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI	7	610	28	1.354	35	1.964
EVRECY	4	42	9	716	13	758
ISA PERÚ S.A.	1	75	-	-	1	75
ISA REP	214	41.661	153	22.193	367	63.854
CONSORCIO TRANSMANTARO S.A.	2	451	-	-	2	451
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–,	14	1.837	78	4.281	92	6.118
ISA BOLIVIA	3	1.170	27	1.655	30	2.825
ISA TRANSELCA	16	4.048	194	18.776	210	22.824
XM S.A. E.S.P.	235	35.930	3	302	238	36.232
Sistemas Inteligentes en Red S.A.S.	47	1.940	-	-	47	1.940
INTERNEXA S.A.	216	27.271	20	1.201	236	28.472
INTERNEXA S.A. (PERU)	29	5.553	-	-	29	5.553
INTERNEXA CHILE S.A.	14	3.773	-	-	14	3.773
Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	2	680	7	1.568	9	2.248
INTERNEXA PARTICIPAÇÕES S.A.	-	-	-	-	-	-
INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.	7	2.529	84	8.452	91	10.981
ISA INTERCHILE	26	4.910	-	-	26	4.910
INTERVIAL CHILE	8	5.307	66	13.014	74	18.321
Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	3	688	27	1.059	30	1.747
Ruta del Maipo Sociedad Concesionaria S.A. (*)	5	2.829	126	9.618	131	12.447
Ruta del Maule Sociedad Concesionaria S.A. (*)	3	677	39	2.571	42	3.248
Ruta del Bosque Sociedad Concesionaria S.A. (*)	1	677	34	1.243	35	1.920
Ruta de los Ríos Sociedad Concesionaria S.A. (*)	3	688	28	1.149	31	1.837
TOTAL	**1.572**	**264.947**	**2.647**	**233.485**	**4.219**	**498.432**

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2. BASIS OF PRESENTATION

Following is the description of the main policies and practices adopted by ISA and its companies:

2.1 Consolidation principles

Consolidated Financial Statements include the financial statements of the parent company and all affiliates and subsidiaries (including consolidated structured entities).

Subsidiaries are entities (including the structured entity), over which the parent company exercises direct or indirect control.

A consolidated structured entity is an entity that has been designed so that the voting right or similar rights are not the decisive factor in deciding who controls the entity, such as when voting rights relate only to administrative tasks and the relevant activities are directed through contractual agreements.

The structured entities where ISA has control in Colombia are Patrimonio Autónomo Betania; and through ISA CTEEP in investment funds Referenciado DI Bandeirantes, Xavantes Referenciado DI, and Fundo de Investimento Assis.

An investor controls an entity when it is exposed, or has rights, to variable returns from its involvement in the entity, and has the ability to affect those returns through its power over the same.

Investments controlled by ISA's companies, are consolidated through the global integration method, in which the financial statements of the parent or controlling company are added, all assets, liabilities, equity, revenues, costs and subsidiaries expense, previous elimination in the parent or controlling company of the investment made by it on the equity of subsidiaries, as well as operations and reciprocal balances existing on the date of consolidated financial statements preparation.

The consolidation of operations of the parent company and subsidiaries was determined by using the following basic principles:

a. At the time of takeover, the assets acquired, and the liabilities assumed from the subsidiary are recorded at fair value, except for certain assets and liabilities that are recorded following the valuation principles set out in other IFRS. (See Note 2.1.1 for details of business combinations and surplus value).

b. The value of the interest of non-controlling shareholders in equity and in the comprehensive income of subsidiaries, respectively, is presented under non-controlling interest in the consolidated statement of financial position. The income of the accounting year, and each component of the other comprehensive income, are attributed to the owners of the controlling entity and to the non-controlling interest. These shares correspond to third parties alien to the ISA's business. At ISA CAPITAL DO BRASIL S.A., it includes stake on the preferred shares under repurchase agreement with HSBC and BV Financeira S.A. Likewise, it includes preferential dividends linked to this participation.

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c. Subsidiaries financial statements are included at the Consolidated Financial Statements, as of the date in which the Group obtained control over the subsidiary and up to the date its control ends.

d. Investments in foreign subsidiaries are recorded based on financial statements as of December 31, each year, approved under IFRS and converted into Colombian pesos, according to the provisions of IAS 21, prior definition of the functional currency, using the U.S. dollar as reference currency. The income and financial position of all entities of ISA's businesses (none of which has the currency of a hyperinflationary economy) which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- Assets and liabilities are translated into Colombian pesos to the closing rate, corresponding to the Representative Market Rate –RMR– at the balance sheet date, certified by the Financial Superintendence of Colombia.
- Items of revenues and expenses are translated into Colombian pesos at the average exchange rate in force at the end of each period, unless there is a significant variation, in which case the exchange rates of the date in which the transaction is performed, will be used.
- Equity is kept at the historical exchange rate at the date of acquisition or contribution, and at the average exchange rate at the date of generation, in the case of cumulative income.
- If applicable, exchange differences arising are recognized in other comprehensive income and are accumulated in equity under the heading of gains (losses) for conversion exchange differences (attributed to the non-controlling interest, as appropriate).

Both the surplus value arising from the acquisition of a foreign operation, and the fair value adjustments made on the carrying amount of assets and liabilities, as a result of the acquisition of a foreign operation, will be treated as assets and liabilities thereof. This means that they will be expressed in the same functional currency of the foreign business and will be translated at the closing exchange rate.

e. All significant balances and transactions among ISA and its subsidiaries were eliminated in the consolidation process.

f. Changes in ownership interests of ISA and its companies in a subsidiary, without causing a loss of control, are accounted for within equity. The carrying amount of the shares owned by ISA and its companies and the non-controlling interest are adjusted to reflect changes in their corresponding share in the subsidiary. Any difference between the amount under which the non-controlling interest and the fair value of the consideration paid or received, is recognized directly in equity, and attributed to the owners of the controlling entity.

When control over a subsidiary is lost, the gain or loss on disposal is calculated as the difference between:

- The aggregate fair value of the compensation received, and the fair value of the share retained, and,

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- The previous carrying amount of the assets (including surplus value) and the liabilities of the subsidiary and the non-controlling interest.

Accounting policies of Group's subsidiaries apply evenly with ISA, to ensure consistency in the Group's financial information, basis for appropriate consolidation.

In the investments in associates and joint ventures, the parent company applies the equity method in its Consolidated Financial Statements.

Associate is an entity over which the parent company is able to exercise significant influence, through the power to participate in decisions about its operating and financial policies.

In general, the significant influence is presumed in those cases in which the Group holds a stake higher than 20%, even though, as in the case of control, it must be evaluated.

Joint venture is an agreement whereby the parties holding joint control have rights to the net assets of the entity. Joint control only occurs when the decisions on relevant activities require the unanimous consent of the parties sharing control.

The equity method is an accounting method whereby the investment in associated and joint ventures is initially recorded at cost and adjusted for post-acquisition change in the Company's participation in net assets. The income of the period and other comprehensive income of the entity include its share in the income for the period and other comprehensive income of the entity.

Dividends received from these entities are recorded as lower value of investment.

Transactions involving a loss of significant influence over an associate or joint venture are accounted for, by recognizing any retained stake by its fair value, and the gain or loss resulting from the transaction is recognized in the income for the period, including the corresponding items of other comprehensive income.

For transactions not involving a loss of control or significant influence in the associate or joint venture; the equity method remains being applied and the portion of the gain or loss recognized in other comprehensive income relating to the reduction in the share of the property is reclassified in income.

Consolidated Financial Statements as of December 31, 2017, were authorized to be issued by the Board of Directors during meeting held on February 23, 2018.

The following figures were taken from the accounting records of ISA and its companies as of December 31, 2017 and 2016, and the consolidation currency (Colombian peso), according to the provisions of Decree 2784/2014 and all its subsequent amendments.

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December 2017				
COMPANY	**ASSETS**	**LIABILITIES**	**EQUITY WITHOUT PROFIT**	**PROFIT (LOSS)**
ISA	16.726.509	5.750.381	9.533.420	1.442.708
ISA INTERCOLOMBIA	228.197	149.159	54.616	24.422
INTERNEXA S.A.	462.220	299.248	162.283	689
ISA TRANSELCA	1.388.890	656.210	624.702	107.978
XM S.A. E.S.P.	141.780	117.944	16.786	7.050
Sistemas Inteligentes en Red S.A.S.	23.502	11.845	8.070	3.587
ISA INTERVIAL	1.289	18	1.272	(1)
ISA INVERSIONES CHILE LTDA	1.873.013	3.030	1.738.213	131.770
INTERVIAL CHILE	3.030.964	90.660	2.700.611	239.693
Ruta del Maipo Sociedad Concesionaria S.A.	5.660.841	3.870.525	1.585.323	204.993
Ruta del Maule Sociedad Concesionaria S.A.	321.048	180.559	142.881	(2.392)
Ruta del Bosque Sociedad Concesionaria S.A.	655.585	536.457	121.097	(1.969)
Ruta de los Ríos Sociedad Concesionaria S.A.	497.217	382.620	86.887	27.710
Ruta de la Araucanía Sociedad Concesionaria S.A.	1.213.428	827.239	356.754	29.435
ISA INTERCHILE	2.349.102	1.393.329	968.854	(13.081)
ISA INVERSIONES MAULE	1.326.480	280.700	937.088	108.692
INTERNEXA CHILE S.A.	67.854	56.232	8.788	2.834
ISA INVERSIONES TOLTÉN	41	-	41	-
ISA Investimentos e Participações S.A.	937.212	299.087	627.296	10.829
ISA CAPITAL DO BRASIL S.A.	3.690.189	703.402	2.372.332	614.455
ISA CTEEP	15.062.546	5.153.720	8.646.333	1.262.493
EVRECY	46.583	3.065	36.734	6.784
INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–	174.083	40.171	116.980	16.932

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	December 2017			
COMPANY	**ASSETS**	**LIABILITIES**	**EQUITY WITHOUT PROFIT**	**PROFIT (LOSS)**
INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–	564.676	115.340	412.962	36.374
INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI	341.474	79.116	221.852	40.506
INTERNEXA PARTICIPAÇÕES S.A.	162.335	413	187.752	(25.830)
INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.	360.341	198.329	186.852	(24.840)
Interligação Elétrica Itaúnas S.A.	7.592	991	6.770	(169)
IE TIBAGI S.A.	2.284	137	2.258	(111)
IE AGUAPEÍ S.A.	4.272	129	4.242	(99)
IE ITAQUERÊ S.A	10.177	667	9.471	39
IE ITAPURA S.A.	3.048	70	3.069	(91)
INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A. –IENNE–	688.320	307.098	385.678	(4.456)
CONSORCIO TRANSMANTARO S.A.	4.277.218	2.789.156	1.355.583	132.479
ISA PERÚ S.A.	194.506	98.577	77.989	17.940
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–	69.773	50.449	7.994	11.330
ISA REP	1.540.889	959.635	490.756	90.498
INTERNEXA S.A. (PERU)	193.232	175.173	10.887	7.172
Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	22.401	9.016	8.946	4.439
Linear Systems RE LTD	40.736	32.914	5.252	2.570
ISA BOLIVIA	149.026	40.564	80.379	28.083
Fundo de Investimento Referenciado DI Bandeirantes	244.045	14	224.513	19.518
Fundo de Investimento Xavantes Referenciado DI	169.500	14	168.445	1.041
Fundo de Investimento Assis	143.818	149	140.316	3.353
Patrimonio Autónomo Betania	6.987	-	7.448	(461)

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ISA	13.840.632	3.962.398	7.736.774	2.141.460
ISA INTERCOLOMBIA	255.986	179.160	53.197	23.629
INTERNEXA S.A.	464.681	285.080	171.862	7.739
ISA TRANSELCA	1.397.250	686.646	621.842	88.762
XM S.A. E.S.P.	123.067	98.834	16.413	7.820
Sistemas Inteligentes en Red S.A.S.	24.246	11.492	8.069	4.685
ISA INTERVIAL	1.297	24	1.268	5
ISA INVERSIONES CHILE LTDA	1.622.484	279	1.507.954	114.251
INTERVIAL CHILE	2.579.742	87.936	2.287.948	203.858
Ruta del Maipo Sociedad Concesionaria S.A.	5.042.669	3.582.352	1.269.805	190.512
Ruta del Maule Sociedad Concesionaria S.A.	530.983	398.896	134.656	(2.569)
Ruta del Bosque Sociedad Concesionaria S.A.	672.399	560.454	137.883	(25.938)
Ruta de los Ríos Sociedad Concesionaria S.A.	534.100	426.822	73.146	34.132
Ruta de la Araucanía Sociedad Concesionaria S.A.	1.188.329	860.742	295.187	32.400
ISA INTERCHILE	6.812.979	5.827.956	977.343	7.680
ISA INVERSIONES MAULE	1.071.967	209.295	768.292	94.380
INTERNEXA CHILE S.A.	60.385	52.754	2.968	4.663
ISA INVERSIONES TOLTÉN	38	-	40	(2)
ISA CAPITAL DO BRASIL S.A.	3.610.892	1.175.797	1.003.718	1.431.377

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COMPANY	**ASSETS**	**LIABILITIES**	**EQUITY WITHOUT PROFIT**	**PROFIT (LOSS)**
ISA CTEEP	13.682.176	4.363.590	4.994.979	4.323.607
EVRECY	50.154	2.917	35.975	11.262
INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–	167.544	44.316	112.245	10.983
INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–	574.184	131.519	379.700	62.965
INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI	338.659	83.132	201.256	54.271
INTERNEXA PARTICIPAÇÕES S.A.	172.857	84	170.516	2.257
INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.	378.236	218.059	167.326	(7.149)
CONSORCIO TRANSMANTARO S.A.	3.973.637	2.611.945	1.230.311	131.381
ISA PERÚ S.A.	199.230	102.823	77.905	18.502
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–	124.029	113.116	8.576	2.337
ISA REP	1.580.526	981.227	507.586	91.713
INTERNEXA S.A. (PERU)	198.122	186.853	18.510	(7.241)
Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	22.103	11.413	12.003	(1.313)
Linear Systems RE LTD	32.999	27.746	2.871	2.382
ISA BOLIVIA	150.592	53.689	67.925	28.978
Fondos de Inversión Referenciado DI Bandeirantes	190.682	22	156.629	34.031
Fondo de Inversión Xavantes Referenciado DI	167.154	12	145.637	21.505
Patrimonio Autónomo Betania	8.019	-	7.140	879

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2.1.1 Business combination

During 2017, the following business combinations in ISA were presented through its affiliates and subsidiaries companies:

2.1.1.1 INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A., –IENNE–

ISA, through its subsidiaries ISA CAPITAL DO BRASIL S.A., and ISA CTEEP, acquired all stakes of other shareholders in IENNE. The transaction was approved by ANEEL through Office N° 2.604 of August 22, 2017 for 50% equity owned by ISOLUX Energía e Participações S.A., ("ISOLUX"), Official Communication N° 545/2017 of September 29, 2017, and for 25% equity of CYMI Construcciones y Participaciones S.A., ("CYMI"). The Administrative Council of Economic Defense –CADE– approved without restrictions the acquisition process of IENNE.

IENNE was incorporated on December 3, 2007 with the purpose of exploiting the concession of electric energy transmission public service, especially of transmission lines Colinas (Tocantins) - Ribeiro Gonçalves (Piauí) and Ribeiro Gonçalves - São João do Piauí (Piauí), both in 500 kV, totaling 720 km (Concession Agreement N° 001/2008). In 2011, it was authorized and started commercial operations.

On September 15, 2017 and October 5, 2017 ISA CTEEP paid ISOLUX and CYMI an amount close to COP63.461 and COP30.315, for the purchase of 50% and 25%, respectively, corresponding to the updated offered price at market value. Contracts entered into by the parties regarding the acquisition of mention stake, do not foresee any type of future conditioning clause and/or price adjustments.

As a result of the operation, ISA CTEEP obtained 100% of IENNE operations from the approval of the regulatory body, on September 29, 2017, ending the acquisition process on October 5, 2017.

The fair value of assets acquired, and liabilities assumed, as well as the calculation of the profit from the purchase in advantageous terms, were defined according to the preliminary valuation made by an independent consulting firm, based on the financial statements as of September 30, 2017, as shown below:

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	ACCOUNTING VALUE ON 09.30.2017	INVESTMENT ADJUSTMENT AT FAIR VALUE	ASSETS AND LIABILITIES AT FAIR VALUE
Accounts receivable - Grant	694.514	(199.526)	494.988
Restricted cash	14.870	-	14.870
Other current assets	2.491	-	2.491
Total assets	**711.875**	**(199.526)**	**512.349**
Loans and financing	180.969	-	180.969
Other current liabilities	4.213	-	4.213
Deferred income tax and social contribution	65.416	-	65.416
Deferred PIS and COFINS	65.035	-	65.035
Total liabilities	**315.633**	**-**	**315.633**
Net equity	**396.242**	**(199.526)**	**196.716**

This acquisition of shares originated the following accounting impacts on September 30, 2017:

	ACCOUNTING VALUE ON 30.09.2017
Assets and liabilities at fair value	196.716
Percentage acquired - Shares acquired	75%
Shares acquired	**147.537**
Value paid	(93.776)
Income under advantageous conditions	**53.761**

The fair value of the above interest (25%) is:

	ACCOUNTING VALUE ON 30.09.2017
Investment's fair value	49.179
Investment's accounting value	99.056
IENNE's loss of acquisition of control	**(49.877)**

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2.1.1.2 Transmissora Aliança de Energia Elétrica S.A.

In June 2017, ISA through its Brazilian affiliate, ISA Investimentos e Participações S.A., acquired 41,6% shares of the control block of Transmissora Aliança de Energia Elétrica S.A. –TAESA–, which represent 26% of ordinary shares and 14,9% of TAESA's total share capital, for a total amount of USD309 million, after making adjustments at the price provided in the contract of purchase and sale, signed on December 27, 2016. This acquisition was made with capital contributions from ISA Investimentos e Participações do Brasil S.A. for USD203 million and Debentures in the Brazilian capital market worth USD106 million.

As result of this acquisition, ISA assumed the position held by the TAESA's control block sellers, keeping their rights and obligations, and joined the Shareholders' Agreement with Companhia Energética de Minas Gerais S.A., –CEMIG–.

ISA and its companies hold a joint control over this company.

2.1.13 ATP Tower Holdings LLC

ISA made capital contributions by COP480.024 in Andean Tower Partner –ATP–, a telecommunication infrastructure company for development in Colombia and Peru. The ATP business is to provide, operate and manage towers and sites required by mobile operators to install their infrastructure, as well as new technologies such as Small Cells and DAS –Distributed Antenna Systems– to satisfy connectivity demands from the mobile industry. The entity is an ISA's associate.

In addition, on December 2017, through ATP, Torres Unidas was acquired. It is a company that provides solutions and services for communication towers and cellular infrastructure in the Andean Region. With this acquisition, ATP consolidates as a leading operator in the Andean region.

2.2 Accounting principles

ISA's business group prepares financial statements in accordance with the Colombian Standards for Financial Information –NCIF–, adopted by the Colombia General Accounting Office –CGN–, established by Law 1314 of 2009, regulated by Resolution 743 of 2013 of CGN and all its subsequent amendments, and by Regulatory Decree 2748 of 2012 and all its subsequent modifications. These accounting standards for financial information correspond to the International Financial Reporting Standards –IFRS–, officially translated, and authorized by the International Accounting Standards Board (–IASB– for its acronym in English) as of December 31, 2015.

2.3 Application of the standards incorporated in Colombia since January 1, 2017

ISA and its companies have applied the following amendments by the first time in 2017, according to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism.

2.3.1 Amendments to IAS 1 Disclosure Initiative

The amendments clarify that a company does not need to provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, the amendments similarly provide guidance based on the aggregation and disaggregation of information to the effect of disclosures. However, the amendments reiterate that an entity should consider the possibility

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to provide additional disclosure when compliance with specific requirements in the IFRS is not enough so that users are able to understand the impact of certain transactions, events and conditions about the financial position and the financial return of the entity.

In addition, amendments explain that the participation of the entity in the other comprehensive result of the associates and joint ventures, accounted by using the equity method, should be presented separately from those originated in the company, and should be differentiated in the entries that, according to other IFRS: (i) will not be therefore reclassified to profit and losses, and those that (ii) will be subsequently reclassified to the income when specific conditions are fulfilled.

The implementation of these amendments did not have an impact on the financial return nor on the financial position of the Group.

2.3.2 Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

Amendments to IAS 16 prevent entities from using a depreciation method based on revenues for elements of the property, plant, and equipment. Amendments to IAS 38 include a rebuttable presumption according to which revenues are not an adequate base for the amortization of the intangible asset. This assumption can be only disproved in the following two limited circumstances:

- When the intangible asset is expressed as an income measurement; or
- When revenues and the consumption of economic benefits of the intangible asset are highly correlated.

The implementation of these amendments did not present an impact on the Group's financial statements.

2.3.3 IAS 19. Defined benefit plans: employees' contribution

Amendments to IAS 19 explain how employees or third parties' contributions related to services or defined benefit plans should be accounted, by considering if such benefits depend on the number of employee's service years.

For contributions independent of the number of service years, the entity can recognize them as a decrease in the cost service during the period in which it is delivered; or attribute them to the service periods of the employee, by using the projected unit credit method, while, for the benefits depending on the number of service years, it is required that the entity attributes them.

The Group does not anticipate that the application of these modifications will have a relevant impact on consolidated financial statements.

2.3.4 Amendments to IFRS 10, IFRS 12, and IAS 28, Investment Entities: Applying the consolidation exception

This amendment clarifies that the exemption to prepare the Consolidated Financial Statements is available for an investment parent company which should account for a subsidiary of an investment entity, even if the investment entity measures all

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its subsidiaries at fair value pursuant to IFRS. These amendments also provide an exemption through which an investor that is not an investment entity may choose to retain the measurement at fair value with changes in income, applied by its associates and joint ventures, which are investment entities for its subsidiaries, when applying the equity method.

The application of these modifications has not caused an impact on financial statements. The Group is not an investment entity and does not have any parent company, subsidiary, associate, or joint venture that qualifies as an investment entity.

2.3.5 Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Amendments to IFRS 10 and IAS 28 are related to the sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments establish that gains or losses resulting from the loss of control by a subsidiary which does not have an agreement in a transaction with an associate or a joint venture accounted by the equity method, are recognized in the income of the controlling entity only to the extent of the unrelated investors share interest in such associate or joint venture. Likewise, gains or losses resulting from the revaluation of the investments accumulated in a former subsidiary (which has become an associate, or a joint venture accounted pursuant to the equity method) at fair value are recognized in the income of the former controlling entity, only to the extent of the unrelated investors interest in the new associate or joint ventures.

The Group's administration informs that the application of these amendments to IFRS 10 and IAS 28 could have an impact on the financial statements in future periods if such transactions would arise.

2.3.6 Amendments to IFRS 11 Accounting for acquisition of interest in a joint operation

Amendments to IFRS 11 require that a joint operator should record the acquisition of interest in a joint operation, which constitutes a business, by applying the relevant principles of IFRS 3 for accounting business combinations. The amendments also clarify that interest previously held in the joint operation will not be revalued in the acquisition of additional interest while joint control is held. Additionally, an exception has been added to the scope of these amendments, so that they do not apply when the parties that share joint control are under the common control of an ultimate holding company.

The implementation of these amendments has not had any impact on the company's annual accounts, since there has not been any transaction of this type.

2.3.7 Annual Improvements of IFRS, Cycle 2012 - 2014

The annual improvements include a series of amendments that are summarized below:

- Amendments to IFRS 5 introduce a specific scope on assets (or disposal groups) are generally prepared either through sale or distribution to their holders. This amendment clarifies that the change of one of the disposal methods to other,

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would not be a new disposal plan, but a continuation of the original plan. Therefore, there is no interruption in the application of the IFRS 5 requirements. This amendment should be prospectively applied.

- Amendments to IFRS 7 provide additional guidance to clarify whether a service contract continuous its participation in a transferred asset for the required revelations regarding transferred assets.

- Amendments to IAS 19 clarify that the rate used to discount the obligations due to post-employment benefits must be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The evaluation of the depth for a high quality corporate bonds market should be at the monetary level (this is, the same currency benefits should be paid). In the case of currencies for which a high quality corporate bond does not exist, market yields should be used instead at the end of the information period on the securities denominated in that currency.

The application of these amendments has not had any impact on the Group's financial statements.

2.4 Implementation of new standards and interpretations

Numeral 3 Article 2.1.2 of Book 2, Part 1 of Decree 2420 of 2015 as amended by Decree 2496 of 2015, 2131 and 2132 of 2016 and 2170 of 2017, includes the standards that have been issued by the IASB and adopted in Colombia, which will become effective in years after 2017.

2.4.1 New Standards of Accounting and Financial Information –NCIF– accepted in Colombia, in force as of January 1, 2018

2.4.1.1 IFRS 9 - Financial Instruments: classification and valuation

IFRS 9 introduces a new model to establish the impairment of financial assets. It is based on the expected loss, unlike the IAS 39 model which is based on the loss incurred. According to the impairment approach in IFRS 9, it is no longer necessary for an event related to the credit to occur before credit losses are recognized. In this way, the expected loss model is the result of recognizing impairments in advance, since it is not necessary that a deterioration event have occurred. In general, all assets will have an expected impairment from day 1 after their initial recognition and they are updated at each reporting date to reflect changes in credit risk.

ISA's clients are mostly regulated entities and belong to the energy market. This market has adequate and high-quality guarantees to support the portfolio and reduce the impairment probability.

The Company is still in the implementation period for this change, assessing different methodologies pursuant to the information available at each of the financial assets, to measure possible impacts that the incorporation of this change could bring to the Financial Statements of ISA and its companies.

2.4.1.2 IFRS 15 Revenues from ordinary activities from contracts with customers

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In May 2014, IFRS 15 was issued, which is fully applicable for all annual periods starting on January 1, 2018. This standard establishes a single comprehensive accounting model for the recognition and measurement of ordinary revenue arising from customers' contracts. The core principle of IFRS 15 is that an entity will recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled when exchanging for those goods or services.

Revenues are recognized through the application of the following five-step model framework:

Step 1: Identifying the contract with the customer
Step 2: Identifying the performance obligations in the contract
Step 3: Determining the transaction process
Step 4: Allocating the transaction price to the performance obligations in the contract
Step 5: Recognizing ordinary revenues when (or as) the entity satisfies a performance obligation

For transition purposes, the standard could be retroactively applied to each presentation period or retroactively with the recognized accumulated effect in the initial application. In the first method, when the 2018 financial statements are presented, they will be compared to those of 2017 as if the application of IFRS 15 will begin on January 1, 2017. In the second method, the impact due to the implementation of IFRS 15 as of December 31, 2017, will be presented as of January 1, 2018 without restating the figures of previous years.

ISA and its affiliates and subsidiaries companies made the assessment of the implications for the adoption of IFRS 15, concluding that there are no quantitative effects in the application of IFRS 15, since the measurement and recognition made under IAS 18 and IAS 11, is similar to IFRS 15.

2.4.2 Amendments to the New Standards for Accounting and Financial Reporting –NCIF– accepted in Colombia, in force as of January 1, 2018

Article 1 of Decree 2131 of 2015 added enclosure 1.2 to Decree 2420 of 2015, modified by Decree 2496 of 2015, adding modifications to IAS 7 and IAS 12.

2.4.2.1 Amendments to IAS 7

Disclosure initiative: amendments made to IAS 7 are part of the disclosure initiative of the IASB and require companies to disclose information that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes affecting or not the cash flow. In the initial amendment application, the Group is not obliged to include comparative information of previous periods.

2.4.2.2 Amendments to IAS 12

Recognition of deferred tax assets for unrealized losses: these amendments clarify how to account deferred tax assets corresponding to debt instruments at fair value.

The Group anticipates the adoption of these standards and interpretations issued by the IASB not yet in force in Colombia, previously mentioned, would not have a real impact on the financial statements.

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2.4.3 New Standards of Accounting and Financial Information –NCIF– accepted in Colombia, in force as of January 1, 2019

2.4.3.1 IFRS 16 Leases

IASB issued on January 13, 2016 a new IFRS 16 standard -Leases, which provides a comprehensive model to identify lease agreements and their treatment in the financial statements, for lessees and lessors. IFRS 16 establishes principles to recognize, measure, present and disclose leases with the aim of ensuring that lessees and lessors provide relevant information which faithfully represents such transactions.

IFRS 16 replaces the following standards and interpretations:

- IAS 17 Leases
- IFRIC 4 Determining whether an arrangement contains a lease
- SIC-15 Operating leases -Incentives
- SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease Agreement

2.4.4 Amendments to the New Standards of Accounting and Financial Information –NCIF– accepted in Colombia, in force as of January 1, 2019

2.4.4.1 Amendments to IAS 40

These amendments clarify cases in which a company must transfer properties, including properties under construction or investment property. These amendments establish that a change in use occurs when the property begins to fulfill or fails to meet the definition of investment property and there is evidence of such change.

A simple change in the intent to use the property by the Administration does not constitute evidence of a change in use. The Group must reevaluate the classification of its properties and, if applicable, reclassify it to reflect the conditions present at that time.

2.4.5 Annual Improvements of IFRS, Cycle 2014 - 2016

These improvements are included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 01, 2019 and include:

2.4.5.1 IFRS 1 –Elimination of long-term exemptions for first time adopters

Short-term exemptions included in paragraphs E3 – E7 of IFRS 1 were eliminated because they have already served their purpose. This amendment has not been introduced in the Colombian accounting framework by means of any decree to date and it does not apply to the Group.

2.4.5.2 IAS 28 –Clarifications that the measurement of associates at fair value with changes in income must be made for each of the investments

These amendments clarify the following:

- A company which is a venture capital organization or other qualified entity, may choose in the initial recognition of each of the investments, to measure its investments in associates and joint ventures at fair value with changes in income.

- If an entity, which is not an investment entity, has an interest in an associate or joint venture which is an investment entity, the entity may in the application of

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the equity method, accumulate the measurement at fair value applied by such investment entity to its associates or joint agreements. This choice is made separately for each investment, on the closest date among the date on which the investment entity is initially recognized, the date on which the associate or joint agreement becomes an investment entity and the date on which the investment associate entity or joint agreement becomes a parent company.

2.4.6 IFRS issued by IASB not adopted in Colombia

2.4.6.1 Amendments to IFRS 9

Amendments to the existing requirements of IFRS 9 regarding termination rights of a contract, to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments.

In addition, it includes a clarification regarding the accounting for a new modification or exchange of a financial liability measured at amortized cost which does not result in the derecognition of the financial liability.

Effective date: January 2019.

2.4.6.2 IFRIC 22 - Foreign Currency Transactions and Advance Consideration

It clarifies the date of the transaction, for determining the exchange rate to use on the initial recognition of the related asset, expense, or income (or part of them), in the derecognition in accounts of a non-monetary asset or liability arising from the payment or receipt of an advance consideration in foreign currency.

Effective date: January 2019.

2.4.6.3 IFRIC 23 - Uncertainty over Income Tax Treatments

It clarifies how to apply the requirements for the recognition and measure of IAS 12 when there is uncertainty over income tax treatments. In this circumstance, an entity will recognize and measure its asset or liability due to deferred or current taxes by applying IAS 12 requirements regarding the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates applying this interpretation.

Effective date: January 2019.

2.5 Main judgements and estimates

The preparation of the financial statements based on IFRS, demands from the Management the use of judgements, estimates and assumptions to establish the reported figures on assets and liabilities, the exposure of contingent assets and liabilities, on the date of the financial statements, the reported figures for revenues and expenses, as well as the applications of accounting policies as of December 31, 2017.

Nonetheless, final income could differ from estimates included in the statements of financial position. The Management expects that variations, if any, have no significant effect on the statements of financial position.

These estimates are based on the best experience of Management, on the best expectations in relation to present and future events, as well as the best use of information available on the date of issuance of these Consolidated Financial

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Statements and; current results may differ from these estimates but are adjusted once they are known.

The Group Management has determined that the most significant judgements and estimates correspond to:

- **Identification of Cash Generating Units –CGUs–:** they are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

  The identification of CGUs involves significant judgement, mainly in the way entities must add their assets.

- **Definition of hierarchy levels of financial instruments:** (See Note 3.10)

- **Lease agreements:** lease agreements may be financial or operating and their classification is based on the extent to which the risks and benefits of ownership of the asset affect lessor or lessee. A lease is classified as financial when all the risks and benefits belonging to the real estate are substantially transferred from the property leased to the lessee, on the contrary, it is classified as an operating lease. Among such risks the possibility of losses is included due to idle capacity or technological obsolescence, as well as the variations in performance due to changes in economic conditions. Benefits may be represented by the expectation of a profitable exploitation throughout the economic life of the asset and the gain from revaluation or realization of a residual value.

  This classification is made at the beginning of the agreement and is not changed during its term, unless lessee and lessor agree to change the terms of the lease. Nevertheless, changes in estimates –economic life or residual asset value–, would not generate a new classification of the lease.

- **Disbursements incurred by concessions recognized as intangibles, or as financial asset, in accordance with the guidelines of IFRIC 12:** The Management of each company that holds concession arrangements, determines the disbursements capitalized as intangibles or defines the financial assets by cash flows to be received, based on the requirements provided in the concession arrangements signed with the respective governments, which provide the infrastructure and other assets that should be part of the concession granted, the same that will be delivered to the grantor at the end of the relevant terms.

  Those goods acquired by each of these companies, with the purpose of providing support to the operations inherent to the concessions granted, but not included in the goods of such concession, are recorded, and classified as fixed assets or supplies, depending on their nature.

- **Value impairment of accounts payable:** the estimate for doubtful accounts is established if there is objective evidence that the Group may not recover the amounts of debts according to the original terms of the sale or services rendered. To this end, ISA's Management periodically evaluates the adequacy of the estimate by analyzing the age of accounts receivable and the collection statistics kept by the Company. The estimate for doubtful

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accounts is recorded with a charge to the results of the year in which its need is determined. According to Management, this procedure allows to reasonably estimate the provision for bad debts, to adequately cover the risk of loss in accounts receivable, in accordance with market conditions where each entity operates.

- **Estimated recoverable amount of a non-financial asset:** the carrying value of non-financial assets, excluding deferred taxes is reviewed at each balance sheet date to determine whether there is indication of impairment. If there are indications of impairment, the asset recoverable value is estimated and registered to the result of the year.

- **Estimate of value of operating assets:** future cash inflows and outflows are estimated, resulting from the continuous use of assets as well as of their disposal through other methods at the end of their lifecycle. Furthermore, proper discount is applied to these future cash flows.

- **Useful life and residual values of property, plant, and equipment:** the determination of useful life and residual values of the elements of property, plant and equipment involves judgements and assumptions that could be affected if circumstances change. The group's Management reviews these assumptions periodically and adjusts them prospectively if any change is identified.

- **Useful life of intangibles assets (concessions) and their extensions:** useful life is estimated and recorded depending on the closing date of the concession arrangement (particularly extensions), that is, in terms of the remaining useful life of each extension.

- **Provision for legal and administrative processes:** in estimating loss contingency in legal proceedings that are pending against ISA and its companies, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the status of proceedings. This provision is linked to the probability of occurrence, as well as the professional judgement and opinion of the legal advisers.

- **Recovery of deferred tax assets:** The use of professional judgement is required to determine whether deferred tax assets should be recognized in the statement of financial position. Deferred tax assets require the Group Management to assess the likelihood that the company will generate taxable income in future periods to use taxable income. Estimates of future taxable revenues are based on financial projections and the application of tax laws. To the extent that future cash flows and taxable revenues significantly differ from estimates, it could be an impact on the company's capacity to realize the net deferred taxable assets recorded at the reporting date.

  Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. Any difference between estimates and the subsequent real disbursements is recorded in the year in which it occurs.

- **Provision for significant replacements and maintenance:** Under concession arrangements, the costs of significant replacements and maintenance,

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necessary to keep the infrastructure in the conditions required, are estimated and recorded as expense and a provision at the closing of each accounting year, in terms of the condition and ageing of the transmission lines and substations, in which a qualitative analysis (weather conditions, number of technical failures, technical inspections) and a quantitative analysis (samples, physical-chemical and lab analysis) are annually performed by the maintenance area and, based on such factors, an estimate of disbursements for maintenance and significant replacements is made, taking into account the current market prices for parts to be replaced.

Based on the capital expenditure budget prepared, companies index to the cash outflows the corresponding inflation, and to update the provision for maintenance and significant replacements, an annual rate free of risk is applied considering the current market conditions and the specific risk of the corresponding liability.

- **Traffic projections for concessions:** To estimate the concession term by MDI (Mecanismo de Distribución de Ingresos, –Revenue Distribution Mechanism–) for concessions Ruta del Maipo Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., and Ruta de la Araucanía Sociedad Concesionaria S.A., all Chilean concessionaires, traffic studies are performed by an independent entity based on GDP projections and local variables according to the concession.

- **Employee benefits:** the cost of defined benefit pension plans and other post-employment medical benefits and the present value of pension obligations are determined by using actuarial valuations. These estimates include analyzing several hypotheses which could be defer from future real events, such as determining the discount rate, as well as future salary increases, mortality rates, and pension increases. The calculation of the defined benefit obligation is highly sensitive to changes in these assumptions due to the complexity of the valuation, the underlying assumptions, and its long-term nature. All hypotheses are reviewed at each closing date.

Mortality rate is based on the specific country's public mortality rates. The future wage and pension increase is based on expected future inflation rates for each country. (See Note 18).

2.6 Functional currency and presentation currency

The items included in the Consolidated Financial Statements are expressed in Colombian pesos since it is the main operational currency used by the parent company, and consequently, Colombian pesos is the functional and presentation currency.

2.7 Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are redeemed. At the end of year for monetary assets and liabilities in foreign currency, gains and losses from exchange differences arising from payment of such transactions are recognized in the statement of comprehensive income, as well as the conversion to exchange rates.

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Gains obtained from exchange rates related to monetary items are presented in the statement of comprehensive income under the "financial income" item. In addition, losses are presented in the statement of comprehensive income under the "financial expenses" item.

Rates used

Transactions and balances in foreign currencies are translated at current exchange rates certified by the Banco de la República in Colombia or official banks from the countries where the Group executes transactions.

Exchange rates used for the preparation of Consolidated Financial Statements as of December 31, 2017 and 2016, expressed in Colombian pesos, were as follows:

Average rate: for translation of comprehensive income statement balances:

CURRENCY	2017	2016
COP / USD	2.951,15	3.053,42
COP / BRL	924,56	876,58
COP/ CLP	4,55	4,51
BRL / USD	3,19	3,48
CLP / USD	649,18	676,67

Closure rate: for translation of statement of financial position balances:

CURRENCY	2017	2016
COP / USD	2.984,00	3.000,71
COP / BRL	902,06	920,72
COP/ CLP	4,85	4,48
BRL / USD	3,31	3,26
CLP / USD	614,75	669,47

2.8 Classification of balances as current and non-current

In the statement of financial position, balances could be classified according to their maturities, i.e., current are those with maturities equal to or below twelve months, except provisions for post-employment obligations and the like, and as non-current for maturities exceeding such period.

3. MAIN ACCOUNTING POLICIES

The main policies and accounting practices applied for the preparation of the accompanying financial statements are as follows:

3.1 Business combination and surplus value

A business combination should be accounted by using the acquisition method. The consideration for each acquisition is measured at fair value, which is calculated as the sum of the fair value on the acquisition date of assets transferred, minority interests in the acquisition, liabilities generated or accepted, and equity instruments issued by the Group, in exchange for the control acquired. Costs related to acquisition are recognized in income when incurred.

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Identifiable acquire assets and liabilities assumed are recognized at fair value at the acquisition date, except that:

- Deferred tax assets and liabilities, and liabilities or assets related to the benefit agreements to employees, are recognized and measured according to IAS 12 Income Tax and IAS 19 Benefits to Employees, respectively;

- Liabilities or equity instruments related to payment agreements based on shares from the acquired company or payment arrangements based on Group shares, made in replacement of agreements with payment based on shares from the acquired company, are measured in accordance with IFRS 2 Share-based Payments at the acquisition date; and

- Assets or asset groups for disposal, classified as held assets for their sale in accordance with IFRS 5 Non-Current Assets held for sale and discontinued operations, are measured according to such standard.

If the initial accounting of a business combination is just temporary at the end of the period when the combination was made, since fair values to distribute to assets, liabilities and identifiable contingent liabilities of the acquired company or the combination cost can only be determined temporarily, then the combination will be estimated by using these values temporarily, which will be adjusted when fair values of assets and liabilities are objectively defined until a 12 month period after the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and it is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against surplus value. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent registration of changes in the fair value of the contingent consideration which do not qualify as measurement period adjustments depends on how the contingent consideration is classified. The contingent consideration classified as equity, which is not measured again on the subsequent reporting date and its subsequent cancellation, is not registered within the equity. Contingent consideration classified as asset or liability is measured again on its reporting date according to IAS 39, or IAS 37, when appropriate, in which the corresponding profit or loss is recognized in the income.

In cases of business combinations carried out in stages, the equity of the Group in the acquired company is re-measured at fair value at the acquisition date (i.e., the date on which the Group obtained control) and the resulting profit or loss, if any, is recognized in income. Amounts resulting from the acquired company's equity at the acquisition date, previously recognized in other comprehensive results, provided that such treatment was adequate in the event of selling such equity.

See business combination presented in 2017 in Note 2.1.1.

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3.1.1 Surplus value

When the Group acquires control of a business, goodwill is recorded for the difference between the consideration transferred and the fair value of identifiable assets, liabilities assumed and any non-controlling interest in the business obtained.

Goodwill is not amortized and is subject to annual impairment tests or whenever there are indications that its value has been impaired. Losses for impairment applied to surplus value are recorded in income for the period and its effect is not reversed.

If the net amounts of identifiable assets acquired and assumed liabilities, exceed the amount of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the interest previously held by the acquiring company in the acquired assets, then said excess or negative surplus value is recognized directly in income for the period as profit from the purchase.

3.2 Inventories

Inventories are recorded at cost or net realizable value, the lower value of either.

For ISA' companies, inventories correspond to materials used in internal maintenance and holding activities of operating assets. They are initially recognized by the acquisition cost, which includes all costs incurred in the purchase. Consumption of inventories is defined based on the weighted average cost method.

Inventories are annually tested for impairment or lost value, based on a specific analysis made by Management. If impairment takes place, it is recognized in profit or loss of the period.

3.3 Property, plant, and equipment

Property, plant, and equipment are valued at acquisition cost –historical cost– or construction cost, less depreciation and accumulated impairment losses, if any. In addition to the price paid by the acquisition of each element, the cost also includes the following concepts:

- Import tariffs and non-recoverable indirect taxes imposed on the acquisition, after deducting trade discounts or rebates.
- All costs directly related to the placing of the asset and the necessary conditions for its operation in the manner intended by Management.
- Loan cost directly attributable to the acquisition of a qualifying asset.
- The initial estimate of dismantling costs or withdrawing, as well as the rehabilitation of the place on which it is based, when obligations incurred by the Group, because of using such item during a certain period.

Expenditures for maintenance, preservation and repair of these assets are recorded directly at income as an expense in the period incurred.

Additions and costs of expansion, modernization or improvements are capitalized as higher value of the relevant property, provided they increase their useful life, expand their production capacity and operational efficiency, improve the quality of services, or allow significant reduction costs.

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An item from property, plant and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an asset is determined as the difference between net sales proceeds, if any, and the carrying value of the asset. This effect is recognized at the income.

Safety and environment assets

Certain items from property, plant and equipment may be acquired for safety or environmental purposes. Although the acquisition of this type of properties, plant and equipment does not increase the economic benefits provided by the existing property, plant, and equipment, it may be necessary for the companies to obtain the economic benefits derived from the rest of assets. Security assets are depreciated on a straight-line basis over their estimated useful life.

Assets under construction and assembly

Assets used during construction for management, production, supply, or non-defined purposes, are recorded at cost, less any recognized impairment loss. Such assets are classified in the appropriate categories of property, plant, and equipment when they are ready for their intended use, from which time depreciation of these assets begins i.e., when they are in the location and under the required conditions for operating as intended.

Loan costs

Loan costs directly attributed to the acquisition, construction, or production of qualifying assets, which are assets that require a substantial period of time for use before being ready for their use, are added to the cost of those assets until such time as they are ready for use. In general, for ISA, a substantial period will be considered, and it would be appropriate to capitalize the interest costs if the construction of an asset lasts for six (6) months or more. However, in case of periods shorter than such necessary for the construction of a qualifying asset, ISA's management will financially support the generation of future profits.

Specific loans are those entered into with the specific purpose of obtaining a suitable asset, and consequently, costs due to real loans entered into, could be directly capitalized, deducting financial yields obtained because of the temporary investment in funds as long as the activities to prepare the asset for its use are being conducted. Determining whether loans are specific or not, requires an assessment of the circumstances and evidence or internal documentation supporting this purpose.

The capitalization rate is based on generic loan costs, divided by the weighted average of the loans received by the Group, which have been outstanding during the accounting period, excluding loans considered specific.

All other loan costs are recognized at income during the period they are generated.

Useful life estimation

Every year, the companies review the residual value, the depreciation method and the remaining life of the assets and its elements, for which a methodology was set, based on the rate of impairment of each asset associated with an instantaneous rate of failure, which in turn is associated with its effective age. Aging rate is calculated based on the effective life to estimate life expectancy and remaining

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life based on international survival curve rates. This methodology has enabled obtaining more reliable values to estimate the remaining life of assets, useful input for assets renewal plan and basis of valuation thereof.

Lands are not depreciated as they have an indefinite useful life. Depreciation of other elements from property, plant and equipment is calculated using the straight-line method on the cost, based on estimated useful life of assets.

➔ Residual value

It is the estimated amount that would be obtained by asset disposal after deducting estimated costs for such disposal, if such asset would have already reached its disposal age and other conditions expected at the end of its useful life.

➔ Components of assets

A component of a fixed asset is an item that can be seen as part of other asset, but due to its own characteristics, the role it plays, and the type of strategies or activities followed during its technical life of service, it may be classified as a separate asset.

Each element of properties, plant and equipment shall be identified and separated from other assets to depreciate their useful life and make its treatment and accounting control easier. Important spare parts and permanent maintenance equipment that the company is expected to use for more than one accounting period, normally comply with specifications to be labelled as property, plant, and equipment. Similarly, if spare parts and assisting equipment of a fixed asset, could only be used for such asset, they will be registered as property, plant, and equipment.

3.4 Non-financial assets

It includes anticipated paid expenses, Information, Telecommunication and Technology services and other assets, which are amortized through the straight-line depreciation method during the periods on which economic benefits are expected. Prepaid expenses mainly include money transactions such as pay of insurances, among others, and they could be also amortized pursuant to the validity of the corresponding policies.

3.5 Intangibles

An intangible asset is recognized as such when the condition of being identifiable and separable are met, the Group has the ability to control the future economic benefits associated with it and the item will generate future economic benefits.

Intangible assets are initially recognized at their production or acquisition cost, and then they are valued at their corresponding accumulated amortization net cost and from the impairment losses such assets have had, if any.

An intangible asset is derecognized upon its disposal or, when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset, measured as the difference between net revenues from the sale and the carrying amount of the asset, is recognized in the income when the asset is derecognized.

Residual values, useful lives and amortization methods are reviewed at each annual period and are applied prospectively if necessary.

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Easements

Easements are rights obtained for the use of a strip of land for the installation of a transmission line. It involves restrictions by the owner on land use and authorizations to the line owner for construction, operation, and maintenance operations.

Such intangibles are permanent rights with an indefinite term for use; although transmission lines related to these easements do have limited life. The Group has the possibility to either replace transmission lines when their useful life ends or use the right of easements acquired for any other service related to energy and telecommunications transmission, which are described in the purposes of creation of the easements. Easements have indefinite useful life and are not amortized but are tested for impairment on an annual basis.

Software and licenses

Software is amortized by the straight-line depreciation method for a maximum period of three years. Licenses are amortized by the straight-line depreciation method for the periods for which it is expected to receive benefits, according to feasibility studies for their recovery.

Research and development costs

Research costs are recognized as expenses as they are incurred. Disbursements for development in a project are recognized as intangible assets when the Group is able to prove that:

- The technical feasibility to complete the intangible assets for becoming available for use or sale.
- Its purpose is to complete the asset and its ability to use or sale the asset.
- The ability to use or sale the intangible asset.
- How the asset will generate economic benefits in the future.
- The availability of resources to complete the asset.
- The ability to measure in a reliable manner the disbursement during development.

3.6 Concessions

IFRIC 12 –Service concession Arrangements– for those public service concession arrangements where grantor controls or regulates:

- The services to be provided by the concessionaire by using the infrastructure, to whom the services are provided and at what price; and
- Through ownership, the right of usufruct or, otherwise, any residual interest on infrastructure, when the concession agreement expires.

IFRIC 12 is also applied to infrastructures:

- Built or acquired by the operator to third parties;
- Already existing infrastructures, to which the operator has access to use them.

This interpretation establishes the generic principles of recognition and measurement of rights and obligations under the concession agreements and defines the following models:

Financial asset model: When the operator has an unconditional and contractual right to receive cash or other financial asset from the grantor for the specific

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amounts for the service and the grantor has little or no power to avoid paying under the agreement.

The recognized financial asset is classified in the category of loans and receivables under IFRS 9 and presented in the statement of financial position in current and non-current debtors. This asset bears interest using the method of effective interest rate. (See Note 22).

Intangible asset model: When the operator receives from the grantor the right to charge a fee based on the use of infrastructure, the operator will recognize an intangible asset to the extent that the operator receives a right –a license– to charge utility users. The right to charge is not an unconditional right to receive cash because the amounts are conditioned by the level of public use of the utility.

The intangible asset generated by the concession agreements is amortized by the straight-line depreciation during validity terms of such contract. The amortization expense of intangible assets with limited useful lives is recognized at the comprehensive income statement in the category, guaranteeing coherence with the function of such intangible assets.

Mixed Model: When the agreement simultaneously includes commitments of guaranteed remuneration by the grantor and remuneration commitments depending on the level of use of the concession infrastructure.

Expansions of infrastructure are registered as additions to the intangible asset because the generation of economic benefits in the future for ISA and its companies is expected.

Replacements and significant maintenance that the Group must perform to the energy transmission system infrastructure to keep standards of quality and reliability of service, required in the concession agreement, which do not generate future economic flows for the Group, are accounted as part of the provision for significant replacements and maintenance.

The costs of renewals, improvements and additions are capitalized, while routine maintenance and repairs that do not extend the useful life of goods are recognized in the income of the periods to which the correspond.

In general, at ISA's companies holding concessions for the delivery of utilities, it is understood that the construction of infrastructure made by the operator is a service provided to the grantor, other than operation and maintenance service, and as such it is remunerated by the same.

In accordance with the contents, and following IFRIC 12, income related to construction remuneration as well as the costs and expenses incurred and hired with suppliers for construction are accrued in income of the period; the difference between revenues and cost associated to construction corresponds to the construction margin that in certain ISA group concessions was negotiated in terms of operation.

ISA group periodically tests for impairment those assets related to the concession, or earlier, in case that the events or circumstances indicate that the carrying value exceeds the recoverable value of the assets under concession. If there is any difference, this is immediately recognized in the income statement of the period.

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The Cash Generating Units defined for this treatment are directly associated with each concession agreement with their corresponding extensions, if any, that is, the assets assigned to the concession, belong to the same cash generating unit.

3.7 Impairment of asset value

→ Non-financial assets

An asset value is impaired when its carrying amount exceeds its recoverable amount, and consequently at the end of each period reported, or earlier if there is any indication of impairment, the Company Group evaluates the recoverable amount and compares it with the carrying amount, including tangible assets of undefined useful life, to determine whether there is an indication that those assets have suffered any impairment loss.

The recoverable amount of an asset or of a Cash Generating Unit is the greater between its fair value minus disposal costs and its value in use. Under these conditions, whenever the fair value or recoverable amount is lower than the carrying value of assets, ISA and its companies must record the impairment.

The impairment loss is recognized as a lower cost of the asset or asset component that generated it and as an expense of the period in which it was determined.

The recovery of impairment losses on assets cannot exceed the carrying amount that would have been determined, net of depreciation, if the impairment loss for the same asset had not been recognized in previous periods.

→ Financial assets

When estimating the provision for doubtful collection, the Group Management regularly evaluates the market conditions, for which it analyzes the ageing of portfolio in accordance with the classification of risks for business operations and overall portfolio. According to the analysis made by Management, it is considered that an account receivable is impaired when collection, results impossible due to the insolvency of debtors and guarantors, lack of collateral of guarantors, or by reason of any cause considering them as losses in accordance with sound business practices.

When account receivables have a high risk of loss without having been provisioned, provided there is objective and express evidence that the flows are not recoverable under the initial terms of the transaction or business, an impairment loss of clients is recognized charged to the statement of comprehensive income, under provision for doubtful recovery clients.

Financial assets measured at amortized costs are assessed on the date of each statement of financial position and the loss due to impairment is determined as the difference between the carrying amount of the asset and the present value of future estimated cash flows, discounted at the original effective interest rate of the financial asset.

Investments in associates and joint ventures are assessed at the date of each statement of financial position to determine the presence of impairment indicators, through the cash flow methodology.

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3.8 Leases

Leases are classified as operating and finance lease. Leases that transfer all risks and rewards incidental to ownership of the asset are classified as finance leases, otherwise, they are classified as operating leases.

3.8.1 Finance leases

➔ When a Group company is the lessee

When ISA and its companies are the lessees of a property in finance lease, the cost of leased assets is disclosed in the separate statement of financial position, depending on the nature of the asset under lease and, simultaneously, a liability is recorded in the separate statement of financial position for the same value; which is the lower value between the fair value of the leased property or the present value of minimum lease payments payable to lessor plus, if applicable, the exercise of the purchase option.

These assets are amortized using the same criteria applied to the items of property, plant, and equipment for own use. Lease payments are divided between interest and decrease in debt. Financial expenses are recognized in the income statement.

➔ When a Group company is the lessor

When ISA and its companies are the lessor of an asset under finance lease, assets are not presented as property, plant and equipment since the associated risks have been transferred to the lessee and in exchange a financial asset is recognized at the present value of the minimum lease payments received from the lease and any unwarranted residual value.

3.8.2 Operating lease

Leases in which the ownership of the leased asset and all substantial risks and rewards of the asset remain with the lessor.

Payments for operating leases are recognized as expenses –or revenues– in the income statement linearly over the lease term. Contingent payments are recognized in the period in which they occur.

➔ When a Group company is the lessee

When ISA and its companies make advance lease, payments related to the use of property, these payments are recorded as prepaid expenses and amortized over the term of the lease.

➔ When a Group company is the lessor

When ISA and its companies are the lessor, they continue recognizing the asset at the separate financial position statement and applying the procedures established within the policy of properties, plant, and equipment to properly manage accounting. The carrying amount includes the initial direct costs during the negotiation and contracting stage of the operating lease. These costs are deferred in the lease term on the same basis as lease revenues.

Revenues coming from the lease are recognized during the lease term, pursuant to a systematic allocation basis which properly shows the temporal pattern of the benefits from the use of the leased asset. Costs generated during the obtaining of revenues due to lease, including property depreciation, will be recognized as expenses.

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3.9 Financial instruments

Financial assets and liabilities are recognized when the entity becomes a part of the contractual provisions of the instrument.

3.9.1 Financial assets

Their classification depends on the business model used to manage the financial assets and the characteristics of contractual cash flows of the financial asset; this classification is determined at the time of initial recognition.

➔ Financial assets at fair value with changes in income

They are incurred mainly for managing liquidity with frequent instrument sales. These instruments are measured at fair value and variations in their value are registered in income when generated.

➔ Accounts receivable and others

Accounts receivable and others are valued at amortized cost and correspond to non-derivative assets, with known payments and fixed maturities, under which Management has the intent and ability to collect the contractual cash flows of the instrument.

Amortized cost is calculated by adding or deducting any premium or discount over the remaining life of the instrument and using the effective interest method. Gains and losses are recognized in the income statement if there were objective evidence of impairment, or when assets are recognized through amortization.

Account receivables are financial assets issued or acquired by the holding in exchange of cash, goods or services handed over a debtor. Accounts receivable due to sales are recognized by the original invoice value, net of losses due to accumulated impairment and when all risks and benefits are transferred to the third party.

➔ Financial assets at fair value with changes in other comprehensive income

They correspond to investments in variable income not held for trading or not corresponding to a contingent consideration from an acquirer in a business combination. For these investments, ISA and its companies may choose at initial recognition and irrevocably, to disclose gains or losses on subsequent measurement at fair value in other comprehensive income.

These instruments are measured at fair value. Gains and losses arising from the new measurement at fair value are recognized at the other comprehensive income up to the derecognition at the asset accounts. In these cases, gains and losses that were previously recognized in equity are reclassified to retained earnings.

➔ Cash and cash equivalent

Cash and cash equivalents in the statement of financial position of the Group, include all cash balances and cash held in banks. For purposes of preparing the cash flow statement and for its liquidity, temporal investments with original maturity less than 90 days are considered cash equivalents. These accounts are not subject to a significant risk of changes in their value.

Bank overdrafts payable on demand and that are an integral part of cash management of ISA and its companies are included as an element of cash and cash equivalents for purposes of the cash flow statement. And for the statement of financial position, the financial accounts disclosing overdrafts are classified as financial obligations.

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Restricted cash is a money resource which is independently classified to use it for specific purposes and previously established, such as: debt payment, acquisition of capital equipment, or to be used under emergencies and/or unforeseen losses. Therefore, it has certain limitation for its availability, which could be legal or contractual, and it cannot be freely used to cover current financial commitments, as a result of the company normal activities.

➔ Derecognition of financial assets

A financial asset or a portion thereof, is derecognized when sold, transferred, expired, or its control is lost over the contractual rights or cash flows of the instrument. When all the risks and benefits of the property are retained by ISA, the financial asset is still recognized in the financial position for its total value.

3.9.2 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable transaction costs, except in the case of loans which are initially recognized at fair value of cash received less directly attributable transaction costs.

ISA and its companies establish the classification of their financial liabilities at their initial recognition, which include: financial liabilities at fair value with changes in income or at amortized cost.

➔ Financial liabilities at fair value with changes in income

They include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value with changes in the income statement.

➔ Financial liabilities at amortized cost

They include borrowings received and bonds issued, which are initially recognized at the amount of cash received, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate, recognizing interest expenses based on the effective yield.

➔ Derecognition of financial liability

The Group will derecognize a financial liability if, and only if, it expires, is canceled or the obligations originating it have been met. The difference between the financial liability carrying amount and the consideration paid is recognized in the income.

3.9.3 Derivative financial instruments and hedging operations

Derivative financial instruments are initially recorded at fair value at the date of the transaction and on subsequent measurements. The recognition of gains or losses arising from their fair value variations depends on the designation made of the derivative financial instruments.

ISA and its companies designates certain financial instruments, which include derivatives, embedded derivatives, and non-derivatives with respect to foreign currency risk as a fair value hedge, or cash flow hedge.

At the inception of the hedge, the holding documents the hedging ratio and the objective and risk management strategy of the Company for undertaking the hedge; such documentation will include how the Company will measure the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or to changes in cash flows attributable to the hedged risk.

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Fair value hedging

Changes in fair value of derivatives designated and qualified as fair value hedges are recognized immediately in income, along with any changes in fair value of the hedged asset or liability attributable to the hedged risk. The change in the hedged item attributable to the hedged risk is recognized in gains or losses in the item related to the hedged item.

The Company interrupts the hedge accounting when: the hedging relation is revoked, the hedging instrument expires or is sold, finalized, or exercised, or the criteria for hedging accounting is no longer complied.

Any adjustment to the carrying amount of a hedged financial instrument is amortized to income for the period.

Cash flow hedging

Changes in the fair value of derivatives established as an effective cash flow hedge will be recognized in other comprehensive income and will be accumulated under the heading of cash flow hedge reserve. The ineffective part of gains or losses of the hedge instrument will be immediately acknowledged in the period income, at “other gains or losses" line.

Amounts previously recognized in other comprehensive income and accumulated in equity, are reclassified at the period income in which the hedged item, in the same line of the comprehensive income statement of the hedged item recognized. However, if the hedge of a forecast transaction would generate the recognition of a non-financial asset or non-financial liability, losses or gains previously accumulated in the equity are transferred and directly included in the initial cost or other item of the non-financial asset or liability.

The hedge accounting will be interrupted when the Company revokes the hedge relation, when the hedge instrument expires, or is sold, resolved, or exercised or the hedge no longer meets the requirements established for hedge accounting. The gain or loss that has been recognized in other comprehensive income and accumulated in equity will continue in equity and is recognized when the transaction is recognized in the income. When it is no longer expected that the forecast transaction occurs, any cumulative gain or loss in equity is immediately reclassified in gains or losses.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are accounted for, similarly to cash flow hedges. Any gain or loss on the hedging instrument determined to be an effective hedge is recognized in other comprehensive income and accumulated in the foreign operation translation reserve. Gains or losses related to the ineffective portion will be recognized in the income and included in “other gains and losses" line.

Gains and losses on hedging instruments related to the effective portion of the hedge accumulated in the foreign operation translation reserve are reclassified to income at the time of disposal of the business abroad.

3.9.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the financial statements, only if, there is a legally enforceable right to the closing date requiring to receive or

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cancel the amounts recognized for their net amount, and when there is an intention to offset on a net basis to realize the assets and settle the liabilities simultaneously.

3.10 Fair value measurement

The fair value of an asset or liability is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the primary market, i.e., the market with higher volume and level of activity for the asset or liability. In the absence of a main market, it is assumed that the transaction takes place in the most advantageous market the company has access to, this means, the market which maximizes the amount to be received to sell the asset or minimizes the amount to be paid to transfer the liability.

To determine the fair value, the Company uses valuation techniques that are appropriate to the circumstances and on which there are sufficient data for measuring, maximizing the usage of relevant observable input data and minimizing the usage of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified in the following levels:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: valuation techniques for which, the data and variables having a significant effect on the determination of fair value recorded are observable, either directly or indirectly.
- Level III: internal valuation techniques, using company estimated variables not observable by the Group for the asset or liability (there is no observable information in the market).

When measuring the fair value, the Company considers the characteristics of the asset or liability, in particular:

- For non-financial assets, measurement of fair value considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to other market's participant that would use the asset in its highest and best use.

- For liabilities and own equity instruments, the fair value assumes that the liability will not be settled, and the equity instrument will not be canceled, nor otherwise will be extinguished on the measurement date. The fair value of the liability reflects the effect of default risk, i.e. the risk that a company does not fulfill an obligation, which includes but is not limited to own credit risk of the Company.

- In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the counterpart, it is allowed to measure the fair value on a net basis, consistently with how market participants would price net risk exposure at the measurement date.

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3.11 Operations from the Wholesale Energy Market

During the management of the Electricity Trading System (Administración del Sistema de Intercambios Comerciales de Energía Eléctrica) –AIS– in the wholesale market and acting as agent with representation of the participants in the Colombian electricity market, ISA group through its affiliate XM S.A. E.S.P., collects on behalf of third parties the money related to transactions performed by the principals in that market and distributes them to the beneficiary agents.

Due to its special operation, XM S.A. E.S.P., defined the following accounting criteria for the recognition of regulated revenues:

- Revenues from operating cost: revenues from operating costs are recorded at the time of service.

- Revenues from investment cost: the methodology for recognition of regulated revenues of XM S.A. E.S.P., provides the approval of investment revenues, which is subject to meeting the five-year investment program. The total revenue received and corresponding to the remuneration from investments and projects is treated as a deferred revenue at the moment billed. This deferred revenue is amortized according to expenses related to depreciation, amortization and studies and period projects, in the proportion resulting from dividing the deferred revenue by the investment on the fixed and intangible assets (net) of the statement of financial position from former period. The value of investments not executed are transferred to the following year, this means, they are decreased at the amount billed in the following period.

- Remuneration of shareholders' equity: this revenue is recognized at the time the regulated service is provided.

- Remuneration of the adjustment to the maximum regulated revenues: total revenues received for this concept is recognized as a deferred revenue, which is amortized in the proportion in which additional approved expenses are executed. The adjustment value of the maximum regulated revenue not executed and linked to the implementation of new resolutions and legal defense expenses, is transferred to the next year, this means, the amount billed is reduced in the next period.

3.12 Provisions

They comprise provisions which are recognized when the Company has a present obligation –be it legal or implicit– as the result of a passed event, it is then probable that a resource outflow is needed to settle such obligation, and a reliable estimate can be made regarding the obligation amount.

The amount recognized as provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period, considering the risks and associated uncertainties. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount represents the present value of the cash flow –when the effect of the value of money over time is material–.

Certain contingent conditions may exist at the date of issuance of the statement of financial position. They may result in a loss for ISA and its companies, and

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will only be resolved in the future, when one or more events occur or may occur; such contingencies are estimated by the management of the Group and its legal counsels. The loss contingencies estimate necessarily involves an exercise of judgement and it is a matter of opinion.

If the assessment of a contingency indicates that it is probable that a material loss will occur, and the amount of the liability can be estimated, then it is recorded in the statement of financial position. In addition, if the assessment indicates that a potential loss is not probable, and the amount is known, or is probable but the amount of the loss cannot be estimated, then the nature of the contingency is disclosed in a note to the statement of financial position, with an estimate of the potential range of loss. Remote loss contingencies are not disclosed.

3.13 Income tax

The expense for income tax from the period comprises current and deferred income tax. Taxable assets and liabilities are measured at the amount expected to be recovered or paid to tax authorities. The expense for income tax is recognized in income, except in the case related to items recognized directly in equity, in which case it is recognized in equity.

3.13.1 Current tax

The current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the profit reported at the income statement, due to the items of income or expenses taxable or deductible in other years and items which are never taxable or deductible. The current tax liability is calculated using tax rates in force at the end of the period.

The Group Management periodically evaluates positions taken in tax returns with respect to situations in which tax laws are subject to interpretation. ISA and its companies, when appropriate, establish provisions on the amounts they expect to pay to tax authorities.

3.13.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the statement of financial position and the corresponding tax basis used for determining taxable income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities by current tax and are related to income taxes applied by the same tax authority on the same taxable Company.

Deferred tax assets are recognized by all deductible temporary differences, including tax losses, to the extent that it is likely to be taxable income against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable income available to allow the use of all or part of the deferred tax asset. The deferred tax, related to items registered directly in equity, is recognized in equity and not in the statement of comprehensive income.

3.14 Employee benefits

Employee benefits include all compensation to employees and former employees

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related to the provision of services to the entity. These are wages, short and long-term benefits, termination benefits and post-employment benefits.

3.14.1 Current benefits

Obligations from current employee benefits are recognized as expenses as the related service is provided. Employment obligations are adjusted at the end of each period, based on laws and labor agreements in force.

This benefit is recognized when a current legal or implicit obligation should be paid, as a result of a service provided by the employee in the past and at the time the obligation can be estimated with reliability. The obligation is recognized by the amount expected to be paid within the next year after the cut-off.

3.14.2 Non-current benefits

Some companies of the Group provide their employees with benefits associated with their time of service, such as seniority premium and five-year period payments (quinquennium).

The fair value of any related asset is deducted from the present value of the obligation by benefits defined when establishing deficit or surplus. The calculation is annually performed by certified independent actuaries, using the projected unit credit method to make a reliable estimate of the final cost for ISA and its companies. Any actuarial gain or loss is recognized in income in the period concerned.

3.14.3 Post-employment benefits

➔ Defined contribution plans

The defined contribution plan is a post-employment benefit in which the Group pays fixed contributions to a pension fund, and which has no legal obligation to pay additional amounts. The obligations for payment of contributions to defined benefit pension plans are recognized as an expense for employment benefits into income in the periods in which services are rendered by employees.

➔ Defined benefit plan

In the case of defined benefit plans, the obligation and the cost of such benefits is determined by using the projected unit credit method with independent actuarial valuations on an annual basis.

The liability recognized in the statement of financial position regarding defined benefit pension plans is the present value of the obligation set at the date of the statement of financial position, less the fair value of the plan assets. The present value of the defined benefit obligation is determined by discounting the estimated cash outflow, using interest rates calculated from the yield curve of Colombian Government bonds –TES B curve–, denominated in Actual Value Units (Unidades de Valor Real) –UVR– with periods near to the terms of pension obligation until maturity.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions, are charged or credited in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless changes in the pension plan are conditional on the employee to continue in service for a specific period of time –a period granting the right–. In this case, the past service costs are

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amortized using the straight-line method during the period that grants the right.

➔ Other post-employment obligations

Some ISA companies grant their retired pension employees, benefits such as complementary health plan, health assistance, education assistance, and calamity loan, after the employment relation. The right to access these benefits depends on the conditions defined in individual and collective contracts.

The obligation and the cost of such benefits are determined through a projected unit credit methodology. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise. Qualified independent actuaries annually value these obligations.

➔ Plan assets

Plan assets correspond to the set of assets used by the Group, in virtue of the legal provisions in effect or by own initiative to comply with pension obligations. These resources are recognized following the same policies that would apply if they were classified in the other kind of assets, and their restatement is recognized in the income of the period. This minimum reserve amounts should correspond to the pension liability supported by the actuarial estimate.

3.14.4 Termination benefits

These benefits are established by using the Projected Unit Credit (PUC), with actuarial valuations held at the end of each annual period during the report. The new measurement, which includes actuarial gains and losses, is immediately reflected in the statement of financial position, with a charge or credit recognized in other comprehensive income during the period.

3.15 Onerous contracts

Present obligations arising from an onerous contract are recognized as a provision when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under the same. To date of the statement of financial position, ISA and its companies have no provisions for onerous contracts.

3.16 Recognition of revenues, costs, and expenses

Revenues, costs, and expenses are recorded based on the principle of accrual.

3.16.1 Revenues

Revenues are calculated at fair value of the consideration received or receivable, considering the estimated amount of any discount, bonus, or commercial rebate that the entity may grant. Revenues from the rendering of services are recognized during the contract period or when services are provided.

The following criteria apply for the recognition of revenues:

➔ Revenues from energy transmission services and other associated services

Colombian companies –ISA, ISA INTERCOLOMBIA, ISA TRANSELCA and XM S.A. E.S.P., –providers of the energy transmission and other related services–, are regulated by the Gas and Energy Regulatory Commission (Comisión de Regulación de Energía y Gas) –CREG–. Revenues by operating costs are recorded at the time of the service.

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Revenues from concession agreements

Revenues from concession applicable to companies in Brazil, Bolivia, Chile, and Peru are measured by the fair value of the consideration received or receivable, considering the contractually defined conditions of payment. The following specific criteria must be met to recognize revenue in accordance with the application of IFRIC 12:

Construction services

Revenues and costs for construction services of projects are recognized in the comprehensive income statement, according to the method of percentage of completion of projects at the date of statement of financial position. Some Group companies do not recognize any profit margin in the provision of these services because these are provided, managed, and/or monitored by a related company which recognizes such margin in its financial statements. In Brazil, it was determined that the fair value of construction assets considers a sufficient margin to cover costs and expenses incurred in the construction stage.

Operations and maintenance services

Revenues from operation and maintenance service to third-party facilities are recognized as service is delivered.

Financial returns of concessions recorded as financial asset

The companies that recognized their concessions as financial assets according to IFRIC 12, recognize interests of the account receivable credited to the income, by using the effective interest rate method.

Revenues from construction contracts

When the outcome of a construction contract can be estimated reliably, the revenues from ordinary activities and their associated costs should be recognized based on the progress of the work at the end of the reporting period. The measurement is performed based on the ratio represented by contract costs incurred for work made at that time regarding the total estimated contract costs, except that such ratio is not representative of the completion status. Variations in contract works, claims and incentive payments are included to the extend their amount can be measured reliably and their reception is considered probable.

When the outcome of a construction contract cannot be estimated reliably, the revenues from ordinary activities should be recognized only to the extent that it is probable recovering costs incurred in virtue of the contract. Contract costs should be recognized as expenses for the period in which they are incurred. Also, if total contract costs will exceed total revenues, the expected loss is recognized as an expense, immediately.

For contracts where billings based on work progress exceeds the contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as amounts owed to customers for the work contract. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as an advance payment received. Amounts billed due to the work performed but not paid yet by the customer, are included in the statement of financial position in commercial accounts receivable and other accounts receivable.

Earnings from dividends and interest

Earnings from dividends are recognized once shareholders' rights to receive the payment have been established –provided that the economic benefits will flow to the company and ordinary revenues can be measured reliably–.

Earnings from interest are recognized when it is probable that ISA and its companies will receive economic benefits associated with the transaction. Earnings from interest are recorded on a time basis, by reference to the outstanding principal and the effective interest rate applicable, which is the discount rate that exactly matches the cash flow receivable or payable estimated throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

3.16.2 Government grants

Government grants are only recognized when there is reasonable assurance that the entity meets the conditions attached to the grant and the grant will be received.

Other government grants must be recognized as gain or loss on a systematic basis over the periods necessary to match them with the related costs. Government grants whose primary condition is that the Group purchases, constructs or otherwise acquires non-current assets are recognized as deferred revenues in the consolidated statement of financial position and transferred to income on a systematic and rational basis over the useful life of related assets.

In the case of Chilean concessionaire companies –Ruta del Bosque Sociedad Concesionaria S.A., y Ruta de los Ríos Sociedad Concesionaria S.A.,–, the grant is recognized as a lower value of accounts receivable, given that concessions classify under the financial assets model. These Government grants include the following characteristics:

- One month after the fourth year of concession and provided that the Provisional Commissioning has been granted for the entire work under concession, the Ministry of Public Works of Chile –MOP– will pay to the concessionaire an annual amount expressed in UF and calculated on the bases described by them.

- If completed the fourth year of concession, Provisional Commissioning has not been granted for the entire work, such payment will be made one month after such approval, at the UF value on the last day of the month before payment date.

- In the remaining years, the payment will be made on the same date each year. For the last concession year, if less than 12 months are considered, grant payment will be according to the ratio of the months effectively operated.

The benefit of a government loan at an interest rate below the market is treated as a government grant, measured as the difference between the benefits received and the fair value of the loan based on the exchange rate in effect on the date.

3.17 Operation segments

The Group has defined the segment of linear infrastructure management, through which it has business lines: management of linear infrastructure

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investments, energy transmission, connection to grid and construction services. The Company's corporate strategy is defined by business and management and is performed per company.

Below are the Company's business lines:

- **Management of investments in linear infrastructure:** consists in the management of investments related to linear infrastructure in Energy Transmission, Information and Telecommunication Technologies, Road Concessions and Intelligent Management of Real-Time Systems.

- **Energy Transmission service:** consists in energy transmission through transmission systems and in the operation, maintenance, and expansion of transmission systems, either national or regional.

- **Connection to grid:** lines, substations and associated equipment that interconnect regions.

- **Construction service:** construction services for third party-owned projects.

3.18 Earnings per basic and diluted share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent company by the weighted average of common shares outstanding in the year, excluding common shares acquired by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the average number of common shares outstanding to simulate the conversion of all dilutive potential common shares. During the 2017 and 2016 periods, the Group did not perform any potential dilutive effect operations that entail diluted earnings per share other than the basic benefit per share.

3.19 Distribution of dividends

Distribution of dividends to shareholders is recognized as a liability in the financial position of the parent company, in the period in which the Shareholders' Meeting approves dividends, or when the corresponding obligation is in place according to the applicable legal provisions or policies established by the Shareholders' Meeting.

3.20 Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options, are shown in equity as a deduction from the amount received, net of taxes.

The repurchase of own equity instruments of the parent company is recognized and deducted directly in equity at acquisition cost and the difference with the nominal value is recognized as a higher or lower value of the premium for placement of shares. Own shares are repurchased, and their rights are suspended and, therefore, they do not participate in the distribution of dividends.

The parent company is listed on the Colombia Stock Exchange.

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3.21 Premium for placement of shares

Issue premium corresponds to the overpricing in the placement of shares, generated in capital increase operations.

3.22 Reclassifications

For the year ended on December 31, 2017, the Group did a reclassification in the presentation of its annual financial statements (including the comparative period) of the following items:

- The following reclassifications that affect Cash and Cash Equivalents (Note 4) and Financial Assets (Note 6) were made:
  - From current account balance in bank and corporations in Sistemas Inteligentes de Red S.A.S., from financial assets to cash and cash equivalents.
  - From cash and cash equivalents to financial assets, which corresponds to fixed income investments exceeding 90 days in: EVRECY, INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI, INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A., –IEMG– and INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A., –IEPINHEIROS–.
  - From current financial asset to non-current financial asset of the value impairment upon accounts receivable of Ruta del Maipo Sociedad Concesionaria S.A.

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Cash and cash equivalent	1.167.353	(20.592)	1.146.761
Current financial assets	3.807.400	20.960	3.828.360
Non-current financial assets	16.570.181	(368)	16.569.813

- From investment properties to ISA's plant and equipment properties (See Note 10).

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Property, plant, and equipment - net	7.753.111	8.724	7.761.835
Investment property	8.724	(8.724)	-

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- From assets for pension liability support in XM S.A. E.S.P., to employee benefits. See Notes 5 and 18.

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Restricted cash	68.311	(7.816)	60.495
Employee benefits	465.142	(7.816)	457.326

- In ISA, ISA INTERCOLOMBIA and ISA TRANSELCA, revenues and costs of 2016, items of income and costs, related to FAER, PRONE and FOES contribution funds, are reclassified. See Notes 21 and 23.

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Energy transmission services	8.983.152	(244.926)	8.738.226
Operating costs	2.902.062	244.926	2.657.136

The previous reclassification is carried out in compliance with the concept of January 04, 2018, from the Colombia's National General Accounting Office –CGN–, through which it issues a new directive about the recognition of FAER, PRONE and FOES contribution funds.

The CGN, establishes that contributions should not be recognized as a higher value of the cost for the rendering of a service, since they do not generate an increase in the entity's equity, given that their economic burden is transferred to the users of the service through the fee charged.

Fees charged to STN –National Transmission System– users through tariffs, linked to those contributions, will not be recognized by the company as revenues, since such resources do not generate increases in equity, but they correspond to resources, which pursuant to the current legal provisions, are collected and then transferred to the Ministry of Mines and Energy, as the administrator.

The Group believes the former classification allows a better understanding of the annual financial statements.

The change does not impact the annual period (and the comparative one), neither the cash flow in the activities of operation, investment, and financing.

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II. NOTES TO FINANCIAL INFORMATION

4. CASH AND CASH EQUIVALENT

The composition of the item as of December 31, 2017 and 2016 is as follows:

		2017	2016
CASH			
Cash and banks		603.163	304.299
Cash equivalent			
Fixed income investments	(1)	791.130	800.517
Other variable income investments	(2)	135.177	41.945
Total cash equivalent		**926.307**	**842.462**
Total cash and cash equivalent		**1.529.470**	**1.146.761**

- (1) They include term deposits and purchase transactions agreements with repurchase, both with a maturity of less than 90 days from the investment date.
- (2) Basically, they include deposits for easy-to-liquidate marketable securities, such as: INTERVIAL CHILE by COP67.482 (2016: COP11.661), Ruta del Maule Sociedad Concesionaria S.A., by COP34.067 (2016: COP14.466) and Ruta de los Ríos Sociedad Concesionaria S.A., by COP14.289 (2016: COP16.828).

4.1 Resource Management

XM S.A. E.S.P., as administrator of the Commercial Exchange System from Wholesale Energy Market and usage fee of the National Interconnected System, receives from paying agents the respective monies to be distributed to beneficiary agents. Therefore, these monies do not belong to XM S.A. E.S.P., since it is just an administrator, so that, as they are not own assets, they should not be included in the presentation of the statement of financial position.

Balance of assets and liabilities of third parties as of December 31, 2017 and 2016 are represented in:

		2017	2016
Assets			
Cash and cash equivalent	(1)	178.003	263.106
Total assets		**178.003**	**263.106**
Liabilities			
Collections in favor of agents		177.984	263.084
GMF Reserve	(2)	19	22
Total liabilities		**178.003**	**263.106**
Net		**-**	**-**

- (1) Balances in bank accounts. The use of these monies is restricted to stock transactions in accordance with the provisions of the current regulation.
- (2) This balance is due to an account payable to XM S.A. E.S.P., and established as provision in bank accounts to cover possible bank expenses and GMF for the first days of the following month.

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5. RESTRICTED CASH

The composition of the item as of December 31, 2017 and 2016 is as follows:

	2017	2016
Restricted cash	78.204	60.495

Restricted cash includes: COP16.901 (2016: COP20.298) by ISA for fiduciary orders constituted by resources for the execution of FAER's delegated administration projects, administration trusts, and payments made for UPME projects, as well as contributions for Conexión Jaguar project, COP14.722 (2016: COP0) of INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A., –IENNE–, related to guarantee granted to Banco del Nordeste, COP9.828 (2016: COP9.870) of ISA BOLIVIA, corresponding to reserve for financing contracts signed with Inter-American Development Bank –BID– and the Andean Development Corporation –CAF–, and COP6.977 (2016: COP0) of resources from the Investimento Referenciado DI Bandeirantes.

6. FINANCIAL ASSETS

The balance of this item as of December 31, 2017 and 2016 is composed by accounts receivable and other financial assets, as shown below:

		2017			2016		
	NOTE	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Accounts receivable	6.1	3.707.281	17.609.166	21.316.447	3.254.924	16.569.813	19.824.737
Other financial assets	6.2	695.690	-	695.690	573.436	-	573.436
Total non-financial assets		**4.402.971**	**17.609.166**	**22.012.137**	**3.828.360**	**16.569.813**	**20.398.173**

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6.1 Accounts receivable

		2017			2016		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Customers and concessions	(1)	3.553.306	16.168.486	19.721.792	3.018.001	15.251.398	18.269.399
Interests received		80	8	88	450	435	885
Loans to economic related parties		335	2	337	-	-	-
Loans to employees	(2)	13.536	27.315	40.851	11.444	36.072	47.516
Accounts receivable Law 4819	(3)	-	1.651.903	1.651.903	-	1.536.522	1.536.522
VAT accounts receivable –MOP–	(4)	74.780	-	74.780	103.281	4	103.285
Other debtors	(5)	140.091	229.144	369.235	178.242	223.117	401.359
Total accounts receivable		**3.782.128**	**18.076.858**	**21.858.986**	**3.311.418**	**17.047.548**	**20.358.966**
Less - Impairment	(6)	(74.847)	(467.692)	(542.539)	(56.494)	(477.735)	(534.229)
Total accounts receivable net		**3.707.281**	**17.609.166**	**21.316.447**	**3.254.924**	**16.569.813**	**19.824.737**

- (1) This item includes the following balances:
  - Financial asset for Road Concessions in Chile for COP7.370.651 (2016: COP7.226.961).
  - Financial asset for Energy Transmission in Brazil for COP3.342.973 (2016: COP10.539.106).
  - Management accounts of the Wholesale Energy Market, corresponding to 100% XM S.A. E.S.P., for COP13.191 (2016: COP11.743).
  - Account receivable of Basic Network of the Existing System –RBSE– of ISA CTEEP for COP8.508.306 (2016: COP9.465.587), whose variations respond to the following events:
    - ANEEL, by means of Document N° 1.484, recognized an adjustment in the Net Remuneration Basis, increased from BRL3.896.328 to BRL4.094.440, basis date of December 31, 2012.
    - In June 2017, ANEEL issued by means of Document N° 1.779 and Technical Note N° 170, which in compliance with the court ruling excludes the portion corresponding to the own capital cost of the unpaid values between January 2013 and June 2017 in the 2017 - 2018 revenue cycle, by temporarily decreasing such Receita Anual Permitida –RAP– from BRL1.738.154 to BRL1.502.128, updated as per Approbatory Resolution N° 2.258 for BRL1.552.426 as of December 31, 2017. In this way, bills

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corresponding to own capital cost considered in the cash reception flow of the financial asset regarding installation of the existing system related to the 2017 - 2018 tax cycle, are recognized as non-current assets.

- In 2017, according to Article 5 of Regulatory Resolution ANEEL N° 762 of 2017, it was estimated the provision for installations reversal, related to the existing system, which has been discontinued and, therefore, they will be subject to RAP reduction in the tariff revision process. These installations were or will be replaced by new equipment, thus generating additional compensatory income from entry into operation. The reversal of the provision will be held from tax review and alterations in installations RAP of the existing system.
- Increase from greater financial return of RBSE, by including nine additional months of RBSE financial return related to the recognition of 2016.
- (2) Loans to employees mainly comprise credits granted for acquisition of housing, vehicles, and education loans.
- (3) This item mainly comprises accounts receivable of ISA CTEEP to the Government of Brazil for labor benefits ruled by Law 4819 of 1958.
- (4) Accounts receivable to the Chilean Ministry of Public Works –MOP–, corresponding to VAT paid by concessionaire companies to their operation and maintenance service providers, as well as by construction services charged to MOP. Concessionaires are entitled to recover such tax by issuing a sales invoice to MOP from the construction and/or exploitation services.
- (5) Miscellaneous debtors are mainly in ISA CTEEP COP29.865 (2016: COP30.985) due to disposal of fixed and other assets, and in Consorcio Transmantaro S.A., COP226.553 (2016: COP207.488) due to private contracts for energy transmission signed with third parties, which are seen as finance lease contracts; the disbursements made by Consorcio Transmantaro S.A., for the construction of an asset, are recognized as account receivable, as long as the energy transmission lines are under construction, and as an account receivable which is equal to the outstanding lease instalments when the construction has been finished.
- (6) The movement of the provision as of December 31, 2017 and 2016 is as follows:

	2017	2016
Initial balance	(534.229)	(430.534)
Provisions of year charged to profit or loss	(20.358)	(48.062)
Portfolio write-off	(170)	(3.855)
Recovery of provisions	11.572	216
Currency translation effect	646	(51.994)
Final Balance	**(542.539)**	**(534.229)**

As of December 31, 2017, and 2016, the Company management believes that, except for accounts receivable impaired as doubtful accounts, it is not necessary to increase this impairment because their main customers are renowned in the international market and they do not show any financial issues or have any indication of impairment at the closing of the period.

There are no restrictions on providing such accounts receivable of significant amount.

The Group does not have any customers with whom it records sales representing 10% or more of its ordinary revenues for the year ended December 31, 2017 and 2016.

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As of December 31, 2017, and 2016, the analysis of accounts receivable, due, and unpaid, is as follows:

CUSTOMERS	2017	2016
Current	19.595.758	18.182.468
Due		
Due between 1 and 90 days	43.804	55.526
Due between 91 and 180 days	4.241	6.232
Due between 181 and 360 days	19.871	5.380
Due between 1 and 3 years	48.756	18.623
Due between 3 and 5 years	1.099	220
Due above 5 years	8.263	950
Total due	**126.034**	**86.931**
Total accounts receivable from customers	**19.721.792**	**18.269.399**

ISA and its companies charge interest on overdue accounts to its customers at the maximum rate authorized by the law of each country.

The following amounts due at the end of the reporting period, but for which ISA and its companies have not recognized any provision for doubtful accounts, since no relevant change has occurred, and amounts are still recoverable.

	2017	2016
Non-impaired past-due portfolio	51.187	30.070

6.2 Other financial assets

		2017	2016
Rights on trusts	(1)	560.887	327.606
CDs over 90 days	(2)	134.803	245.830
Total		**695.690**	**573.436**

- (1) They include resources from DI Bandeirantes COP237.066 (2016: COP294.607) investment fund, managed by Banco Bradesco from DI Xavantes Investment Fund COP169.488 (2016: COP33.099), managed by Banco Itaú Unibanco and Assis Investment Fund COP143.818 (2016: COP0) managed by Banco de Santander.
- (2) Balance as of December 31, 2017 includes CD exceeding 90 days of Ruta del Maule Sociedad Concesionaria S.A., COP62.506 (2016: COP71.968), Ruta de la Araucanía Sociedad Concesionaria S.A., COP41.256 (2016: COP30.392), XM, COP18.980 (2016: COP9.537), among others.

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7. NON-FINANCIAL ASSETS

Balances as of 31 December include the following concepts:

		2017			2016		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Non-financial assets							
Pre-paid expenses	(1)	47.476	1.598	49.074	57.370	-	57.370
Prepayment for purchase of goods and services	(2)	46.264	3	46.267	74.011	-	74.011
Deposits delivered	(3)	839	59.964	60.803	326	64.641	64.967
Other		778	3.537	4.315	784	3.161	3.945
Total		**95.357**	**65.102**	**160.459**	**132.491**	**67.802**	**200.293**

- (1) They include insurances and advance payments for travel expenses.
- (2) Advance payments granted to suppliers for the purchase of supplies and equipment to be used in companies' projects, such as: Consorcio Transmantaro S.A., COP17.713 (2016: COP26.980), ISA INTERCHILE COP10.013 (2016: COP1.277), ISA REP COP5.286 (2016: COP9.338), ISA COP5.014 (2016: COP4.287).
- (3) They mainly include in ISA CTEEP for judicial deposits to cover labor contingencies for COP59.888 (2016: COP64.603).

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8. INVENTORIES - NET

ISA and its companies perform actions to secure due preservation and safeguard of their inventories, and they are insured by a combined material damage policy; they also perform periodical physical inventories and have not found any significant differences. Inventories have no restrictions, liens or pledges limiting their use or realization.

		2017			2016		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Inventories							
Materials for rendering of services	(1)	86.520	86.628	173.148	103.711	74.107	177.818
Inventory in transit		-	-	-	1.178	-	1.178
Total inventories		**86.520**	**86.628**	**173.148**	**104.889**	**74.107**	**178.996**
Provision	(2)	(3.039)	(850)	(3.889)	(3.146)	(1.176)	(4.322)
Total inventories, net		**83.481**	**85.778**	**169.259**	**101.743**	**72.931**	**174.674**

- (1) They correspond to inventories for delivering energy services and project construction services to ensure continuity of the service and allowing compliance with system availability indicators.
- (2) The recognized provision for inventories is the result from the evaluation of inventory impairment conducted by the Group. The following is the movement of provision for inventories:

	2017	2016
Final Balance 2016	(4.322)	(2.472)
Charge in income	(10)	(1.000)
Inventories write-off	408	426
Currency translation effect	35	(1.276)
Final Balance 2017	**(3.889)**	**(4.322)**

As of December 31, 2017, and 2016 there are no liens on inventories.

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9. INVESTMENTS IN ASSOCIATED ENTITIES, JOINT VENTURES, AND FINANCIAL INSTRUMENTS

The composition of investments in joint ventures, associated entities and financial instruments as of December 31, 2017 and 2016 is described as follows:

	MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS	STAKE (%)		BALANCE	
			2017	2016	2017	2016
Investments in jointly controlled entities (1)						
Interligação Elétrica Madeira S.A. –IEMADEIRA–	Energy Transmission	Brazil	51,00	51,00	1.234.164	1.117.541
Interligação Elétrica Norte Nordeste S.A. –IENNE–	Energy Transmission	Brazil	100,00	25,00	-	96.577
Interligação Elétrica Sul S.A. –IESUL–	Energy Transmission	Brazil	50,00	50,00	111.924	110.174
Interligação Elétrica Garanhuns S.A. –IE GARANHUNS–	Energy Transmission	Brazil	51,00	51,00	334.523	357.794
Interligação Elétrica Paraguaçu S.A. –IEPG–	Energy Transmission	Brazil	50,00	-	4.545	-
Interligação Elétrica Aimorés S.A. –IEAI–	Energy Transmission	Brazil	50,00	-	3.301	-
Elétricas Reunidas do Brasil S/A	Energy Transmission	Brazil	50,00	-	8.169	-
Transmissora Aliança de Energia Elétrica S.A.	Energy Transmission	Brazil	14,88	-	920.641	-
Interconexión Eléctrica Colombia Panamá S. A.	Energy Transmission	Panama	50,00	50,00	7.844	8.018
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	Energy Transmission	Colombia	50,00	1,17	3	4
Transnexa S.A. E.M.A.	Information and Telecommunication Technologies	Ecuador	50,00	50,00	-	-

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	MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS	STAKE (%)		BALANCE	
			2017	2016	2017	2016
Derivex S.A.	Derivative financial instruments	Colombia	49,95	49,95	314	510
Parques del Río	Road Concessions	Colombia	33,00	33,00	83	93
Total investments in jointly controlled entities					**2.625.511**	**1.690.711**
Investment in associates						
ATP - ATP Tower Holdings LLC (See Note 2.1.1.3)	Information and Telecommunication Technologies	United States	26,50	-	468.331	-
Total investment in associates					**468.331**	**-**
Financial instruments (2)						
Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,48	0,48	-	-
Company which owns the Grid –EPR–	Energy Transmission	Costa Rica	11,11	11,11	12.524	12.524
Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	-	-	3	3
Cámara de Riesgos Central de Contraparte de Colombia –CRCC–	Operations Settlement and Compensation System	Colombia	7,18	7,18	2.863	2.863
Red Centro Americana de Telecomunicaciones –REDCA–	Information and Telecommunication Technologies	Costa Rica	11,11	11,11	945	925
Total financial instruments					**16.335**	**16.315**

(1) ISA has joint control in these companies, and it is expressly defined at the statutory level. These investments are updated using the equity method. The fiscal term of all these companies is December 31.

(2) ISA and its companies hold these investments of the mobilization business strategic plan under development in different countries. Electrificadora del Caribe was received as transfer payment.

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10. PROPERTY, PLANT, AND EQUIPMENT - NET

The following is the balance of properties, plant, and equipment:

	2017	2016
Property, plant, and equipment in operation		
Grids, lines, and cables	9.626.004	9.411.326
Plants and ducts	5.679.890	5.557.023
Buildings	408.043	372.464
Land	244.123	232.081
Machinery and equipment	92.395	220.823
Communication and computing equipment	342.109	173.198
Transportation, traction and lifting equipment	38.086	42.051
Furniture, chattels, and office equipment	53.025	50.863
Subtotal property, plant, and equipment	**16.483.675**	**16.059.829**
Less – cumulative depreciation	(10.577.021)	(10.358.783)
Total property, plant, and equipment in operation	**5.906.654**	**5.701.046**
On-going constructions	1.215.796	716.826
Machinery, plant, and assembly equipment	1.923.010	1.343.957
Machinery and equipment in transit	18.343	6
Total net property, plant, and equipment	**9.063.803**	**7.761.835**

The following investments in properties, plant and equipment made in 2017 are highlighted:

- In Colombia, ISA invested in projects under construction, among these are: Ituango and Caracoli substations and the Chinu-Monteria-Uraba and Cerromatoso-Chinu-Copey lines, among others.

- Investments in Peru were concentrated in various constructions projects, such as expansions 18 and 19 in ISA REP, and Mantaro-Montalvo and Friaspata-Mollepata transmission lines, Carapongo Substation, and Cotaruse and Termochilca expansions in the Consorcio Transmantaro S.A.

- In Chile, investments were mainly made by ISA INTERCHILE, for the advancement of projects Plex 1 and Plex 4: Cardones-Polpaico transformers and line. In addition, Road Concessions companies made LED lighting investments (Ruta del Maipo Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A., and Ruta de la Araucanía Sociedad Concesionaria S.A.) and the expansion of the Ruta del Maule Sociedad Concesionaria S.A., toll plaza. Likewise, Ruta del Bosque Sociedad Concesionaria S.A., and Ruta de la Araucanía Sociedad Concesionaria S.A., continue with the installation of several display locations of the Closed-Circuit Television.

- In Brazil, investments focused on reinforcements for the existing network in Energy Transmission. In addition, INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A., expanded its submarine cable capacity.

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Movements of property, plant, and equipment

	BALANCES AS OF DECEMBER, 2016	ADDITIONS AND/ OR TRANSFERS	SALES AND/ OR WRITE-OFFS	DEPRECIATION	EXCHANGE DIFFERENCE	BALANCES AS OF DECEMBER, 2017
Grids, lines, and cables	2.899.032	420.615	(346)	(91.908)	(382.348)	2.845.045
Plants and ducts	2.127.938	128.978	(4.056)	(150.285)	55.794	2.158.369
Buildings	285.371	36.710	-	(4.736)	20.464	337.809
Land	229.322	14.236	-	-	565	244.123
Machinery and equipment	75.016	1.185	(1.387)	(7.957)	(542)	66.315
Communication and computing equipment	41.189	39.918	(1.898)	(21.543)	156.434	214.100
Transportation, traction and lifting equipment	13.433	301	(70)	(4.118)	6.579	16.125
Furniture, chattels, and office equipment	29.745	2.776	(54)	(3.613)	(4.085)	24.769
On-going constructions	716.826	613.008	(28.830)	-	(85.208)	1.215.796
Machinery, plant, and assembly equipment	1.343.957	344.858	-	-	234.195	1.923.010
Machinery and equipment in transit	6	55.904	-	-	(37.568)	18.342
Total	**7.761.835**	**1.658.489**	**(36.641)**	**(284.160)**	**(35.720)**	**9.063.803**

ISA and its companies currently hold insurance policies for combined material damages, terrorism, and consequential losses, intended to ensure the loss and damage of its fixed assets, except transmission lines and towers. There are no restrictions or pledges or guarantee deliveries on property, plant, and equipment for any obligation.

As of December 31 2017, and 2016, ISA's management states through its affiliates and subsidiaries that there are no operating and/or economic indications identified, revealing that the net carrying value of property, plant and equipment cannot be recovered.

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11. INTANGIBLES

		2017	2016
Intangibles			
Software		114.109	77.089
Licenses		76.787	74.111
Easements	(1)	116.150	107.030
Concessions	(2)	7.021.958	6.498.844
Rights		678.712	695.053
Intangibles related to customers list		62.941	64.243
Goodwill and brands		1.459.705	1.576.032
Less – intangible amortization		(3.105.955)	(2.912.542)
Total intangibles		**6.424.407**	**6.179.860**

- (1) Easements correspond to rights acquired by the Company for transferring its operating assets, mainly the transmission lines. These assets are acquired in perpetuity, this is, there is not a fixed term or contract and the right remains over time.
- (2) The rights include the concessions in Peru, Bolivia, and Colombia, which are treated as intangibles according to their characteristics (See Note 22).

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Movement of intangible assets

NAME	BALANCES AS OF DECEMBER, 2016	ADDITIONS		ASSETS RETIREMENT (3)	AMORTIZATION	OTHER (1)	BALANCES AS OF DECEMBER, 2017
		INTERNAL DEVELOPMENT	ACQUIRED SEPARATELY				
Software	27.254	205	32.378	(1.083)	(7.689)	6.283	57.348
Licenses	20.022	-	3.719	(141)	(6.066)	(6)	17.528
Easements	107.030	-	9.121	-	-	-	116.151
Concessions	5.028.423	-	559.340	-	(206.473)	(22.868)	5.358.422
Rights	460.218	-	3.591	-	(28.693)	21.232	456.348
Intangibles related to customers list	54.675	-	-	-	(6.006)	(1.193)	47.476
Goodwill and brands (2)	482.238	-	-	(103.276)	(7.109)	(719)	371.134
Total	**6.179.860**	**205**	**608.149**	**(104.500)**	**(262.036)**	**2.729**	**6.424.407**

- (1) Movements in concessions and rights include variation for restatement of intangible assets, given the devaluation of the Chilean peso in ISA INTERVIAL S.A., and the revaluation of the dollar against the Colombian peso in Consorcio Transmantaro S.A.
- (2) Amortization corresponds to the systematic allocation of the goodwill amount for the concession term.
- (3) There is a decrease of the goodwill associated with the reversal of the provision generated in the purchase agreement of ISA CTEEP. (See Note 16).

As of December 31, 2017 and 2016, the Group Management believed that there were no operating and/or economic signs indicating that the registered net value of the intangible assets may not be recovered.

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12. FINANCIAL INSTRUMENTS

12.1 Classification of asset financial instruments by nature and category

Fair value of financial assets

The carrying value of financial assets measured at amortized cost is the reasonable approach to its fair value. The fair value is presented in the following table, based on the categories of financial assets, compared with its current and non-current carrying value included in the financial statements.

The detail of financial instruments of the asset, classified by nature and category, as of December 31, 2017 and 2016, is as follows:

		2017		2016	
Current financial assets	**Notes**	**Amortized cost**	**At fair value**	**Amortized cost**	**At fair value**
Cash and cash equivalent	4	-	1.529.470	-	1.146.761
Accounts receivable	6.1	3.707.281	-	3.254.924	-
Other financial assets	6.2	695.690	-	573.436	-
Total current		**4.402.971**	**1.529.470**	**3.828.360**	**1.146.761**
Restricted cash	5	-	78.204	-	60.495
Financial instruments	9	-	16.335	-	16.315
Accounts receivable	6.1	17.609.166	-	16.569.813	-
Total non-current		**17.609.166**	**94.539**	**16.569.813**	**76.810**
Total		**22.012.137**	**1.624.009**	**20.398.173**	**1.223.571**

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12.2 Classification of financial instruments of liabilities by nature and category

Fair value of financial liabilities

The carrying value of financial liabilities measured at amortized cost is the approximation of its fair value. The fair value is presented in the following table, based on the categories of liabilities, compared with current and non-current carrying value included in the financial statements.

The detail of liability financial instruments, classified by nature and category, as of December 31, 2017 and 2016, is as follows:

		2017		2016	
Financial liabilities	**Notes**	**Amortized cost**	**At fair value**	**Amortized cost**	**At fair value**
Financial liabilities and bonds	13.1 13.2	1.607.663	-	1.662.345	-
Derivative financial instruments	13.3	-	(3.824)	-	11.858
Accounts payable	15	779.066	-	905.227	-
Total current		**2.386.729**	**(3.824)**	**2.567.572**	**11.858**
Financial liabilities and bonds	13.1 13.2	13.700.697	-	10.455.428	-
Derivative financial instruments	13.3	-	384.492	-	341.794
Accounts payable	15	995.292	-	979.709	-
Total non-current		**14.695.989**	**384.492**	**11.435.137**	**341.794**
Total		**17.082.718**	**380.668**	**14.002.709**	**353.652**

12.3 Financial instruments at fair value

a. Fair value hierarchies

The financial instruments recognized at fair value in the statement of financial position are classified hierarchically according to the criteria described in Note 3.10.

The following table shows the financial and liabilities assets measured at fair value as of December 31, 2017 and 2016:

FINANCIAL INSTRUMENTS AT FAIR VALUE	2017		FAIR VALUE MEASURED AT THE END OF PERIOD		
	CURRENT	NON-CURRENT	LEVEL I	LEVEL II	LEVEL III
Current financial assets					
Cash and cash equivalent	1.529.470	-	1.529.470	-	-
Restricted cash	-	78.204	78.204	-	-
Financial instruments	-	16.335	-	16.335	-
Total	**1.529.470**	**94.539**	**1.607.674**	**16.335**	**-**
Financial liabilities					
Derivative financial instruments	(3.824)	384.492	-	380.668	-
Total	**(3.824)**	**384.492**	**-**	**380.668**	**-**

FINANCIAL INSTRUMENTS AT FAIR VALUE	2016		FAIR VALUE MEASURED AT THE END OF PERIOD		
	CURRENT	NON-CURRENT	LEVEL I	LEVEL II	LEVEL III
Current financial assets					
Cash and cash equivalent	1.146.761	-	1.146.761	-	-
Restricted cash	-	60.495	60.495	-	-
Financial instruments	-	16.315	-	16.315	-
Total	**1.146.761**	**76.810**	**1.207.256**	**16.315**	**-**
Financial liabilities					
Derivative financial instruments	11.858	341.794	-	353.652	-
Total	**11.858**	**341.794**	**-**	**353.652**	**-**

13. FINANCIAL LIABILITIES

The balance of this item as of December 31, 2017 and 2016 is composed by bonds and financial obligations, as shown below:

	2017			2016		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Outstanding bonds	673.223	8.574.905	9.248.128	632.367	6.731.978	7.364.345
Financial obligations	930.616	5.510.284	6.440.900	1.041.836	4.065.244	5.107.080
Total	**1.603.839**	**14.085.189**	**15.689.028**	**1.674.203**	**10.797.222**	**12.471.425**

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13.1 Outstanding bonds

As of December 2017, the debt represented in bonds amounted to COP9.248.128.

FUNDING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE			2017 (COP MILLIONS)		2016 (COP MILLIONS)	
								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
COLOMBIA								**3.023.000**	**3.046.817**	**1.823.000**	**1.842.276**
ISA											
Program Tranche 4 Plot 1	COP	07/04/2006	07/04/2026	20	CPI	+	4,58%	118.500	121.115	118.500	122.870
Program Tranche 4 Plot 2	COP	07/04/2006	07/04/2026	20	CPI	+	4,58%	104.500	98.951	104.500	99.895
Program Tranche 7 Series A	COP	01/12/2011	01/12/2023	12	CPI	+	4,47%	180.000	181.299	180.000	180.665
Program Tranche 7 Series B	COP	01/12/2011	01/12/2041	30	CPI	+	4,84%	120.000	120.789	120.000	120.348
Program Tranche 8 Series C9	COP	22/05/2013	22/05/2022	9	CPI	+	2,84%	120.000	120.925	120.000	121.575
Program Tranche 8 Series C15	COP	22/05/2013	22/05/2028	15	CPI	+	3,25%	100.000	100.872	100.000	101.415
Program Tranche 9 Series C10	COP	07/05/2015	07/05/2025	10	CPI	+	3,80%	100.000	100.972	100.000	101.495
Program Tranche 9 Series C15	COP	07/05/2015	07/05/2030	15	CPI	+	4,14%	120.000	121.222	120.000	121.860
Program Tranche 9 Series C20	COP	07/05/2015	07/05/2035	20	CPI	+	4,34%	280.000	282.929	280.000	284.432
Program Tranche 10 Series C8	COP	16/02/2016	16/02/2024	8	CPI	+	4,73%	115.000	115.753	115.000	116.306
Program Tranche 10 Series C12	COP	16/02/2016	16/02/2028	12	CPI	+	5,05%	152.000	153.021	152.000	153.791
Program Tranche 10 Series C25	COP	16/02/2016	16/02/2041	25	CPI	+	5,38%	133.000	133.737	133.000	134.432

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FUNDING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE			2017 (COP MILLIONS)		2016 (COP MILLIONS)	
								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Program Tranche 11 Series A7	COP	18/04/2017	18/04/2024	7	Fixed Rate		6,75%	260.780	263.960	-	-
Program Tranche 11 Series C15	COP	18/04/2017	18/04/2032	15	CPI	+	3,81%	196.300	198.934	-	-
Program Tranche 11 Series C25	COP	18/04/2017	18/04/2042	25	CPI	+	4,00%	242.920	246.260	-	-
Program Tranche 12 Series A8	COP	28/11/2017	28/11/2025	8	Fixed Rate		6,99%	150.080	150.802	-	-
Program Tranche 12 Series C14	COP	28/11/2017	28/11/2031	14	CPI	+	3,75%	120.100	120.781	-	-
Program Tranche 12 Series C30	COP	28/11/2017	28/11/2047	30	CPI	+	3,98%	229.820	231.169	-	-
TOTAL								**2.843.000**	**2.863.491**	**1.643.000**	**1.659.084**
ISA TRANSELCA											
Third Issue Series A10	COP	11/10/2011	11/10/2021	10	CPI	+	4,20%	80.000	81.474	80.000	81.421
Third Issue Series A15	COP	11/10/2011	11/10/2026	15	CPI	+	4,48%	100.000	101.852	100.000	101.771
TOTAL								**180.000**	**183.326**	**180.000**	**183.192**
PERU								**1.879.258**	**1.882.442**	**1.900.032**	**1.901.395**
ISA REP											
2P 4th Issue (Series A)	USD	16/02/2007	16/02/2019	12	Libor (3M)	+	0,75%	7.290	7.310	13.196	13.224

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FUNDING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE		2017 (COP MILLIONS)		2016 (COP MILLIONS)	
							NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
2P 17th Issue (Series A)	USD	20/01/2011	19/01/2018	7	Fixed Rate	5,75%	59.680	60.345	60.014	60.676
2P 20th Issue (Series A)	USD	20/01/2011	19/01/2026	15	Fixed Rate	6,50%	113.392	114.720	114.027	115.403
3P 4th Issue (Series A)	USD	19/10/2012	19/04/2031	19	Fixed Rate	5,88%	119.360	120.743	120.028	121.421
3P 1st Issue (Series A) *	PEN	07/11/2012	08/11/2022	10	Fixed Rate	5,38%	95.912	96.656	93.226	93.911
3P 3rd Issue (Series A)	USD	07/02/2013	07/02/2018	5	Fixed Rate	4,63%	29.840	30.388	30.007	30.559
3P 1st Issue (Series B) *	PEN	07/02/2013	07/02/2023	10	Fixed Rate	5,13%	71.197	72.646	69.203	70.602
3P 7th Issue (Series A)	USD	14/07/2014	14/07/2021	7	Fixed Rate	3,75%	39.787	40.475	50.012	50.877
TOTAL							**536.458**	**543.283**	**549.713**	**556.673**
CONSORCIO TRANSMANTARO S.A.										
International bonds 144A	USD	07/05/2013	07/05/2023	10	Fixed Rate	4,38%	1.342.800	1.339.159	1.350.319	1.344.722
TOTAL							**1.342.800**	**1.339.159**	**1.350.319**	**1.344.722**
BRAZIL							**1.182.928**	**1.184.926**	**562.277**	**564.617**
ISA CTEEP										
Debentures 2nd Series	BRL	15/12/2009	15/12/2017	8	IPCA	+ 8,10%	-	-	20.998	20.537

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Debentures 3ª Emissão	BRL	26/12/2013	26/12/2018	5	CDI		1,16%	153.349	152.846	308.440	308.023
Debentures 4ª Emissão	BRL	15/07/2016	15/07/2021	5	IPCA	+	6,04%	138.857	139.985	137.864	137.599
Debentures 5ª Emissão	BRL	30/03/2017	15/02/2024	7	IPCA	+	5,37%	275.070	278.842	-	-
Debentures 6ª Emissão	BRL	15/12/2017	13/12/2020	3	CDI		1,06%	315.719	315.823	-	-
TOTAL								**882.995**	**887.496**	**467.302**	**466.159**
ISA CAPITAL DO BRASIL S.A.											
Tranche 1	USD	29/01/2007	30/01/2017	10	Fixed Rate		8,80%	-	-	94.975	98.458
TOTAL								**-**	**-**	**94.975**	**98.458**
ISA Investimentos e Participações S.A.											
Tranche 1	BRL	02/06/2017	02/06/2022	5	CDI	+	1,68%	299.933	297.430	-	-
TOTAL								**299.933**	**297.430**	**-**	**-**

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FUNDING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE		2017 (COP MILLIONS)		2016 (COP MILLIONS)	
							NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
CHILE							**3.013.290**	**2.738.812**	**2.985.216**	**2.677.240**
Ruta del Maipo Sociedad Concesionaria S.A.										
Bond 144A **	USD	29/08/2001	15/06/2022	20	Fixed Rate	7,37%	619.116	604.579	753.438	731.848
Bond Series A1 and A2	UF	13/10/2004	15/06/2025	21	Fixed Rate	4,85%	754.519	664.317	685.024	585.949
Bond Series B1 and B2	UF	20/12/2006	15/12/2030	24	Fixed Rate	3,20%	1.103.746	945.910	971.013	809.313
TOTAL							**2.477.381**	**2.214.806**	**2.409.475**	**2.127.110**
Ruta del Bosque Sociedad Concesionaria S.A.										
Bond Series A	UF	26/02/2001	15/08/2020	19	Fixed Rate	6,30%	335.799	333.193	400.036	389.164
Bond Series B	UF	16/11/2006	15/08/2020	14	Fixed Rate	3,40%	200.110	190.813	175.705	160.966
TOTAL							**535.909**	**524.006**	**575.741**	**550.130**

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DERIVATIVE INSTRUMENTS SUPPORTED BY BONDS (Note 13.3)						
FUNDING SOURCE	**ORIGINAL CURRENCY**	**COMPANY**	**2017 (COP MILLIONS)**		**2016 (COP MILLIONS)**	
			FAIR VALUE		**FAIR VALUE**	
Fair Value Swap	USD	Ruta del Maipo Sociedad Concesionaria S.A.	333.835		281.993	
Term operation	USD	ISA CAPITAL DO BRASIL S.A.	-		11.464	
Fair Value Swap	USD	ISA REP	33.175		46.760	
Fair Value Swap	USD	ISA REP	28.121		38.604	
TOTAL DERIVATIVE SUPPORTED IN BONDS			**395.131**		**378.821**	
TOTAL BONDS			**9.098.476**	**9.248.128**	**7.270.525**	**7.364.349**

- * Bonds issued in PEN and a SWAP was carried out into USD.
- ** Bonds issued in USD and a SWAP was carried out into UF.

The following relevant events took place in 2017, which explain the variation in balance for the outstanding bonds:

ISA

In April, issuance of the eleventh Tranche of the Securities Program was issued by COP700.000, of which COP260.780 were placed in Series A7 with maturity in April 2024, COP196.300 were placed in Series C115 with maturity in April 2032, and COP242.920 were placed in Series C25 with maturity in April 2042. Resources from this placement were used to finance investments.

In November, the Company conducted the twelfth Tranche of the Securities Program in the amount of COP500.000, of which COP150.080 were placed in Series A8 with maturity in November 2025; COP120.100 in Series C14 with maturity in November 2031 and COP229.820 in Series C30 with maturity in November 2047. Resources from this placement were used to finance investments.

ISA REP

In January and July, repayments for USD3,3 million were made to the seventh issue (Series A) of the Third Corporate Bonds Program.

In February, May, August and November, it made repayments for a total of USD1,9 million to the fourth issue (Series A) of the Second Corporate Bond Program.

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ISA CTEEP

In March, an infrastructure debentures issuance was carried out for the amount of BRL300 million, with maturity in February 2024. Resources from placement will be exclusively used for the future payment or reimbursement of expenditure, bills or debts related to projects authorized in the resolution for authorizing the issuance.

In December, the issuance of infrastructure debentures by BRL350 million, with maturity in December 2020, was carried out. Resources from placement will be used for cash flows and extension of the financial liability. In addition, a payment to debenture holders of the second series for BRL24 million was paid, having paid the total amount; and a payment to holders of debentures issued in 2013 for BRL165 million was paid.

ISA CAPITAL DO BRASIL S.A.

In January, balance of issuance related to international bonds by USD31,6 million was paid.

ISA Investimentos e Participações S.A.

In June, debentures for BRL350 million, with maturity in June 2022, were issued. Resources from placement were used to acquire shares of Transmissora Aliança de Energia Elétrica S.A., –TAESA–.

In December, a payment to debenture holders by BRL17,5 million was paid.

Ruta del Maipo Sociedad Concesionaria S.A.

In June and December, a payment to holders of Bonds 144A for a total amount of USD48,6 million was paid.

Ruta del Bosque Sociedad Concesionaria S.A.

In March and September, a payment to holders of Series A for a total amount of UF805.826 was paid.

The following is the detail of maturities for outstanding bonds:

Short-term		**673.223**
Long-term		**8.574.905**
2019	635.461	
2020	525.422	
2021	351.547	
2022 and after	7.062.475	
Total		**9.248.128**

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13.2 Financial obligations

The debt represented in financial obligations amounted to COP6.440.900 million. The characteristics of the financial obligations of each company are below presented:

FUNDING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE			2017 (COP MILLIONS)		2016 (COP MILLIONS)	
								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
COLOMBIA								**1.347.372**	**1.363.234**	**815.265**	**840.324**
ISA											
Banco de Bogotá	USD	04/07/2012	04/04/2017	5	Libor(6M)	+	2,60%	-	-	72.017	73.345
Banco de Bogotá	COP	26/02/2015	26/02/2022	7	CPI	+	3,60%	200.189	204.875	222.432	233.410
BNP PARIBAS	USD	17/05/2006	15/05/2017	11	Libor(6M)	+	0,35%	-	-	5.688	5.709
BBVA	COP	23/02/2016	23/02/2023	7	IPC	+	2,99%	250.000	253.591	250.000	259.728
BBVA	COP	09/10/2017	09/10/2027	10	IPC	+	4,80%	50.000	50.993	-	-
Banco Davivienda	COP	09/10/2017	09/10/2027	10	IPC	+	4,80%	50.000	50.993	-	-
BBVA	COP	07/11/2017	07/11/2027	10	IPC	+	4,80%	90.000	91.165	-	-
Banco Davivienda	COP	07/11/2017	07/11/2027	10	IPC	+	4,80%	90.000	91.165	-	-
BBVA	COP	14/12/2017	14/12/2027	10	IPC	+	4,80%	60.000	60.244	-	-
Banco Davivienda	COP	14/12/2017	14/12/2027	10	IPC	+	4,80%	260.000	261.058	-	-
TOTAL								**1.050.189**	**1.064.084**	**550.137**	**572.192**

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
INTERNEXA S.A.											
Banco Itaú BBA Colombia S.A.	COP	11/02/2014	11/02/2019	5	DTF	+	3,30%	13.333	13.487	24.000	24.324
Helm Bank	COP	11/04/2014	11/04/2021	7	DTF	+	3,50%	5.600	5.711	7.200	7.364
Banco de Bogotá	COP	21/12/2016	21/12/2021	5	IBR (90)	+	3,75%	30.000	29.998	30.000	30.087
Banco Popular	COP	15/05/2017	09/05/2018	1	DTF	+	1,50%	4.000	4.034	-	-
Banco Popular	COP	08/06/2017	08/06/2024	7	IBR (90)	+	3,75%	28.000	28.122	-	-
Banco Popular	COP	10/08/2017	10/08/2024	7	IBR (90)	+	3,75%	32.000	32.362	-	-
Banco Popular	COP	26/12/2017	26/12/2024	7	IBR (90)	+	3,75%	10.000	10.011		
TOTAL								**122.933**	**123.725**	**61.200**	**61.775**
ISA TRANSELCA											
Banco de Bogotá	COP	12/11/2015	12/11/2020	5	IPC	+	2,87%	82.500	83.127	82.500	83.369
BBVA	COP	25/08/2015	25/08/2020	5	IPC	+	2,45%	41.250	41.517	45.000	45.532
Banco de Bogotá	COP	28/12/2015	28/12/2020	5	IPC	+	2,87%	5.500	5.483	5.500	5.496
Banco GNB Sudameris	COP	29/07/2016	29/07/2017	1	DTF	+	2,70%	-	-	16.000	16.258
Banco GNB Sudameris	COP	14/10/2016	14/10/2017	1	DTF	+	2,70%	-	-	9.928	10.132
Banco de Occidente	COP	18/10/2016	18/10/2023	7	IPC	+	5,25%	24.000	24.347	24.000	24.551
Banco Davivienda	COP	30/11/2016	30/11/2023	7	IPC	+	4,99%	21.000	20.951	21.000	21.019
TOTAL								**174.250**	**175.425**	**203.928**	**206.357**

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							NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
PERU							**1.254.432**	**1.241.998**	**1.117.514**	**1.105.549**
ISA REP										
Scotiabank	USD	27/03/2017	27/03/2018	1	Fixed Rate	1,50%	119.360	120.745	120.028	120.502
TOTAL							**119.360**	**120.745**	**120.028**	**120.502**
CONSORCIO TRANSMANTARO S.A.										
Banco de Crédito del Perú	USD	18/03/2015	18/03/2027	12	Fixed Rate	5,55%	734.221	720.952	234.055	219.475
Interbank	USD	19/11/2015	03/11/2024	9	Fixed Rate	4,64%	298.400	297.420	300.071	298.903
Banco de Crédito del Perú	USD	08/03/2016	08/03/2017	1	Fixed Rate	2,05%	-	-	75.018	76.289
Banco de Crédito del Perú	USD	02/05/2016	16/03/2017	1	Fixed Rate	1,45%	-	-	84.020	84.840
Scotiabank	USD	16/06/2016	16/03/2017	1	Fixed Rate	1,28%	-	-	43.510	43.816
Banco de Crédito del Perú	USD	06/07/2016	16/03/2017	1	Fixed Rate	1,28%	-	-	108.026	108.707
BBVA Continental	USD	21/11/2016	16/03/2017	0	Fixed Rate	0,99%	-	-	30.007	30.040
BBVA Continental	USD	15/12/2016	16/03/2017	0	Fixed Rate	0,99%	-	-	16.504	16.511
TOTAL							**1.032.621**	**1.018.372**	**891.211**	**878.581**

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							NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
ISA PERÚ S.A.										
Interbank	USD	16/10/2015	09/09/2022	7	Fixed Rate	5,02%	74.600	11.996	75.018	74.792
Banco de Crédito del Perú	USD	01/07/2016	02/01/2019	3	Fixed Rate	2,85%	11.936	74.845	12.003	12.087
TOTAL							**86.536**	**86.841**	**87.021**	**86.879**
INTERNEXA S.A. (PERU)										
Helm Bank Panamá	USD	27/03/2012	27/03/2017	5	Libor(6M)	+ 3,51%	-	-	1.250	1.265
Bancolombia Panamá	USD	05/02/2016	28/07/2024	8	Libor(6M)	+ 3,22%	15.915	16.040	18.004	18.322
TOTAL							**15.915**	**16.040**	**19.254**	**19.587**
BRAZIL							**1.509.748**	**1.521.771**	**1.199.127**	**1.212.380**
ISA CTEEP										
ELETROBRAS	BRL	08/01/1990	15/11/2021	32	Fixed Rate	8,00%	100	101	140	142
BNDES III (FINEM)	BRL	29/01/2014	15/03/2029	15	TJLP	+ 1,80%	193.001	193.247	212.213	212.695
BNDES III (PSI)	BRL	29/01/2014	15/01/2024	10	Fixed Rate	3,50%	56.033	55.861	66.594	66.560

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
BNDES PSI Santander	BRL	13/01/2014	15/08/2018	5	Fixed Rate		4,00%	46	46	117	117
BNDES PSI Santander II	BRL	30/12/2014	15/11/2019	5	Fixed Rate		6,00%	3.975	3.985	6.174	6.190
BNDES III (Social)	BRL	29/01/2014	15/03/2029	15	TJLP	+	0.00%	1.605	8	1.765	1.766
BTMU	USD	17/07/2017	17/07/2018	1	Libor (3M)	+	0,28%	149.200	151.279	-	-
BNDES IV	BRL	08/08/2017	15/03/2032	15	TJLP	+	2,62%	140.576	140.366	-	-
TOTAL								**544.536**	**544.893**	**287.003**	**287.470**
INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–											
BNDES (FINEM)	BRL	27/03/2009	15/04/2023	14	TJLP	+	2,39%	24.377	25.174	29.546	30.187
TOTAL								**24.377**	**25.174**	**29.546**	**30.187**
INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–											
BNDES (PSI)	BRL	28/01/2011	15/01/2021	10	Fixed Rate		5,50%	24.744	27.593	34.235	37.789
BNDES (FINEM)	BRL	28/01/2011	15/05/2026	15	TJLP	+	2,62%	25.327	27.957	28.350	31.272
BNDES (PSI)	BRL	13/08/2013	17/04/2023	10	Fixed Rate		3,50%	4.685	4.985	10.398	10.562
BNDES (FINEM)	BRL	13/08/2013	15/02/2028	15	TJLP	+	2,06%	8.578	8.714	5.253	5.529
TOTAL								**63.334**	**69.249**	**78.236**	**85.152**

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI											
BNDES (FINEM)	BRL	28/10/2013	15/05/2026	13	TJLP	+	1,95%	27.142	28.995	30.995	32.756
BNDES (FINEM)	BRL	28/10/2013	15/05/2026	13	TJLP	+	1,55%	23.495	25.055	26.830	28.306
TOTAL								**50.637**	**54.050**	**57.825**	**61.062**
INTERLIGAÇAO ELÉTRICA NORTE E NORDESTE S.A. –IENNE–											
Banco do Nordeste	BRL	19/05/2010	19/05/2030	20	Fixed Rate		10,00%	163.642	164.737	-	-
Banco do Brasil	BRL	23/07/2012	02/01/2018	5	CDI	+	0,56%	8.432	8.477	-	-
TOTAL								**172.074**	**173.214**	**-**	**-**
ISA CAPITAL DO BRASIL S.A.											
Preferential shareholders	BRL	09/03/2010	28/12/2020	11	CDI	+	1,50%	571.320	571.320	656.032	656.032
TOTAL								**571.320**	**571.320**	**656.032**	**656.032**
INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.											
Helm Bank	USD	13/12/2013	13/12/2020	7	Libor(6M)	+	3,50%	22.380	22.448	30.007	30.127
Itaú	BRL	16/04/2014	16/04/2019	5	CDI	+	2,60%	17.414	17.431	35.625	37.015

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
BNDES	BRL	15/10/2014	15/10/2019	5	Fixed Rate		6,00%	1.181	1.184	1.835	1.841
Banco Santander	BRL	21/11/2016	18/11/2019	3	CDI	+	5,40%	15.433	15.640	23.018	23.494
Banco Safra	BRL	17/11/2017	17/11/2022	5	CDI	+	1,80%	27.062	27.168	-	-
TOTAL								**83.470**	**83.871**	**90.485**	**92.477**
BOLIVIA								**21.597**	**22.276**	**36.197**	**37.299**
ISA BOLIVIA											
BID	USD	15/08/2005	15/02/2019	14	Fixed Rate		9,71%	10.674	11.071	17.889	18.555
CAF	USD	15/08/2005	15/02/2019	14	Libor(6M)	+	5,00%	7.919	8.115	13.272	13.570
BID	USD	07/05/2009	15/02/2019	10	Fixed Rate		8,16%	1.697	1.751	2.845	2.934
CAF	USD	07/05/2009	15/02/2019	10	Libor(6M)	+	5,00%	1.307	1.339	2.191	2.240
TOTAL								**21.597**	**22.276**	**36.197**	**37.299**

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
CHILE								**2.403.839**	**2.306.084**	**2.033.791**	**1.934.025**
INTERNEXA CHILE S.A.											
BBVA	CLP	28/01/2015	28/07/2022	8	TAB (180)	+	1,40%	12.967	13.220	13.970	13.970
Helm Bank Panamá	USD	13/09/2012	13/09/2019	7	Libor(6M)	+	3,50%	-	-	3.601	3.601
Helm Bank Panamá	USD	06/11/2012	06/11/2019	7	Libor(6M)	+	3,50%	-	-	1.800	1.800
Helm Bank Panamá	USD	18/01/2013	18/01/2020	7	Libor(6M)	+	3,50%	-	-	6.301	6.301
Helm Bank Panamá	USD	02/05/2013	02/05/2020	7	Libor(6M)	+	3,50%	-	-	2.100	2.100
Helm Bank Panamá	USD	25/06/2013	25/06/2020	7	Libor(6M)	+	3,50%	-	-	1.050	1.050
BCI	CLP	08/03/2017	04/03/2022	5	TAB (180)	+	1,50%	18.445	18.733	-	-
TOTAL								**31.412**	**31.953**	**28.822**	**28.822**

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Ruta de la Araucanía Sociedad Concesionaria S.A.											
Banco de Chile Tranche A2	UF	17/03/2014	15/09/2022	9	Fixed Rate		4,04%	33.942		47.754	
Banco de Chile Tranche A3	UF	15/03/2012	15/09/2022	11	Fixed Rate		4,53%	63.293		72.944	
Banco de Chile Tranche B1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	63.075		65.715	
Banco de Chile Tranche B2	UF	15/09/2012	15/09/2022	10	TAB (360)	+	0,95%	51.047	331.651	54.544	352.018
Banco de Chile Tranche C1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	41.018		40.673	
Banco de Chile Tranche C2	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	38.521		37.978	
Banco de Chile Tranche D1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	20.718		19.575	
Banco de Chile Tranche D2	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	20.162		18.974	
Banco Corpbanca A2	UF	17/03/2014	15/09/2022	9	Fixed Rate		4,04%	16.305		22.941	
Banco Corpbanca A3	UF	15/03/2012	15/09/2022	11	Fixed Rate		4,53%	10.159		11.708	
Banco Corpbanca A3	UF	15/03/2011	15/09/2022	12	TAB (360)	+	0,95%	30.301		31.569	
Banco Corpbanca B2	UF	15/09/2012	15/09/2022	10	TAB (360)	+	0,95%	24.523		26.203	
Banco Corpbanca C1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	6.583		6.528	
Banco Corpbanca C2	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	6.183		6.096	
Banco Corpbanca D1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	9.953	136.562	9.404	144.948
Banco Corpbanca D2	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	9.686		9.115	
Banco Corpbanca E1	UF	17/03/2014	15/09/2022	9	Fixed Rate		2,85%	3.250		4.188	

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								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Banco Corpbanca E2	UF	16/09/2013	15/09/2022	9	Fixed Rate		3,06%	6.874		7.479	
Banco Corpbanca E3	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	6.561		6.505	
Banco Corpbanca E4	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	6.161		6.074	
Banco del Estado A2	UF	17/03/2014	15/09/2022	9	Fixed Rate		4,04%	16.305		22.941	
Banco del Estado A3	UF	15/03/2012	15/09/2022	11	Fixed Rate		4,53%	30.405		35.042	
Banco del Estado B1	UF	15/03/2011	15/09/2022	12	TAB (360)	+	0,95%	30.301		31.569	
Banco del Estado B2	UF	15/09/2012	15/09/2022	10	TAB (360)	+	0,95%	24.523		26.203	
Banco del Estado C1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	19.705		19.539	
Banco del Estado C2	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	18.505		18.244	
Banco del Estado D1	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	9.953	182.082	9.404	193.265
Banco del Estado D2	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	9.686		9.115	
Banco del Estado E1	UF	17/03/2014	15/09/2022	9	Fixed Rate		2,85%	3.250		4.188	
Banco del Estado E2	UF	16/09/2013	15/09/2022	9	Fixed Rate		3,06%	6.874		7.479	
Banco del Estado E3	UF	15/03/2017	15/09/2022	6	TAB (360)	+	0,95%	6.561		6.505	
Banco del Estado E4	UF	15/09/2016	15/09/2022	6	TAB (360)	+	0,95%	6.161		6.074	
TOTAL								**650.544**	**650.295**	**702.270**	**690.231**

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							NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Ruta de los Ríos Sociedad Concesionaria S.A.										
Banco BCI	UF	21/09/2016	15/09/2022	6	Fixed Rate	3,67%	129.592	129.430	164.232	161.842
Banco BICE	UF	21/09/2016	15/09/2022	6	Fixed Rate	3,67%	110.977	110.838	140.641	138.595
TOTAL							**240.569**	**240.268**	**304.873**	**300.437**
Ruta del Maule Sociedad Concesionaria S.A.										
BCI	UF	24/03/2016	30/06/2018	2	Fixed Rate	0,0269	83.551	84.348	198.829	198.291
BCI	UF	25/07/2016	30/06/2018	2	Fixed Rate	2,71%	7.600	7.706	29.607	30.563
Scotiabank	UF	21/04/2017	27/09/2019	2	Fixed Rate	2,65%	12.006	11.476	-	-
TOTAL							**103.157**	**103.530**	**228.436**	**228.854**
ISA INTERCHILE										
Banco Estado	USD	24/05/2016	12/02/2031	15	Libor(3M)	+ 2,00%	131.529	1.273.083	60.342	52.792
BBVA CHILE	USD	24/05/2016	12/02/2031	15	Libor(3M)	+ 2,00%	131.529		60.342	52.792
BTMU	USD	24/05/2016	12/02/2031	15	Libor(3M)	+ 2,00%	157.989		72.481	63.412
CA-CIB	USD	24/05/2016	12/02/2031	15	Libor(3M)	+ 2,00%	131.529		60.342	52.792
NATIXIS	USD	24/05/2016	12/02/2031	15	Libor(3M)	+ 2,00%	131.529		60.342	52.792

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FUNDING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE			2017 (COP MILLIONS)		2016 (COP MILLIONS)	
								NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
SMB	USD	24/05/2016	12/02/2031	15	Libor(3M)	+	2,00%	157.989		72.481	52.792
KFW	USD	24/05/2016	12/02/2031	15	Libor(3M)	+	2,00%	131.529		60.342	52.792
LA CAIXA	USD	24/05/2016	12/02/2031	15	Libor(3M)	+	2,00%	131.529		60.342	37.177
SIEMENS	USD	24/05/2016	12/02/2031	15	Libor(3M)	+	2,00%	131.529		60.342	52.792
SABADELL	USD	24/05/2016	12/02/2031	15	Libor(3M)	+	2,00%	92.626		42.494	63.412
SUMITRUST	USD	24/05/2016	12/02/2031	15	Libor(3M)	+	2,00%	37.051		16.998	14.871
Banco Estado	CLP	24/05/2016	31/03/2020	4	TAB (90)	+	1,10%	3.933		47.514	45.755
BBVA	CLP	24/05/2016	31/03/2020	4	TAB (90)	+	1,10%	3.933	6.955	47.514	45.755
BICE	CLP	24/05/2016	31/03/2020	4	TAB (90)	+	1,10%	3.933		47.514	45.755
TOTAL								**1.378.157**	**1.280.038**	**769.390**	**685.681**
ARGENTINA								**-**	**-**	**2.671**	**2.671**
Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)											
BBVA Francés	ARS	25/11/2016	08/05/2017	1	Fixed Rate		27,00%	-	-	2.671	2.671
TOTAL								**-**	**-**	**2.671**	**2.671**

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DERIVATIVE INSTRUMENTS SUPPORTED BY BONDS (NOTE 13.3)						
FUNDING SOURCE	**ORIGINAL CURRENCY**	**COMPANY**	**2017 (COP MILLIONS)**		**2016 (COP MILLIONS)**	
			FAIR VALUE		**FAIR VALUE**	
Fair Value Swap	USD	ISA INTERCHILE	(10.593)		(25.169)	
Fair Value Swap	USD	ISA CTEEP	(3.870)		-	
DERIVATIVE INSTRUMENTS SUPPORTED IN FINANCIAL OBLIGATIONS			**(14.463)**		**(25.169)**	
TOTAL FINANCIAL OBLIGATIONS			**6.536.988**	**6.440.900**	**5.204.565**	**5.107.079**

The following relevant events took place in 2017, which explain debt change:

ISA

In May, through a payment for USD1,9 million, a credit with BNP-PARIBAS was paid, having paid the total amount.

In July, through a payment for USD24 million, a credit with Banco de Bogotá was paid, having paid the total amount.

In August, through a payment for COP22.243, a credit with Banco de Bogotá was paid.

In October, November and December, disbursements were received from Banco BBVA for a total of COP200.000 and from Banco Davivienda for COP400.000, to finance investments.

ISA TRANSELCA

In July, through a payment for COP16.000, a credit with Banco GNB Sudameris was paid, having paid the total amount.

In October, through a payment for COP9.928, a credit with Banco GNB Sudameris was paid.

In November, through a payment for COP3.750, a credit with Banco BBVA was paid.

INTERNEXA S.A.

In February, May, August, and November, through repayments for a total amount of COP10.666 million, a credit with Banco Itaú was paid.

In April and October, through a repayment for COP1.600 million, a credit with Helm Bank was paid.

In May, disbursements were received for COP4.000 from Banco Popular for cash flow.

In June, disbursements were received for COP28.000 from Banco Popular for payment of Tiws (Telxius) cable amounting to COP11.000, for a loan to INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A., for COP13.500 and COP3.500 for projects in Colombia.

In August, disbursements were received for COP32.000 from Banco Popular for capitalization of INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.

In December, disbursements were received for COP10.000 from Banco Popular for investments to be made in the first quarter and part of the second quarter of 2018.

ISA REP

In March, disbursements were received for USD40 million from Banco Scotiabank, for cash flow.

In September, through repayments for USD40 million, a credit taken in September 2016 with Banco Scotiabank was paid; and disbursements for USD5 million from BBVA Continental were received, for cash flow.

In December, a repayment for USD5 million to BBVA Continental was paid.

CONSORCIO TRANSMANTARO S.A.

In March, disbursements were received for USD172 million, which are part of the middle term loan agreement with Banco de Crédito del Perú, entered into in March 2015 for USD250 million. In addition, credits with Banco de Crédito del Perú for USD89 million, Scotiabank Perú for USD14,5 million and Banco BBVA Continental for USD15,5 million, respectively, were paid.

In December, through repayments for USD3,9 million, a credit with Banco de Crédito del Perú, entered into in March 2015 for USD250 million, was paid.

INTERNEXA S.A. (PERU)

In January, a payment for a total amount of USD666.667 to Bancolombia Panamá was paid.

In March, a payment for a total amount of USD416.667 to Helm Bank was paid.

During the year, a credit debt handling transaction with Bancolombia was made, which had a five-year term and an interest rate of Libor(6M) + 3,30%, receiving a new seven-year term with two-year grace period and an interest rate of Libor(3M)+3,22%.

ISA CAPITAL DO BRASIL S.A.

In November, a repayment for BRL79 million to preferential shareholders was paid.

ISA CTEEP

During the year, payments for a total amount of BRL29 million to BNDES were paid.

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In January, Promissory notes for BRL130 million were issued, which were prepaid in March by issuing Infrastructure Debentures.

In July, disbursements were received for USD50 million from BTMU; this transaction includes a hedging operation to mitigate the cross-currency swap risk, entered into with this bank for BRL160.500 million, for cash flow and investments.

In August and November, disbursements were received from BNDES for BRL134 million and BRL18 million, respectively, to finance investment projects.

INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–

During the year, payments for a total amount of BRL5 million to BNDES were paid.

INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–

During the year, payments for a total amount of BRL14,8 million to BNDES were paid.

INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI

During the year, payments for a total amount of BRL6,6 million to BNDES were paid.

INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A. –IENNE–

As ISA CTEEP increased its stake in this company, consolidating direct control over it, from September, it was included in the consolidated balance with a debt of BRL194 million.

From October until December, payments for a total amount of BRL2,4 million to BNB were paid.

INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.

In January, March, June, September and December, payments for a total amount of BRL19,6 million to Itaú were paid.

During the year, payments for a total amount of BRL683.764 to BNDES were paid.

In June and December, payments for a total amount of USD2,5 million to Helm Bank (now Itaú) were paid.

In November, a payment for a total amount of BRL7,89 million was paid.

Disbursements were received for BRL2 million from Banco Safra, whose total amount was amortized in November.

In November, disbursements were received for BRL30 million from Banco Safra, for payments to the principal and payments of debt interests.

ISA BOLIVIA

In February and August, payments for USD2,7 million to IDB, and payments for USD2 million to Corporación Andina de Fomento –CAF– were made.

INTERNEXA CHILE S.A.

In January, payments for USD300.000 to Helm Bank, and payments for CLP445,4 million to BBVA, were made.

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In March, a debt handling transaction was made where a disbursement was received for CLP3.800 million from BCI; and it prepaid credits for a total amount of USD4,6 million with Helm Bank Panamá.

In July, a credit debt handling transaction was made with BBVA, which had a five-year term and an interest rate of TAB(180)+1,70%, receiving a new five-year term with two-year grace and an interest rate of TAB(180)+1,40%.

Ruta de la Araucanía Sociedad Concesionaria S.A.

In March and September, payments to syndicated loan for a total amount of UF945.388,47 were paid.

Ruta de los Ríos Sociedad Concesionaria S.A.

In March and September, payments to syndicated loan for a total amount of UF732.124 were paid.

Ruta del Maule Sociedad Concesionaria S.A.

In March, a credit with BCI for UF766.400 was amortized.

In September, a credit with BCI for UF467.160 was amortized.

ISA INTERCHILE

In January, March, June, August and November, disbursements part of senior credit for project financing were received for USD51 million, USD28,2 million, USD75,5 million, USD41 million, and USD53,2 million, respectively.

In January, February, March, April, June, July, August, September, and November, disbursements, part of the VAT line, were received, for CLP2.149,5 million, CLP1.610,7 million, CLP3.103,1 million, CLP1.415 million, CLP3.947,7 million, CLP3.702,8 million, CLP3.983,2 million, CLP524,9 million, and CLP1.973,6 million, respectively.

In December, through payments for CLP51.781,8 million, a credit of VAT line was paid.

Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)
In May, a credit line opened (disclosed operating agreement) for up to a total amount of ARS$18 million with BBVA Banco Francés. In November, the credit line was not renewed.

The following chart shows financial obligations due dates per years:

DUE DATES IN COP		
Short-term		**930.616**
Long-term		**5.510.284**
2019	625.420	
2020	1.232.573	
2021	646.163	
2022 and after	3.006.128	
Total		**6.440.900**

Some obligations are secured, see Note 30.

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13.3 Derivatives financial instruments

Five subsidiaries of the Group had derivative hedging instruments, which are supported in bonds and financial obligations:

COMPANY		DERIVATIVE	SUBJACENT	CURRENCY OF ORIGIN	2017	2016
ISA REP	(1)	Fair Value Swap	Bonds	USD	33.175	46.760
ISA REP		Fair Value Swap	Bonds	USD	28.121	38.604
Ruta del Maipo Sociedad Concesionaria S.A.	(2)	Fair Value Swap	Bonds	USD	333.835	281.993
ISA INTERCHILE	(3)	Fair Value Swap	Financial obligations	USD	(10.593)	(25.169)
ISA CTEEP	(4)	Fair Value Swap	Financial obligations	USD	(3.870)	-
ISA CAPITAL DO BRASIL S.A.	(5)	Term operation	Financial obligations	USD	-	11.464
Total					**380.668**	**353.652**

- (1) ISA REP: To mitigate the cash flows generated by the debt coupons from the debt in soles resulting from the volatility of the exchange rate. Since the functional currency of this company is the USD, cross currency swap hedging contracts have been signed, which were classified as cash flow hedging derivatives, since they have the purpose of eliminating the uncertainty in the interest payment in Soles made by the company, as a result of currency translation.

  On November 8, 2012 and February 7, 2013, ISA REP entered into cross currency swap agreements with BBVA Banco Continental for an amount of S/.104.140.000 and S/.77.305.000, with due date November 2022 and February 2023, at an annual nominal rate of 5,375% and 5,1250%, respectively, thereby hedging the cash flows in soles resulting from the volatility of the exchange rate associated with the First Issue "A" Series and First Issue "B" Series of the Third Corporate Bond Program, for which it pays USD39,998,464 and USD29,999,224 at an annual nominal rate of 4,760% and 4,990%, respectively, which flows are liquidated on a semiannual basis. Critical deadlines of hedging contracts have been negotiated to match deadlines of their obligations.

  As of 31 December 2017, ISA REP has recognized in equity a market value of cross currency swap contracts for USD20,541,601 (2016: USD28,447,780); the effectiveness of these contracts has not been affected since no relevant ineffectiveness has emerged.

- (2) Ruta del Maipo Sociedad Concesionaria S.A.: This company owns a cross currency swap as hedging instrument, which purpose is to reduce exposure to the variation in the future cash flows caused by the variation in the exchange rate that affects the bond denominated in US dollars and the UF variation due to the future flows from toll collection.

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For these hedging operations, the gain or loss of the hedging instrument determined as effective hedging will be recognized in the net equity via other comprehensive income, while the ineffective portion of the gain or loss of the hedging instrument must be recognized in the income period.

On August 2001, the company issued a bond insured in the United States of America, for an amount of USD421 million. This instrument pays interest semiannually, in June and December, and it started to pay capital on June 15, 2009 and it will end on June 15, 2022. The bond has an annual interest rate of 7,373%, at a nominal value of USD389,966,356.

In May 2005, the company entered into this hedging agreement instrument with the Official Credit Institute of Spain (Instituto de Crédito Oficial de España) –ICO–, to exchange the flows in dollars, originated by the bond, by certain flows in development units (Unidades de Fomento, UF).

Accordingly, during the hedging period, ICO undertakes to deliver the flow in dollars and the company undertakes to pay a fixed amount of UF for such dollars. The fair value of the hedging instrument corresponds to the difference between the present value in UF and the flows in dollars of the future biannual payments. Present values are calculated using a projection of future interest rates, UF and dollars, respectively.

The risk of variation of the UF affects 100% of the financial debt, since 30,52% corresponding to the USD debt is translated into UF through the cross-currency swap mentioned, which generates an effect on the valuation of this liabilities on COP.

This swap is registered for an amount of USD111,874,947 as of December 2017 (2016: USD93,975,501).

- (3) ISA INTERCHILE: In February 2016, this company signed a debt contract in USD to finance works for the construction project and operation of 917 kilometers of lines in Chile. This project has an initial construction period for three years and then an operation stage.

  Therefore, during 2017, ISA INTERCHILE made hedging operations through swap of floating rate or fixed rate in USD, to hedge market risks exposed by future commitments of debt operation, focusing on the indexation interest rate, which is three-month Libor. Such risk is directly materialized due to the positive variation of such rate.

  The total nominal value of this instrument is USD258,336,480 at a fixed interest rate of 2,59%. Swap operations were made with the following financial institutions: Banco de Sabadell, Banco Estado, Bank of Tokio, BBVA, Caixabank, Credit Agricole, Natixis and SMBC.

- (4) ISA CTEEP: This company agreed a cross currency swap hedging instrument in June 17, 2017; the purpose of this operation was mitigating the local exchange rate risk against USD, which is exposed to credit agreed by the company with the financial entity The Bank of Tokyo-Mitsubishi UFJ, LTD., for USD50,000,000. The hedging instrument presents a nominal value of BRL160,500,000 and its maturity date will be July 17, 2018.

- (5) ISA CAPITAL DO BRASIL S.A. This company held as of December 31, 2016, as hedging instrument, a forward, aiming at acquiring dollars by the bank to be kept until due date and, subsequently, giving it to ISA CAPITAL DO BRASIL S.A. Furthermore, the bank charges ISA CAPITAL DO BRASIL S.A., market interests over the term of the operation, in this case 180 days. No contract is made, only one invoice is received with the collection of interests. The nominal value is BRL31,600,000.

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14. RISK MANAGEMENT POLICY

Given the nature of its various businesses and companies, the geographic position where each of them is located and their various rights (revenues) and obligations (financial debt, acquisition of goods and services), ISA and its companies are exposed to different financial risks.

For this reason, ISA businesses are intended to execute an ongoing monitoring of financial markets to minimize potential adverse effects on financial information, both individual and consolidated.

Risk management structure

ISA and its affiliates, and subsidiaries have in place a policy for comprehensive risk management, which provides the concept and action framework for the objective, systemic and approved implementation of actions aimed at proper management of risks to preserve the integrity of the corporate resource, continuity, and business sustainability. In this policy, ISA's companies state their strategic intent for comprehensive risk management and assign explicit responsibilities to all managers and their work teams (all participants). Below, the financial risks to which the company is exposed.

14.1 Market risk

Market risk corresponds to unfavorable variations from expected fair value or future cash flows of a financial instrument caused by adverse changes in variables such as exchange rates, domestic and international interest rates, price of indicators (macroeconomic variables), raw materials (commodities), among others.

14.1.1 Interest rate risk and macroeconomic variables

This risk corresponds to unfavorable changes in fair value or future cash flows of financial instruments with respect to expectations, and it is caused by the variation (volatility) of domestic and international interest rates and macroeconomic variables that are indexed to these flows thus affecting their value. The objective of the interest rate and macroeconomic variable risk management is to reach a balance in the structure of revenues and expenditures that would minimize volatility in the financial statement of the Group.

Financial obligations

As of December 31, 2017, ISA and its companies keep indexation at interest rates and macroeconomic variables in their financial obligations and in most cases, indexation of these operations is offset with the structure of revenues of each Group's company. Below, the interest rate composition for financial obligations:

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DEBT PARTICIPATION PER RATES

Rate	Balance in COP millions	(%) Participation
CPI	3.871.564	25,29
Fixed rate	4.131.627	26,99
UF	3.388.444	22,13
Libor (3M)	1.431.672	9,35
CDI	1.406.135	9,19
TAB	38.908	0,25
TJLP	449.516	2,94
IPCA	418.827	2,74
IBR	100.493	0,66
Libor(6M)	47.942	0,31
DTF	23.232	0,15
Total	**15.308.360**	**100**

In February 2016, ISA INTERCHILE signed a bond indenture for an amount of USD738 million, for its investment plan. To mitigate the risk of variability in the 3M Libor rate and stabilize the future cash flows of the project, swap operations were contracted for cash flow, to translate variable flows into fixed rate flows for the same amounts disbursed. On this basis, in 2017, hedging operations closed for an amount of USD307,39 million.

➔ Financial instruments - liquidity excess

ISA and its companies make investments in financial instruments with their liquidity surplus and particularly they are acquired to keep them until their due date; therefore, they are not exposed to the interest rate risk.

14.2 Exchange rate risk

This risk corresponds to unfavorable changes with respect to what is expected in the fair value or future cash flows of a financial instrument due to price variations in the foreign currency in which they are expressed.

ISA, in a consolidated basis, features an exposure to the exchange rate risk, because of conversion into Colombian Pesos of the investments in companies abroad, which are expressed in the following currencies:

Brazilian Real Chilean Peso Bolivian Boliviano	To:	US Dollar	To:	Colombian Peso

Given that the USD dollar is the functional currency used by companies in Peru, the consolidated effect will be related to such currency.

On the other hand, and in a lower proportion, some companies keep an exposure to the Exchange Rate, mainly in the category of expenses associated to the service of debt entered into currencies other than the functional currency of each company.

In cases where no hedging of a natural type exists against the exchange rate risk, ISA and its companies may carry out financial hedging operations that cover this risk.

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Mitigation measures

Hedge operations for financial risks are considered as mitigation tools for market risk; their objective is to stabilize for a time horizon, the financial statements, and the cash flow before fluctuations of the aforementioned risk factors.

As part of the Market Risk hedging (Exchange Rate, Interest Rate, Price), ISA and its companies can carry out standardized derivative operations (e.g. Exchange Rate, Commodity Future Agreements, among others) as well as non-standardized such as forwards, swaps and options operations at terms, in agreement with the best conditions of each market, which qualify as financial hedging instruments to be registered in the financial statements.

Exchange rate hedging operations kept in force by ISA and its companies, are described in Note 13.3.

14.3 Counterparty credit risk

14.3.1 Credit risk – customers

For ISA and its companies, this risk refers to the late payment, doubtful collection or not recovery of the portfolio from services rendered by the companies. In this regard, businesses and concessions in which companies take part are highly regulated and, in some cases, contractual measures that reduce such risk are maintained.

It stands as a noticeable event, when the seizure of Electricaribe's property, assets and businesses was carried out, which was ordered by the Superintendence of Household Utilities, through Resolution N° SSDP - 20161000062785 on November 14, 2016, which ordered the suspension of payments of all obligations generated up to the moment of such seizure. In consideration of this situation and following internal portfolio management guidelines from ISA and its companies, the corresponding provisions were taken. As of December 31, 2017, such provisions amounted to COP15.558, COP17.485, and COP85 million for ISA INTERCOLOMBIA, ISA TRANSELCA, and ISA, respectively.

14.3.2 Credit risk - liquidity excess

This risk is mainly mitigated through the selection of financial institutions of renowned strength and with a risk grading given by locally or internationally authorized agencies. On the other hand, a counterparty quota is to be evaluated through allocation models that revise both quantitative (financial indicators) and qualitative (risk grading) variables.

At the cut-off of December 2017, no situation has emerged in which a non-compliance of financial institutions where ISA and its companies manage their liquidity surplus has been accomplished.

14.4 Liquidity risk

Liquidity risk is defined as the incapacity to obtain enough funds for the fulfillment of obligations when due, without incurring in unacceptably high costs. ISA and its companies carry out constant monitoring of the short-term cash flow, which permits liquidity needs to be identified during the periods analyzed.

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On the other hand, each company maintains tools to achieve additional liquidity, such as the issuing of commercial papers and credit facilities with local and foreign entities that enable the fulfillment of temporary requirements for funds when so required.

15. ACCOUNTS PAYABLE

The breakdown of this item as of December 31, 2017 and 2016 is as follows:

		2017			2016		
ACCOUNTS PAYABLE		**CURRENT**	**NON-CURRENT**	**TOTAL**	**CURRENT**	**NON-CURRENT**	**TOTAL**
Suppliers	(1)	424.045	-	424.045	421.336	-	421.336
Creditors	(2)	145.759	54.975	200.734	124.792	56.424	181.216
Dividends	(3)	2.811	-	2.811	128.851	-	128.851
Retention on agreements	(4)	26.528	6.745	33.273	7.948	50	7.998
Economic related parties		53	294	347	-	-	-
Other accounts payable	(5)	179.870	933.278	1.113.148	222.300	923.235	1.145.535
Total accounts payable		**779.066**	**995.292**	**1.774.358**	**905.227**	**979.709**	**1.884.936**

- (1) Accounts payable to suppliers and contractors originate from the purchase of goods and services for the development of operations of the Company. These liabilities do not bear interest and are usually paid according to the payment schedule of each company.
- (2) Creditors include balances payable for finance lease, accounts payable for contributions to social security and parafiscal payments, complementary health plans and accounts payable fees, highlighting the following balances: ISA CTEEP COP69.341 (2016: COP69.103) for resources arising from the Global Reversion Reserve –GGR–; as well as interests and monetary updating from RBNI: INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A., COP32.884 (2016: COP33.646) for the subsidized price in NQT acquisition; Linear Systems RE LTD., COP28.830 (2016: COP22.402) for accidents and outstanding premiums at the end of the year.
- (3) ISA CTEEP's dividends payable to non-controlling shareholders.
- (4) Withholdings placed on contracts, highlighting those delivered by companies: ISA INTERCHILE, COP17.206 (2016: COP0), ISA CTEEP, COP6.895 (2016: COP0); Ruta del Maipo Sociedad Concesionaria S.A., COP6.843 (2016: COP2.926).
- (5) It includes advance payments and advance payments received, resources received in delegated administration, third-party deposits from: Ruta del Maipo Sociedad Concesionaria S.A., COP878.366 (2016: COP792.234), Ruta de la Araucanía Sociedad Concesionaria S.A., COP154.840 (2016: COP154.791), Ruta del Maule Sociedad Concesionaria S.A., COP55.907 (2016: COP148.839), INTERNEXA S.A., COP12.079 (2016: COP11.176), among others.

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16. PROVISIONS

Provisions as of December 31, 2017 and 2016, are the following:

		2017			2016		
ESTIMATED LIABILITIES AND PROVISIONS		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Provision for contingencies	(1)	29.569	111.079	140.648	42.289	145.825	188.114
Other estimated liabilities and provisions	(2)	97.107	142.196	239.303	494.994	122.068	617.062
Other estimated liabilities and provisions		**126.676**	**253.275**	**379.951**	**537.283**	**267.893**	**805.176**

- (1) It corresponds to provisions for against and probable litigations. (See Note 29).
- (2) The decrease occurs mainly due to the reduction of the provision registered in ISA CAPITAL DO BRASIL S.A., for COP404.456 of liability originated in the purchase contract of ISA CTEEP between São Paulo state and ISA CAPITAL DO BRASIL S.A. This obligation should be paid to São Paulo state if ISA CTEEP was exempted from payment of complementary benefits of pensioners covered by Law 4819 of 1958 before 06/30/2015. Upon expiry of the deadline, the Management of ISA and its companies held liabilities after factual analyses and in accordance with the provisions of Brazilian accounting standards. In 2017, against the non-occurrence of new elements, the collection of such value was unlikely and, therefore, liability was reversed.

  This item also includes estimated liabilities for the acquisition of goods and services which merchandise is in transit, provision for non-invoiced expenses, and environmental provisions.

17. INCOME TAX

Relevant aspects of income tax applicable to ISA and its companies.

a) In Colombia, current tax regulations for the 2017 taxable year, state that:

- The nominal income tax rate is 34%
- Law 1819 of 2016 repealed the CREE tax and its surtax, it also created a new surtax on income equivalent to 6% for the 2017 taxable year, and 4% for the 2018 taxable year.

INCOME TAX		SURTAX		TOTAL INCOME TAX RATE
34%	+	6%	=	40%
33%	+	4%	=	37%
33%	+	0%	=	33%

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- Income tax cannot be less than 3,5% of liquid assets on the last day of the immediately preceding taxable period, calculated by deducting such items duly authorized in the tax laws. The increase from 3% (2016) to 3,5% occurred with the tax reform of 2016, Law 1819.

- Law 1819 of 2016, established as of the 2017 taxable year the use of International Accounting Standards applicable in Colombia as the basis for the calculation of taxable income of the income tax, and the different tax treatments remained explicit.

- As of the 2017 taxable year, an anti-deferral regime for passive income obtained abroad by Colombian residents is now enforced. It is called Empresas Controladas del Exterior (Controlled Foreign Corporations) –ECE–, through which passive income obtained by corporations or other foreign corporations controlled by Colombian residents, has to be immediately declared in Colombia once –ECE– is enforced.

- Tax loss can be offset with taxable income of the following 12 periods.

b) In Chile, current tax regulations for the 2017 taxable year state:

- To establish the income tax, two fiscal regimes remain: the income attributed regime and the partially integrated regime, to which taxpayers have the right to select, and whose first category tax rates –IDPC– vary depending of the regime selected.

- **Integrated regime or income attributed:** companies' owners shall pay taxes in the same period for the total amount of the income taxes generated by the company and not only on earnings they withdraw. The income will be attributed in the way the partners or shareholders agreed to distribute, and if not stated, the distribution percentage agreed in the corporate charter, bylaws or public deed reported to the Tax Service will apply.

  In this system, –IDPC– rate will have a progressive increase for up to 25%. Taxpayers will be entitled to use 100% of the amount paid of –IDPC– as credit against final taxes.

- **Partially and comprehensive regime or income received:** Final taxpayers will be levied with the Supplementary or Additional Comprehensive Taxes as appropriate, on the distributions carried out in the companies where they hold interests. If no company's withdrawal of profits is held, there is not taxation for final taxpayers.

  Under this system, the First Category Tax rate –IDPC– is gradually increased to 27%. Contributors will be entitled to use only 65% of the amount paid for first Category Tax as credit against final taxes, except for taxpayers of the Additional Tax, domiciled in countries with which Chile has signed a double taxation convention in force that can use 100%. For these taxpayers, their tax burden will remain at 35%, whilst for other foreign investors it will be 44,45%.

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First Category Tax Rates:

SYSTEM	2014	2015	2016	2017	2018
Attributed income system	21%	23%	24%	25%	25%
Partially integrated system	21%	23%	24%	26%	27%

Companies from Chile decided to apply the regime assigned by Law. This is how the concessionaires and ISA INTERCHILE chose the partially integrated regime; and ISA INVERSIONES CHILE LTDA, ISA Inversiones Maule, and INTERNEXA CHILE S.A., chose the integrated system.

c) In Peru, current tax regulations for the 2017 taxable year state that:

- The income tax rate in force is 29,5% on taxable income, after deducting the participation of workers, which is calculated at a rate of 5% or 10%, on the taxable income.

- Corporate entities not domiciled in Peru and natural individuals must pay an additional tax on any amount that can be considered an indirect disposal of profits, including amounts charged to expenses and revenues undeclared; that is, expenses likely to have benefited the shareholders, participants, among others; private non-business expenses; expenses charged to shareholders, participants, among others, which are borne by the corporate entity. Dividend is understood as any credit to the limit of profits and unrestricted reserves that are granted on behalf of the partners, associates, or holders, regardless of the time limit set for their return.

- Dividends and other forms of distribution of profits are taxed with the income tax at 5%.

d) In Brazil, current tax regulations for the 2017 taxable year state:

- The Income Tax for Corporate Entities –IRPJ– and the Social Contribution on net profit are taxes under federal authority that affect the income of the corporate entity in its actual or presumed profit.
  - **Net profit:** The tax is established based on actual income for each period, setting up the taxable basis based on accounting profit and making calculations provided by tax law. The calculation base is composed by all income and capital gains; whichever denomination they have. The net profit of the calculation period is the amount of operating profit, operating results, and the shares at a 34% rate.
  - **Presumed profit:** it is a form of simplified taxation for determining the calculation basis. It applies to corporate entities with gross income up to BRL78 million in the immediately preceding year. Under this system, the profit of each taxpayer is determined by applying rates of 1,6%, 8%, 16% and 32% to gross income, the application of rate depends on the activity carried out by the taxpayer.

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e) In Bolivia, current tax regulations for the 2017 taxable year state:

- The company is subject to the Business Profit Tax (Impuesto a las Utilidades de Empresas) –IUE– at a 25% rate on taxable income for each year, which is the result of adjusting the accounting profit according with the criteria defined in the tax provisions. This tax is settled and paid in annual periods, offset with the Transaction Tax –IT– generated in the following year, until its depletion or until the following due date of the IUE.

- The distribution of company profits or payments of interest for the benefit of its shareholders or foreign related companies is subject to a withholding tax of 12,5% on the total amount accredited, paid, or remitted.

LEGAL STABILITY AGREEMENTS SIGNED BY ISA AND ITS COMPANIES

In Colombia: On June 27, 2008, ISA, and the Nation –Ministry of Mines and Energy–, signed the legal stability agreement for the activity of energy transmission for a 20-year period, whereby ISA paid a premium and agreed to make investment. This agreement basically provided for stabilization of income tax regulations, including income tax rate, deduction of the inflationary element of financial expenses, special deduction of 40% for new investments in real productive fixed assets, tax discount by VAT paid at import of machinery for energy transmission and presumptive income as 3% of liquid assets, as well as the time limit of the equity tax.

This agreement ensures that, in the event of adverse changes to the rules stabilized in the agreement, those rules will continue to apply during the term thereof.

In Peru: The agreement mainly provides investors and the investment recipient with stability in the income tax regime regarding the income tax and stability in procurement regimes of employees.

The following are the Group companies located in Peru who signed legal stability agreements:

ISA REP: On July 26, 2002, the company entered into a Legal Stability Agreement with the Peruvian State, which term is extended throughout the term of the concession. This agreement is related to the investment that the Shareholders of the company must perform with capital contributions for an amount of USD20,000,000, an amount which was completed by December 31, 2002. Basically, the agreement provides investors and the investment recipient with stability in the tax regime regarding the income tax and stability in procurement regimes of employees. The income tax rate is 27% over taxable income, after deducting the participation of workers, which is calculated at a rate of 5% over the taxable income.

CONSORCIO TRANSMANTARO S.A.: On February 24, 1998, this affiliate entered into a Legal Stability Agreement with the Peruvian State, which term is extended throughout the term of the concession. The agreement mainly provides investors and the investment recipient with stability in the tax regime regarding the income tax and stability in procurement regimes of employees. On October 27, 2006, the company signed an addendum to the tax stability agreement with the Peruvian State, which clarifies that the amount at that time of capital contributions amounted to USD43,005,250. The income tax rate is 30% over taxable income.

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ISA PERÚ S.A.: On March 29, 2001, this ISA's subsidiary signed a Legal Stability Agreement with the Peruvian State within the framework of Legislative Decrees N° 662 and N° 757 and Law N° 27342. The agreement term starts with the validity of the Concession Agreement and is extended throughout the agreement term. While this Agreement is in force, the Peruvian State agrees to ensure legal stability for the company in relation to stability for the income tax regime, thus, the regulations in effect at the time of signing the Agreement will remain in effect. Accordingly, the income tax rate is 20% plus additional 2%.

In Chile: Until 2015, foreign investors could enter into foreign investment agreements with the State under Decree-Law 600 –DL600–, provided that the investment amount exceeds USD5,000,000. DL600 allows:

- **Access to Formal Exchange Market:** The foreign investor may remit capital or income abroad, without restrictions or limitations regarding capital amount or income.

- **Tax cost of shares or corporate rights:** This option is provided to the foreign investor so that, in the event of disposal or settlement of its investment in Chile, the foreign investor has an opportunity to value shares or rights in the receiving company in two different ways, the most appropriate at "acquisition cost" or "tax cost".

- **Tax invariability:** It provides a rate of 42% as total effective income tax burden for a period of 10 years counted from the start operation date of the respective company, which acts as a protection against possible future tax rate increases above 42%.

- **Non-discrimination:** It provides foreign investor with the resource to claim standards ordered, which the foreign investor considers a discriminatory resource.

ISA and INTERNEXA S.A., shareholders of ISA INVERSIONES CHILE LTDA., ISA INVERSIONES MAULE, ISA INTERCHILE and INTERNEXA CHILE S.A., in 2015, signed foreign investment agreements under DL600.

INCOME TAX RECOGNIZED IN INCOME OF YEAR

The result for income tax recorded in the statement of comprehensive income corresponding to years 2017 and 2016, is as follows:

	2017	2016
Expense from current tax	558.985	338.201
Expense from deferred tax	456.831	2.077.093
Previous years	(106.555)	26.119
Tax other jurisdictions	7.037	10.745
Total expense (income) from income tax	**916.298**	**2.452.158**

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The reconciliation of the expense from income tax and the product of accounting profit multiplied by the nominal tax rate of each Group's company in years 2017 and 2016, is as follows:

	2017	2016
Reconciliation between income tax expense and accounting profit by the nominal tax rate of each company		
Earnings before income tax	3.260.106	7.469.893
Income tax expense at nominal rate for each company	**1.844.406**	**4.069.590**
Increase (decrease) in the provision of tax as a result of:		
Lower/Higher tax paid other jurisdictions	(4.335)	(2.375)
Non-deductible expenses	(152.347)	104.980
Taxable dividends and CAN dividends	10.610	3.248
Application of fixed asset benefit	(108.560)	(33.023)
Equity method	(673.936)	(1.553.391)
Exempted income	(3.267)	(7.044)
Current and deferred rate difference	6.025	(40.829)
Non-taxable revenues	(832)	(1.950)
Effect of choosing presumed and presumptive income	(1.466)	(87.048)
Income tax expense at effective rate	**916.298**	**2.452.158**

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DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax balances are presented in the consolidated balance sheet as the sum of deferred taxes recognized in each company, considering that current and deferred assets and liabilities amounts come from income tax corresponding to various tax administrations and different taxpayers.

Deferred tax assets and liabilities as of December 31, 2017 and December 31, 2016 are as follows:

	2017		2016	
	BEGINNING OF THE PERIOD	END OF THE PERIOD	BEGINNING OF THE PERIOD	END OF THE PERIOD
Deferred tax asset				
Other financial and tax credits	105.045	80.388	158.532	105.045
Provision and accounts payable	310.405	423.876	161.360	310.405
Total deferred tax asset	**415.450**	**504.264**	**319.892**	**415.450**
Deferred tax liabilities				
Property, plant, and equipment	(697.020)	(1.296.180)	(746.405)	(697.020)
Goodwill and intangible assets	(129.837)	(100.157)	(350.816)	(129.837)
Other liabilities	(3.159.638)	(3.109.428)	(639.970)	(3.159.638)
Total deferred tax liability	**(3.986.495)**	**(4.505.765)**	**(1.737.191)**	**(3.986.495)**
Net deferred tax	**(3.571.045)**	**(4.001.501)**	**(1.417.299)**	**(3.571.045)**

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Balance annual variations in the deferred tax were acknowledged as showed below:

	2017	2016
Deferred tax variation		
Beginning of the period (net)	(3.571.045)	(1.417.299)
End of the period (net)	(4.001.501)	(3.571.045)
Variation of the fiscal year	**(430.456)**	**(2.153.746)**
Detail of the deferred tax variation		
Recognized variation in income	(456.831)	(2.077.093)
Recognized variation in other comprehensive income	(3.123)	(13.601)
Rate conversion effect	29.498	(63.052)
Total deferred tax variations	**(430.456)**	**(2.153.746)**

According to the provisions of IAS 12, a deferred tax asset by tax losses is acknowledged when a company considers that it is likely the existence of future taxable income, on which it is possible to attribute these losses.

The following companies have tax losses that could be offset in the future and they acknowledged the deferred tax asset.

	COUNTRY	BALANCE 2017
Tax losses		
Ruta de la Araucanía Sociedad Concesionaria S.A.	Chile	915.770
Ruta del Maipo Sociedad Concesionaria S.A.	Chile	2.664.559
Ruta del Bosque Sociedad Concesionaria S.A.	Chile	404.798
Ruta del Maule Sociedad Concesionaria S.A.	Chile	141.305
ISA INTERCHILE	Chile	196.789
INTERNEXA CHILE S.A.	Chile	58.827
INTERVIAL CHILE	Chile	919
INTERNEXA S.A. (PERU)	Peru	1.361
Total tax losses		**4.384.328**

The management of ISA and its companies considers that projections of future profits of various companies cover what is needed to recover the balance due to accumulated tax losses for COP4.384.327, recognizing the deferred tax. Additionally, there is a balance of tax losses for COP503.831 on which deferred tax was not acknowledged since there is not a reasonable expectation that the companies obtain enough net income to compensate such losses:

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	COUNTRY	BALANCE 2017
Tax losses		
Ruta del Bosque Sociedad Concesionaria S.A.	Chile	210.946
Ruta del Maule Sociedad Concesionaria S.A.	Chile	120.299
INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.	Brazil	82.873
INTERNEXA PARTICIPAÇÕES S.A.	Brazil	89.712
Total tax losses		**503.830**

ISA and its companies are potentially subject to tax audits on the income tax by the tax authorities in each country. These audits are limited to a number of annual tax periods, which usually give rise to expiration of the term of such inspections. Given their nature, tax audits are usually complex and may require several years. Due to the varying interpretations that can be given to tax rules, the inspection results that could be held in the future by tax authorities, for the years subject to verification, could lead to tax liabilities which amounts cannot be quantified today in an objective manner.

Expected nominal income tax rate

The Group's expected nominal income tax rate is obtained by multiplying the weight of stakes in each country in the consolidated net income before ISA's taxes and nominal income tax rate, which sets out the tax rules of each country.

The nominal rate used to calculate the expected nominal income tax rate is:

COUNTRY	2017 (%)	2016 (%)
Colombia	40,00	40,00
Brazil	34,00	34,00
Peru	29,50	28,00
Chile	27,00	24,00
Bolivia	25,00	25,00
Bermuda	0,00	0,00
Argentina	35,00	35,00

Given the above, the expected nominal tax rate was 33,72% in 2017, and 33,19% in 2016.

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COUNTRY	2017				2016			
	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	(%) CONSOLIDATED	COUNTRY NOMINAL RATE	PARTICIPATION IN RATE BY COUNTRY	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	(%) CONSOLIDATED	COUNTRY NOMINAL RATE	PARTICIPATION IN RATE BY COUNTRY
Colombia	537.994	27,60%	40,00%	11,04%	442.839	14,71%	40,00%	5,88%
Brazil	795.409	40,81%	34,00%	13,87%	1.966.279	65,31%	34,00%	22,21%
Peru	254.717	13,07%	29,50%	3,86%	236.530	7,86%	28,00%	2,20%
Chile	314.054	16,11%	27,00%	4,35%	321.429	10,68%	24,00%	2,56%
Bolivia	37.643	1,93%	25,00%	0,48%	40.946	1,36%	25,00%	0,34%
Bermuda	2.570	0,13%	0,00%	0,00%	2.382	0,08%	0,00%	0,00%
Argentina	6.796	0,35%	35,00%	0,12%	62	0,00%	35,00%	0,00%
Total	**1.949.183**	**Expected nominal rate**		**33,72%**	**3.010.467**	**Expected nominal rate**		**33,19%**

Income tax effective rate

The effective income tax rate was 26,23% in 2017, and 29,03% in 2016. This rate resulted from the ratio between the income tax and the income before tax applicable to ISA in the consolidated statement, considering the participation in each company.

Effective rate vs nominal income tax rate

The effective rate in 2017 was 26,23% compared to an expected nominal rate of 33,72%, and in 2016 it was 29,03% against an expected nominal rate of 33,19%, due to the following reasons:

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COUNTRY	2017				2016			
	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	TAX PROVISION (WITHOUT NON-CONTROLLING)	EFFECTIVE RATE	COUNTRY NOMINAL RATE	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	TAX PROVISION (WITHOUT NON-CONTROLLING)	EFFECTIVE RATE	COUNTRY NOMINAL RATE
Colombia	537.994	144.974	26,95%	40,00%	442.839	168.699	38,09%	39,00%
Brazil	795.409	188.295	23,67%	34,00%	1.966.279	538.658	27,39%	34,00%
Peru	254.717	84.529	33,19%	29,50%	236.530	67.996	28,75%	28,00%
Chile	314.054	81.535	25,96%	27,00%	321.429	87.731	27,29%	22,50%
Bolivia	37.643	9.560	25,40%	25,00%	40.946	10.153	24,80%	25,00%
Bermuda	2.570	-	0,00%	0,00%	2.382	-	0,00%	0,00%
Argentina	6.796	2.357	34,68%	35,00%	62	602	204,81%	35,00%
Total	**1.949.183**	**511.250**	**26,23%**	**33,72%**	**3.010.467**	**873.839**	**29,03%**	**33,19%**

- In Colombia, in 2017, the effective rate is lower for the application of special deduction due to fixed assets investment and, in 2016, the increase is due to the non-deductibility of certain expenses.

- In Brazil, in 2017 and 2016, there is a lower rate in relation to the nominal rate since ISA CTEEP's subsidiaries establish their tax by applying the presumed profit.

- In Peru, in 2017, the increase of the effective rate in relation to the nominal rate was due to the non-deductibility of certain expenses; and the slight increase in 2016 was because ISA REP, Consorcio Transmantaro S.A., and ISA PERÚ S.A., established their taxes at different rates by applying the legal stability agreement signed with income taxes rates of 27%, 30%, and 22%, respectively.

- In Chile, in 2017, the lower effective rate is due to the fact that certain companies have a rate of 25%, and others 27%, according to the first category tax regime, which they selected; and in 2016, the increase of effective rate corresponds to the deferred tax for tax loss and its corresponding monetary correction acknowledged at a rate of 27%.

- In Bolivia, in 2017, the effective rate is slightly higher at the nominal rate for non-deductible expenses.

- In Argentina, the effective rate is very similar to the nominal rate due to certain tax deductions above the accounting amount.

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17.1 Other taxes and contributions receivable

	2017			2016		
	CURRENT (1)	NON-CURRENT (2)	TOTAL	CURRENT (1)	NON-CURRENT (2)	TOTAL
Other tax assets and contributions	309.451	46.870	356.321	463.818	-	463.818

- (1) This item includes withholding tax advance payments of different taxes that will be offset in subsequent periods, credit balance in tax return, sales tax, and municipal taxes.
- (2) It includes two ISA processes on behalf of DIAN, which are registered in the Dispute Tribunal, and the deductible VAT is also included for the acquisition and import of heavy machinery for basic industries (Article 258-2 Tax Statute) which will be taken as tax discount in future taxable periods. It also includes the VAT tax credit of INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.

17.2 Other taxes and contributions payable

		2017			2016		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contribution payable	(1)	64.773	1.035.228	1.100.001	15.544	911.000	926.544
Other taxes	(2)	100.894	-	100.894	155.794	-	155.794
Income tax provision	(3)	242.245	19.177	261.422	73.727	130.742	204.469
Total		**407.912**	**1.054.405**	**1.462.317**	**245.065**	**1.041.742**	**1.286.807**

- (1) It corresponds to the contribution payable PIS and COFINS, in ISA CTEEP and subsidiaries.
- (2) This item includes other taxes payable, such as withholding tax, sales tax, among others.
- (3) The increase primarily occurs due to greater net income and because certain companies changed from tax losses to net income.

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18. EMPLOYEE BENEFITS

The Group grants its retired pension employees, benefits such as pension employment relation, health assistance plans, social security contribution, education assistance, and energy assistance.

The benefits structure to non-current employees as of December 31, 2017 and 2016 is the following:

BENEFIT	NOTES	2017	2016
Post-employment benefits			
Retirement pensions	18.1.1	225.041	218.682
Prepaid medical assistance plans	18.1.2	214.905	191.505
Education assistance	18.1.3	23.168	20.528
Electricity assistance	18.1.4	5.763	6.404
Pension contribution and social security assistance	18.1.5	5.618	5.742
Plan assets	18.1.6	(7.558)	(7.816)
Non-current benefits			
Quinquennium payments and seniority premium	18.2.1 18.2.2	15.897	15.646
Severance	18.2.3	5.128	4.829
Long-term bonuses	18.2.4	2.487	-
Termination benefits			
Termination benefits	18.3	2.167	1.806
Total non-current employee benefits		**492.616**	**457.326**

18.1 Post-employment benefits

18.1.1 Retirement pensions

According to the collective and individual employment contracts, ISA, ISA INTERCOLOMBIA, ISA TRANSELCA and XM S.A. E.S.P., must pay retirement pensions to those workers who meet certain requirements of age and length of service. The Social Security Institute (Instituto de Seguros Sociales) –ISS–, today called Colpensiones, and the pension management companies assume the major portion of this obligation, according to the compliance with legal requirements.

The present value of the pension obligation, as of December 31, 2017 and 2016 was determined based on actuarial studies in accordance with IAS 19 using the actuarial valuation method. The projected unit credit was used to obtain the present value of the defined benefit obligation and, if applicable, current service costs and past service costs.

Under this method, benefits are attributed to periods in which the obligation to provide benefits is created by directly applying the formula of the benefit of the service-based plan on the valuation date. When the benefit is based on compensation and salary, wage increases are applied until the date in which the participant is expected to finish the service. However, if the service in recent years leads to significant additional benefits in previous years, benefits are linearly attributed from the date when service by the employee entitles to benefits under the plan, until such date when subsequent services lead to no additional material amount of benefits under the plan.

The primary actuarial assumptions used in the valuation are:

	DECEMBER 2017		
VARIABLES	**ISA**	**ISA TRANSELCA**	**XM S.A. E.S.P.**
Discount rate	7,10%	7,10%	7,20%
Future salary increase	4,00%	3,50%	4,00%
Future increase in pensions	3,50%	3,50%	3,50%
Inflation rate	3,50%	3,50%	3,50%
Minimum wage increase	4,00%	4,00%	4,00%
Rate of return on assets	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier
Number of people covered by pension plan	410	192	19
Number of people covered by contributions plan	9	192	-

18.1.2 Prepaid medical assistance plans

ISA, ISA INTERCOLOMBIA, ISA TRANSELCA and XM S.A. E.S.P., will pay the following percentages on premiums related to health plans corresponding to prepaid medical assistance and hospitalization policy:

For wages and pensions up to four point three (4,3) legal monthly minimum wages (SMLMV) in force, ninety percent 90% of the premium value.

For wages and pensions above four point three (4,3) and up to five point five (5,5) legal monthly minimum wages (SMLMV), eighty percent (80%) of the premium value.

For salaries and pensions above five point five (5.5) legal monthly minimum wages (SMLMV), seventy percent (70%) of the premium value.

On the other hand, ISA and ISA INTERCOLOMBIA acknowledge a health assistance benefit of 1,70 SMLMV and 1,54 SMLMV. This benefit is granted to the employee and its beneficiaries.

The obligation for health plans, current service cost and past service cost, were established through the projected unit credit methodology, as of December 31, 2017 and 2016.

The primary actuarial assumptions used in the valuation are:

DECEMBER 2017				
VARIABLES	**ISA**	**ISA INTERCOLOMBIA**	**ISA TRANSELCA**	**XM S.A. E.S.P.**
Discount rate	7,20%	7,30%	7,40%	7,40%
Minimum wage increase	4,00%	4,00%	4,00%	4,00%
Initial increase rate for benefit cost	7,00%	7,00%	4,50%	7,00%
Final increase rate for benefit cost	4,50%	4,50%	4,50%	4,50%
Rate of return on assets	N/A	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by medical plan	1.052	464	424	228

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18.1.3 Education assistance

Employees of ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, and XM S.A. E.S.P., are entitled to a recognition for education assistance, for each child of active workers and pensioned personnel, up to 25 years old, provided that they are single and are not working.

The assistance will be paid per year or early school semester and must be made in education centers duly approved by the competent entity.

Values to be recognized will be provided in the collective contracts in force:

ISA and ISA INTERCOLOMBIA

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD	
	BENEFICIARIES OF THE COLLECTIVE LABOR CONVENTION	BENEFICIARIES OF THE LABOR COLLECTIVE PACT
Preschool, kindergarten, primary and secondary, for each child	2,7 SMLMV (annual)	4,5 SMLMV (annual)
Technology, technical, professional and specialization in technology, per each child	1,5 SMLMV (by semester)	2,25 SMLMV (by semester)
Children with learning disabilities, whatever age	3,0 SMLMV (annual)	4,5 SMLMV (annual)

ISA TRANSELCA

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD
	BENEFICIARIES OF THE COLLECTIVE LABOR CONVENTION
Maternity aid, kinder garden and/ or primary	N/A
Financial aid for secondary studies and/or technical courses	375.660 (2016) + CPI (Annual)
University and/or intermediate degrees aid	531.343 (2016) + CPI (Semester)
Physical and mental rehabilitation	531.343 (2016) + CPI (Semester)

XM S.A. E.S.P.

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD
	BENEFICIARIES OF THE LABOR COLLECTIVE PACT
Worker	3 SMLMV (semiannual)
Daycare / Preschool Primary / Secondary (children)	3.2 SMLMV (annual)
Technology / Professional Technician / Specialization studies (Children)	4 SMLMV (annually, payable semi annually)
Specialization	3.2 SMLMV (annual)

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The obligation for education assistance benefit, current service cost and past service cost, were established through the projected unit credit methodology, as of December 31, 2017 and 2016.

The primary actuarial assumptions used in the valuation are:

	DECEMBER 2017			
VARIABLES	**ISA**	**ISA INTERCOLOMBIA**	**ISA TRANSELCA**	**XM S.A. E.S.P.**
Discount rate	7,20%	7,20%	7,40%	7,40%
Minimum wage increase	4,00%	4,00%	3,50%	4,00%
Rate of return on assets	N/A	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by the education plan	219	429	55	173

18.1.4 Electricity support

In ISA TRANSELCA, the electricity support is up to 80% of the residential consumption of the worker permanent housing.

The obligation for the education assistance benefit, current service cost and past service cost, were established through the projected unit credit methodology, as of December 31, 2017 and 2016.

The primary actuarial assumptions used in the valuation were:

VARIABLES	**DECEMBER 2017**
Discount rate	7,40%
Inflation rate	3,50%
Rate of return on assets	N/A
Mortality chart	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by the education plan	161

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18.1.5 Pension contribution and social security assistance

It consists of the payment of contribution for pension and social security to the provisional system and on behalf of the employee by XM S.A. E.S.P., from the time the employee leaves the company and until the employee is retired and included in the Colombian Social Security system.

The obligation for pension assistance and social security plans, current service cost and past service cost, was established through the projected unit credit methodology, as of December 31, 2017 and 2016.

The primary actuarial assumptions used in the valuation are:

VARIABLES	DECEMBER 2017
Discount rate	7,10%
Future salary increase	3,50%
Future increase in pensions	3,50%
Inflation rate	3,50%
Minimum wage increase	4,00%
Rate of return on assets	N/A

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Below is the reconciliation of movements in post-employment benefits carried out during 2017 and 2016:

	PENSION	MEDICAL ASSISTANT PLAN	EDUCATION SUPPORT	ENERGY SU-PPORT	CONTRIBUTIONS TO SOCIAL SECURITY	TOTAL
Balance as of December 31, 2015	**211.195**	**171.833**	**17.664**	**5.286**	**5.839**	**411.817**
Current period service costs	-	2.430	887	-	-	3.317
Interest expense	15.111	12.549	1.329	371	392	29.752
Actuarial (profit)/Loss from experience	6.962	(484)	83	1.148	463	8.172
Actuarial loss from change in demographic assumptions	4.135	9.183	315	-	-	13.633
Actuarial loss from financial assumptions	265	4.110	589	-	-	4.964
Benefits directly paid by the company	(18.986)	(8.116)	(339)	(401)	(952)	(28.794)
Balance as of December 31, 2016	**218.682**	**191.505**	**20.528**	**6.404**	**5.742**	**442.861**
Current period service costs	-	2.869	988	-	-	3.857
Interest expense	15.452	13.708	1.486	457	410	31.513
Actuarial loss from experience	3.779	9.729	355	606	544	15.013
Actuarial loss from change in demographic assumptions	-	3.898	-	-	-	3.898
Actuarial loss from financial assumptions	2.929	595	170	-	-	3.694
Benefits directly paid by the company	(15.801)	(7.399)	(359)	(1.704)	(1.078)	(26.341)
Balance as of December 31, 2017	**225.041**	**214.905**	**23.168**	**5.763**	**5.618**	**474.495**

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On the other hand, a quantitative sensitivity analysis was conducted in relation to changes in different key assumptions. The effect on benefit obligation to retired employees is as follows:

ASSUMPTIONS	PENSION	MEDICAL ASSISTANT PLAN	EDUCATION SUPPORT	ENERGY SUPPORT	CONTRIBUTIONS TO SOCIAL SECURITY
Change in discount rate					
Discount rate increase in +1%	(22.119)	(25.562)	(3.120)	(572)	(520)
Discount rate decrease in -1%	26.582	31.722	3.939	685	628
Change in benefit increase					
Increase in benefit increase in +1%	-	-	4.166	704	-
Decrease in benefit increase in -1%	-	-	(3.330)	(595)	-
Change in medical trend					
Increase in medical trend in +1%	-	28.650	-	-	-
Decrease in medical trend in -1%	-	(23.345)	-	-	-
Obligation base	**225.041**	**214.905**	**23.168**	**5.763**	**5.618**
Term of the plan	**12**	**15**	**14**	**12**	**11**

18.1.6 Plan asset

XM S.A. E.S.P.

The affiliate holds restricted cash and cash equivalents to support pension liability and long-term employee benefits, which are in the Autonomous Equity managed by Protección S.A. The value of the assets is present in the statement of financial position offset by the statement of liabilities previously described.

	2017	2016
Asset for pension	(7.558)	(7.816)

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ISA CTEEP

The company sponsors a retirement benefit plan and pension benefits due to death for employees, former employees, and respective beneficiaries, administered by Funcesp, whose purpose is to provide guaranteed benefits by Social Security.

Payments to retirement plan of defined contribution are expenses when services granting the right to such payments are delivered.

This evaluation is carried out every year, and the effects of restructuring plan commitments, which include actuarial gains and losses, caused by changes in the upper limit of the asset (if apply) and the return on plan assets (excluding interests), are immediately reflected in the general balance as a charge or credit acknowledged in other comprehensive income in the period of their occurrence. As of December 31, 2017 and 2016, ISA CTEEP did not hold actuarial assets or liabilities acknowledged in accordance to accounting.

As of December 31, 2017, PSAP / CTEEP had an actuarial surplus of COP532.939 (2016: COP523.197). This surplus is not acknowledged in accounting, since in compliance with regulations on decisions CVM N° 695 of 2012, the acknowledgement of the asset is only allowed when the equity surplus represents a future economic benefit for the company, which was not verified on December 31, 2017.

Movements of the benefit are as follows:

	2017	2016
Balance		
Benefit obligation	2.654.790	2.633.221
Fair value of the plan asset	(3.187.728)	(3.156.418)
(Surplus) / Deficit		
Irrecoverable surplus (effect of limit on assets)	532.939	523.197
Liquid liability / Asset	-	-
Movement in irrecoverable surplus		
Irrecoverable surplus at the end of the previous year	523.197	641.782
Interests in the irrecoverable surplus	57.897	81.545

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	2017	2016
Change in the irrecoverable surplus during the period	(37.043)	(280.927)
Currency translation effect	(11.112)	80.797
Irrecoverable surplus at the end of the previous year	**532.939**	**523.197**
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the end of the previous year	2.633.221	1.812.710
Current service cost	9.916	6.739
Interest costs	281.677	239.517
Benefits paid by the plan	(188.261)	(169.619)
Participant's contribution	754	1.453
Actuarial gain and loss	(27.282)	458.815
Currency translation effect	(55.235)	283.606
Defined benefit obligation at the end of the previous year	**2.654.790**	**2.633.221**
Reconciliation of fair value of the plan asset		
Fair value of the plan asset at the end of the previous year	(3.156.418)	(2.454.492)
Expected return on investments	(339.622)	(327.801)
Contribution paid by the company	(520)	(1.048)
Participant's contribution	(754)	(1.453)
Benefits paid by the plan	188.261	169.619
Gains and losses regarding return on investments	54.978	(176.840)
Currency translation effect	66.347	(364.403)
Fair value of the plan asset at the end of the year	**(3.187.728)**	**(3.156.418)**

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The movement in the other comprehensive income is as follows:

	2017	2016
Movement in other comprehensive income		
Balance at the end of the year	1.100	-
Reversal to retained earnings	(1.105)	-
Actuarial (gain) / loss	(27.282)	458.815
(Gain) / loss regarding return on investments	54.978	(176.840)
Change in the irrecoverable surplus during the period	(37.043)	(280.927)
Currency translation effect	232	52
Balance at the end of the year	**(9.120)**	**1.100**
Costs acknowledged in the income		
Current service cost	9.916	6.739
Interests in defined benefit obligation	281.677	239.517
Interests / return in the fair value of the plan asset	(339.622)	(327.801)
Interests in the irrecoverable surplus	57.897	81.545
Cost of the defined benefit obligation included in the company's income	**9.868**	**-**
Cost estimate for the following period		
Cost of the defined benefit obligation	**10.214**	**9.868**
Estimated value for the following period	**10.214**	**9.868**

On the other hand, a quantitative sensitivity analysis was conducted in relation to changes in different key assumptions, revealing the following results:

	2017	2016
Discount rate decrease in -1%	2.971.995	2.944.224
Discount rate increase in +1%	2.391.455	2.372.176

18.2 Non-current benefits

ISA, ISA INTERCOLOMBIA and XM S.A. E.S.P., grant their employees, benefits associated to the length of service within the company, such as severance, seniority premium, and five-year period payments.

18.2.1 Quinquennium

The benefit consists in the five-year period payment of a fixed sum when the employee reaches five-year service in the company, and subsequently, every five-year service.

18.2.2 Seniority premium

The benefit consists in the annual payment of one day's salary per each year of service with the company, in the month of completion of each year of service. The benefit begins when participant completes five-year service with the company.

18.2.3 Severance

In ISA INTERCOLOMBIA, this benefit granted by any cause for termination of the employment contract, including: retirement, disability, death, etc. It consists on the following fact: when employees retire from the company, they are paid a retroactive amount by severance after discounting advance payments. Severance retroactivity is settled to employees of an employment regime preceding Law 50 of 1990, who did not adopted changes in the defined contribution plan. This social benefit is settled for the entire working time based on the monthly wage average for each participant.

The main actuarial assumptions used in the valuation of the non-current benefits are:

DECEMBER 2017			
VARIABLES	**ISA**	**ISA INTERCOLOMBIA**	**XM S.A. E.S.P.**
Discount rate	6,90%	6,70%	6,90%
Minimum wage increase	4,00%	4,00%	4,00%
Rate of return on assets	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by seniority premium and quinquennium	109	461	137
Number of people covered by severance	-	24	-

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These benefits are valued annually. Reconciliation movements are presented below:

	SEVERANCE	SENIORITY AND QUINQUENNIUM PREMIUM	TOTAL
Balance as of December 31, 2015	**2.690**	**14.301**	**16.991**
Current period service costs	91	1.120	1.211
Interest expense/revenue	198	1.000	1.198
Actuarial (profit)/Loss from experience	1.881	1.126	3.007
Actuarial (Profit)/Loss from change in demographic assumptions	-	44	44
Actuarial (Profit)/Loss from financial assumptions	134	354	488
Benefits directly paid by the company	(165)	(2.299)	(2.464)
Balance as of December 31, 2016	**4.829**	**15.646**	**20.475**
Current period service costs	154	1.237	1.391
Interest expense/revenue	327	1.028	1.355
Actuarial (profit)/Loss from experience	(32)	164	132
Actuarial (Profit)/Loss from change in demographic assumptions	-	-	-
Actuarial (Profit)/Loss from financial assumptions	32	324	356
Benefits directly paid by the company	(182)	(2.502)	(2.684)
Balance as of December 31, 2017	**5.128**	**15.897**	**21.025**

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The quantitative analysis of sensitivity regarding a change in a key assumption will generate the following effect on the net obligation due to non-current benefits:

ASSUMPTIONS	SEVERANCE	SENIORITY/ QUINQUENNIUM
Change in discount rate		
Discount rate increase in +1%	(156)	(886)
Discount rate decrease in -1%	166	995
Change in salary raise		
Increase in salary raise +1%	229	1.053
Decrease in salary raise -1%	(219)	(951)
Change in benefit increase		
Increase in benefit increase in +1%	-	-
Decrease in benefit increase in -1%	-	-
Obligation base	**5.128**	**15.897**
Term of the plan	**4**	**7**

18.2.4 Other liabilities for employee benefits

As of December 31, 2017, and 2016, the company acknowledges the following bonuses liabilities granted to employees:

	2017	2016
Long-term bonuses	2.487	-

18.3 Termination benefits

Termination bonuses of the employment relationship in ISA TRANSELCA amounts to COP2.167 million.

The primary actuarial assumptions used in the valuation are:

VARIABLES	2017
Discount rate	6,80%
Inflation rate	3,50%
Rate of return on assets	N/A
Mortality chart	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by the education plan	137

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The following chart includes the reconciliation of movements made during 2017 and 2016:

	RETIREMENT BONUS
Balance as of December 2015	**-**
Other changes	1.806
Balance as of December 2016	**1.806**
Current period service costs	84
Interest expense	129
Actuarial loss from experience	148
Balance as of December 2017	**2.167**

The quantitative analysis of sensitivity regarding a change in a key assumption will generate the following effect on the net obligation due to defined benefits:

ASSUMPTIONS	RETIREMENT BONUS
Change in discount rate	
Discount rate increase in +1%	(130)
Discount rate decrease in -1%	149
Change in salary raise	
Increase in salary raise +1%	162
Decrease in salary raise -1%	(145)
Obligation base	**2.167**
Term of the plan	**7**

19. OTHER NON-FINANCIAL LIABILITIES

		2017			2016		
OTHER LIABILITIES		**CURRENT**	**NON-CURRENT**	**TOTAL**	**CURRENT**	**NON-CURRENT**	**TOTAL**
Deferred revenues and credits	(1)	11.586	398.571	410.157	149.246	286.388	435.634
Collections in favor of third parties		64.016	1.442	65.458	41.509	1.471	42.981
Revenues received in advance from sales	(2)	39.161	90.634	129.795	38.958	113.917	152.875
Total other liabilities		**114.763**	**490.647**	**605.410**	**229.713**	**401.776**	**631.490**

- (1) The deferred revenues and credits mainly correspond to:
  - In ISA, they are related to deferred revenues from the National Transmission System –STN: COP186.117 (2016: COP201.276) by call for bids assets –UPME– and infrastructure use rights for COP5.695 (2016: COP8.328).
  - In INTERNEXA S.A. (PERU), they correspond to net balances for advance payments received for the following constructions:
    - Advance payments received from the first usufruct for the construction of the fiber optics network of the first usufruct contract signed with Telefónica, called "Proyecto Sur", and "Proyecto Norte" for COP78.931 (2016: COP84.990).
    - Advance payment received in December 2011, resulting from the second usufruct contract signed with Telefónica, "Proyecto Norte" for COP20.750 (2016: COP22.253). Funds are used for the construction of the fiber optics network, which ended in October 2013.
    - Advance payment received between December 2014 and January 2015, resulting from the third usufruct contract signed with Telefónica for COP4.669 (2016: COP4.971).
    - Advance payment received in 2011, resulting from the contract related to the right to transmission capacity in the Lima Desaguadero Tranche, signed with Latin American Nautilus Perú, which was delivered in February 2013. From this date, the company acknowledges service revenues for COP25.657 (2016: COP28.322).
    - Advance payment received in 2011, resulting from the contract related to the right to capacity by which the company grants Telefónica the right to use maximum capacity of 40 Gbps for transportation on the company's network between substations San Juan (Lima) and Zorritos (Tumbes), COP4.403 (2016: COP4.725).
- (2) It mainly includes revenues received due to advance payment in INTERNEXA S.A., for COP117.494 (2016: COP139.578) in contracts for the right of use and network from the following customers: Avantel, Colombia Telecomunicaciones, Lazus, Empresa de Energía de Pacífico, Comunicación Celular –Telmex Colombia S.A., Transnexa, Colombia Móvil Contrato IRU NORTE, TV Azteca and LEVEL 3.

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20.EQUITY

20.1 Subscribed and paid-in capital and number of shares

ISA's subscribed and paid-in capital, as of December 31, 2017 and 2016, amounted to COP36.916 represented in 1.125.498.016 shares, distributed as follows:

	2017		
SHAREHOLDER	**NUMBER OF SHARES**	**MILLIONS**	**% INTEREST (1)**
STATE INVESTORS			
Ministry of Finance and Public Credit	569.472.561	18.679	51,41140
Empresas Públicas de Medellín E.S.P. –EPM–	112.605.547	3.693	10,16590
Subtotal	**682.078.108**	**22.372**	**61,5773**
PRIVATE CAPITAL INVESTORS			
Mandatory Pension Fund Porvenir Moderate	101.141.309	3.316	9,1309
Mandatory Pension Fund Protección Moderate	69.095.393	2.266	6,2379
Mandatory Pension Fund Colfondos Moderate	28.630.240	939	2,5847
Ishares Colcap Stock Fund	16.164.729	530	1,4593
Pension Fund Old Mutual Obligatory - Moderate	10.704.210	351	0,9664
Norges Bank-Cb New York	10.617.842	348	0,9586
Vanguard Emerging Markets Stock Index Fund	6.700.140	220	0,6049
Abu Dhabi Investment Authority J.P. Morgan	5.505.236	181	0,4970
Ishares Edge Msci Min Vol Emerging Markets Etf	4.806.895	158	0,4340
Horizons Colombia Select De S&P Stock Fund	4.743.195	156	0,4282
Vanguard Total International Stock Index Fund	4.630.465	152	0,4180

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	2017		
Ishares Msci Emerging Markets Etf	2.810.216	92	0,2537
Ishares Core Msci Emerging Markets Etf	2.767.563	91	0,2499
Blackrock Institutional Trust Company N.A.	2.554.509	84	0,2306
Monetary Authority of Singapore	2.387.797	78	0,2156
Caxdac - Old-age	2.185.377	72	0,1973
Emerging Markets Core Equity Portfolio of Dfa Inve	2.136.337	70	0,1929
Pension Fund Protección Vol-Moder	2.031.959	67	0,1834
Other shareholders	145.986.374	4.788	13,1795
Subtotal	**425.599.786**	**13.959**	**38,4228**
Total outstanding subscribed capital	**1.107.677.894**	**36.331**	**100**
Own shares reacquired (2)	17.820.122	585	
Total subscribed and paid-in capital	**1.125.498.016**	**36.916**	

	2016		
SHAREHOLDER	**NUMBER OF SHARES**	**MILLIONS**	**% INTEREST (1)**
STATE INVESTORS			
Ministry of Finance and Public Credit	569.472.561	18.679	51,411
Empresas Públicas de Medellín E.S.P. –EPM–	112.605.547	3.693	10,166
Subtotal	**682.078.108**	**22.372**	**61,577**
INVESTORS WITH PUBLIC AND PRIVATE CAPITAL			
Empresa de Energía de Bogotá S.A. E.S.P	18.448.050	605	1,3849
Subtotal	**18.448.050**	**605**	**1,3849**

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	2016		
Subtotal	**700.526.158**	**22.977**	**63,2428**
PRIVATE CAPITAL INVESTORS			
Mandatory Pension Fund Porvenir Moderate	89.737.599	2.943	8,1014
Mandatory Pension Fund Protección Moderate	69.647.327	2.284	6,2877
Mandatory Pension Fund Colfondos Moderate	28.609.043	938	2,5828
Ishares Colcap Stock Fund	12.909.662	423	1,1655
Norges Bank-Cb New York	10.872.969	357	0,9816
Old Mutual Mandatory Pension Fund	10.527.754	345	0,9504
Vanguard Emerging Markets Stock Index Fund	5.864.459	192	0,5294
Vanguard Total International Stock Index Fund	3.929.807	129	0,3548
Abu Dhabi Investment Authority J.P. Morgan	3.185.525	104	0,2876
Caxdac - Old-age	3.006.347	99	0,2714
Other shareholders	169.861.244	5.539	15,2446
Subtotal	**407.151.736**	**13.354**	**36,7571**
Total outstanding subscribed capital	**1.107.677.894**	**36.331**	**100**
Own shares reacquired (2)	17.820.122	585	
Total subscribed and paid-in capital	**1.125.498.016**	**36.916**	

- (1) Percentage of interest in outstanding shares, which are common, registered, and dematerialized.
- (2) Shares belonged to CORELCA and were reacquired by ISA in August 1998. To this date, all rights inherent thereto have been suspended, and consequently, they do neither participate in the distribution of dividends nor are part of the quorum to deliberate and decide.

The Colombian Centralized Deposit of Securities (Depósito Centralizado de Valores de Colombia) –DECEVAL–, is an entity that receives securities in deposit, for their administration and custody, thereby contributing to facilitate and speed up market agents' operations.

20.2 Authorized shares and nominal value

As of December 31, 2017, and 2016, the authorized capital stock included 1.371.951.219 common shares, with a nominal value of COP32,800000005352. All shares issued are totally paid.

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20.3 Rights and restrictions of shareholders

Shareholders with common shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at the Company Shareholders' Meetings. The parent company is listed in the Colombia Stock Exchange.

20.4 Premium for placement of shares

This item amounts to COP1.428.128 in 2017 and 2016. (See Note 3.21)

20.5 Dividends

Dividends declared in 2017 and 2016, on income from the previous year, are as detailed below:

	2017	2016
Net income of previous period	2.141.460	706.321
Outstanding shares:	1.107.677.894	1.107.677.894
Ordinary dividend per share (in COP)	248	228
Extraordinary dividend per share (in COP)	144	60
Total decreed dividends per share	392	288
Decreed dividends	434.210	319.011
Form of payment	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2017.	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2016.

The detail of paid dividends in recent years is as follows:

ATTRIBUTED TO THE PERIOD	TYPE OF DIVIDEND	DATE OF PAYMENT	PESOS PER SHARE
2014	Ordinary	28 Apr-15	52
2014	Extraordinary	28 Apr-15	15
2014	Ordinary	28-Jul-15	52
2014	Extraordinary	28-Jul-15	15
2014	Ordinary	27-Oct-15	52
2014	Extraordinary	27-Oct-15	15
2014	Ordinary	10-Dec-15	52
2014	Extraordinary	10-Dec-15	15
2015	Ordinary	26-Jul-16	114
2015	Extraordinary	26-Jul-16	30
2015	Ordinary	15-Dec-16	114
2015	Extraordinary	15-Dec-16	30
2016	Ordinary	25-Jul-17	124
2016	Extraordinary	25-Jul-17	72
2016	Ordinary	12-Dec-17	124
2016	Extraordinary	12-Dec-17	72

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20.6 Reserves

		2017	2016
Legal	(1)	18.458	18.458
Legal under tax provisions	(2)	898.802	811.959
Reserve for reacquisition of own shares	(3)	-	38.100
For equity strengthening	(4)	2.631.265	972.758
For rehabilitation and replacement of STN assets	(5)	37.434	37.434
Total		**3.585.959**	**1.878.709**

- (1) In accordance with Law, the parent company is required to set aside 10% of its net annual profits as legal reserve until the balance of this reserve equals 50% of the subscribed capital. The mandatory legal reserve may not be distributed before the liquidation of the parent company but may be used to absorb or reduce net annual losses. Reserve balances are freely available to stakeholders if they do not exceed 50% of the subscribed capital.
- (2) At the General Shareholders' Meeting on March 31, 2017, the increase by COP86.843 of the fiscal reserve was authorized, in compliance with Article 130 of the Tax Statute, to make tax deductions due to an excess of accounting depreciations. According to such legal provisions, such reserve can be released as long as accounting depreciations exceed those requested annually for tax purposes, or as long as assets that generated the greater deducted value are sold.
- (3) The General Shareholders' Meeting changed the aim of the reserve for the reacquisition of ISA's shares belonging to Empresas Públicas de Medellín E.S.P., by COP38.100 to reserve for equity strengthening.
- (4) In compliance with Article 47 of the Statutes, the General Shareholders' Meeting has established this reserve occasionally, so that the parent company keeps its financial strength, maintains the level of financial indicators required by credit rating agencies to provide investment grade and fulfill the contractual commitments acquired with financial entities.
- (5) On March 30, 2000, the General Shareholders' Meeting approved an appropriation of COP24.933 for the rehabilitation and replacement of the National Transmission System assets, and on March 18, 2002 an addition to this reserve was approved for COP12.501, for a total of COP37.434.

21. REVENUES FROM ORDINARY ACTIVITIES AND OTHER REVENUES

They are revenues for services provided by ISA and its companies, for concept of: energy transmission (use of National Transmission System –STN–), connection to the STN; services related to energy transmission services, management, operation and maintenance; specialized technical services, design, construction, maintenance, exploitation and operation of road concessions, the financial returns of concessions classified as financial assets, special studies, availability of infrastructure and project management, organization, administration, marketing and provision of telecommunication services, performing all kinds of activities with the construction of transmission lines, power projects of all kinds, intelligent management of real-time systems and, in general, any activity in the construction sector.

CONCEPT OF REVENUES		2017	2016
Energy Transmission services	(1)	4.335.715	8.738.226
Connection charges	(2)	223.979	211.553
Services CND – MEM		116.046	114.737
Telecommunications	(3)	345.386	337.167
Related activities		67.664	61.423
Road	(4)	1.088.430	1.126.331
Constructions for sale	(5)	777.045	1.303.189
Total operating revenues		**6.954.265**	**11.892.626**

- (1) Services provided by ISA, ISA INTERCOLOMBIA, and ISA TRANSELCA in Colombia, which are regulated by Energy and Gas Regulation Commission –CREG– and for the provision of services covered by concession agreements in Brazil, Peru and Bolivia paid under the tariff regime of each country and with annual adjustments during the term of the concession fee as agreed in each concession agreement.

  In Colombia, revenues decreased as a result of changes in the income profile of UPMEs Primavera - Bacata, Bolivar - Copey, Guatiguara – Primavera - Tasajero and Sabana - Bolivar, which are part of the calls agreed with UPME in 1999 and 2003, which income profile was high at the beginning of the operation, and from 2017 it becomes downward. The behavior of the macroeconomic variables to which revenues are indexed (IPP, PPR, and TRM) also add to this decrease.

  For ISA and ISA INTERCOLOMBIA, rates to use the STN for the existing network are regulated and subject to adjustment by the Producer Price Index –PPI–. Revenues due to UPME calls, related to new projects in STN are fixed in dollars and are translated into pesos each month with the Representative Market Rate –TRM– and the Producer Price Index –PPI– (United States).

  The decrease occurs mainly in extraordinary events of 2016 in ISA CTEEP, which acknowledged compensation for COP5.527.016. Likewise, for 2017, lower income is received due to inflation adjustment of the 2017-2018 tariff cycle.

  In Peru, there was a growth of COP23.821 by revenues from projects that came into commercial operation, mainly Mantaro Montalvo.
- (2) In general, connection charges are updated by Producer Price Index –IPP–.
- (3) Services in the Information and Communication Technology business increased due to higher sales to corporate customers in Peru, Argentina, and Chile.
- (4) In the Road Concessions business of Chile, there were lower incomes for concession return due to greater traffic and lower incomes from major and routine maintenance works.

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- (5) Lower income compared with the previous year, due to the entry into operations of the Mantaro - Montalvo project in Peru. On the other hand, in 2017, incomes of new affiliates Interligação Elétrica Itaúnas S.A., COP5.291, IE TIBAGI S.A., COP1.033, IE AGUAPEÍ S.A., COP914, IE ITAQUERÊ S.A., COP8.398 and IE ITAPURA S.A., COP71 were acknowledged.
- The methodology used for the recognition of construction revenues in each project is as indicated in Note 3.16.1.

22. CONCESSIONS

ISA, through its companies, promote development in Brazil, Peru, and Bolivia by means of concessions acquired to render energy transmission utility services, real-time systems management services in Colombia, and road transportation services through concessionaires in Chile.

22.1 Concessions in Peru

Due to the terms and conditions contained in the concession agreements in Peru for the provision of utilities regarding energy transmission, similar in legal terms and rights and obligations to the State, the model that applies to concession agreements to provide the utility of energy transmission at ISA REP, ISA PERÚ S.A., and -is the intangible asset model, which applies when the services provided by the operator are paid by users or when the grantor does not unconditionally warrant the collection of accounts receivable.

The intangible asset represents the right granted by the Peruvian State to charge electric energy transmission service users.

22.2 Concessions in Bolivia

Similar to the type of contracts in Peru, concession agreements for the provision of energy utilities in Bolivia, unconditional cash receipt is not guaranteed for the operator, thus the latter must assume the credit risk associated with the collection of invoiced amounts, which could mean that the company cannot recover all the investment. Additionally, the Bolivian State is not required to ensure the remaining either by the absence of demand or lack of payment of any of the market players; therefore, the grantor has no obligation to pay for the construction services received; in this sense, the model that is consistent with the contract terms and framed by IFRIC 12 is the intangible asset model.

22.3 Concessions in Colombia

At present, Sistemas Inteligentes en Red S.A.S., by means of Business Cooperation Agreement signed with UNE EPM Telecomunicaciones S.A., and Consorcio ITS, is in charge of executing the Inter-Administrative Agreement N° 5400000C003 of 2006 with the Municipality of Medellin "under concession, and therefore at its account, by contributing with the required technological infrastructure, to provide modernization and optimization for the management of the administrative services of the Department of Transport and Traffic of Medellin, through a comprehensive solution of information, communications and technology operation of ICTs"; in consideration of the above, it is entitled to participate of the revenues from fines captured by the photo-detection system.

This contract is within the scope of IFRIC 12, under the intangible model, for the following reasons:

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- The grantor, in this case the Municipality of Medellin, controls which services should be provided by the operator with the infrastructure, whom should be charged and at what price.
- The grantor controls, through ownership of the right to use, any significant residual participation in the infrastructure at the end of its useful life, as set out in Addendum N° 5 of the agreement: "upon termination of this agreement, all goods, equipment, technology, software licenses shall be reversed in favor of the Municipality".

22.4 Concessions in Brazil

According to the concession agreements in Brazil for the delivery of energy transmission service, the operator holds the unconditional and contractual right to receive cash or another financial asset from grantor ANEEL, as it provides that at the end of the concession, the reversion of assets linked to the concession will be established by determination and calculation of the compensation to be recognized by the operator.

The company believes that the amount of compensation to which operators are entitled corresponds to the New Replacement Value –NRV–, adjusted for accumulated depreciation of each asset, which is part of the remuneration for the services of construction that is recognized at the time the work is completed; therefore, management believes that this value corresponds to the guaranteed minimum value regulated by the State.

According to the above, all energy transmission concessions in Brazil were classified under the financial asset model, with the recognition of revenues and costs of the works related to the creation of the asset.

Financial assets include amounts receivable relating to construction services, financial yields and operations and maintenance services, as well as the amount of compensation received by the concession from the reversal of assets linked to the concession at the end of the contract.

22.5 Concessions in Chile

The Chilean concession agreements for the provision of road transport service included guaranteed revenues under the Income Distribution Mechanism (Mecanismo de Distribución de Ingresos –MDI–), which sets total income to present value, also providing the concept of Guaranteed Minimum Revenue (Ingreso Mínimo Garantizado, –IMG–) and grants in some concessionaires.

These agreements also include income guarantees representing an unconditional contractual right to be received or other financial assets for construction services. The contractually guaranteed payment is a specific and determinable amount.

Based on the above, the model applied to concessions in Chile is the financial asset model. This asset is extinguished by the payments received from road users through tolls or directly by payments from the Ministry of Public Works (Ministerio de Obras Públicas –MOP–).

Some of these concession agreements include the construction of the infrastructure required for delivering these services.

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BUSINESS	CONCESSIONAIRE	COUNTRY	ASSET CLASSI-FICATION	CONCESSION ASSET VALUE		OPERATING REVENUES	
				2017	2016	2017	2016
Intangible asset							
Energy Transmission	CONSORCIO TRANSMANTARO S.A.	Peru	Intangible	3.782.892	3.392.779	840.966	1.236.152
	ISA REP	Peru	Intangible	1.337.708	1.370.767	450.926	480.564
	ISA PERÚ S.A.	Peru	Intangible	157.003	168.162	45.924	102.020
Subtotal concessions in Peru				**5.277.603**	**4.931.708**	**1.337.816**	**1.818.736**
Energy Transmission	ISA BOLIVIA	Bolivia	Intangible	75.384	90.598	71.266	72.193
Management of Real-Time Systems	Sistemas Inteligentes en Red S.A.S.	Colombia	Intangible	5.435	6.117	15.494	17.198
Total concessions recognized as intangible assets				**5.358.422**	**5.028.423**	**1.424.576**	**1.908.127**
Financial assets							
Energy Transmission	ISA CTEEP	Brazil	Financial	10.094.326	9.465.587	2.331.158	6.643.844
	INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. –IEPINHEIROS–	Brazil	Financial	552.017	559.148	53.400	76.198
	INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI	Brazil	Financial	308.769	310.063	54.310	69.489
	INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–	Brazil	Financial	163.603	156.933	25.301	20.551
	EVRECY	Brazil	Financial	45.102	47.375	11.172	14.582
	INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A. –IENNE–	Brazil	Financial	670.974	-	3.465	-
Subtotal concessions in Brazil				**11.834.791**	**10.539.106**	**2.478.806**	**6.824.664**
Road Concessions	Ruta del Maipo Sociedad Concesionaria S.A.	Chile	Financial	5.324.713	4.802.802	699.182	765.074
	Ruta del Maule Sociedad Concesionaria S.A.	Chile	Financial	187.663	391.515	89.817	96.286
	Ruta de la Araucanía Sociedad Concesionaria S.A.	Chile	Financial	1.024.691	1.037.235	142.103	150.366
	Ruta del Bosque Sociedad Concesionaria S.A.	Chile	Financial	445.271	512.155	117.628	119.191
	Ruta de los Ríos Sociedad Concesionaria S.A.	Chile	Financial	388.312	448.628	91.982	112.285
Subtotal concessions in Chile				**7.370.650**	**7.192.335**	**1.140.712**	**1.243.202**
Total concessions recognized as intangible assets:				**19.205.441**	**17.731.441**	**3.619.518**	**8.067.866**

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23. OPERATING COSTS AND EXPENSES

23.1 Operating costs

Operating costs for the years ending on 31 December are detailed as follows:

		2017	2016
Concession agreements construction costs	(1)	751.031	1.259.856
Personnel expenses		466.160	376.337
Contributions and taxes	(2)	132.509	102.453
Materials and maintenance	(3)	275.051	261.389
Services	(4)	149.798	158.716
Miscellaneous	(5)	95.225	122.337
Insurances		36.450	28.815
Leases		35.183	26.123
Fees		26.217	23.097
Studies and projects		4.395	17.946
Advertising and prints		3.432	3.371
Total operating costs before depreciation, amortization, and transfers		**1.975.451**	**2.380.440**
Depreciations		256.123	250.895
Amortization	(6)	268.280	25.801
Total depreciation and amortization		**524.403**	**276.696**
Total operating costs		**2.499.854**	**2.657.136**

- (1) It corresponds to contracts for construction, management, administration and supervision of construction, entry into service and operation of transmission lines. The decrease mainly responds to a lower cost of COP442.231 due to the entry into operation of the Mantaro-Montalvo project.
- (2) Within the contributions and taxes, the most significant variation occurs in ISA and ISA INTERCOLOMBIA due to lien increases to financial movements, UPME contribution, Industry and Trade Tax, and wealth tax, as well as tax acknowledged in ISA CAPITAL DO BRASIL S.A., for COP26.443.
- (3) It includes costs associated with construction and building of assets for operation and maintenance of road network and grid, including those incurred in the recovery of infrastructure. It also includes costs associated to scheduled maintenance for the transmission grid and to constructions and buildings of the operation.
- (4) These costs incorporate services for transports, public utilities, processes outsourcing, installations, and audits. The variation relates mainly to lower costs in ISA CTEEP for contracts and orders regarding maintenance and conservation of substations, and in ISA INTERCOLOMBIA to minor services related to transmission towers maintenance.
- (5) The variation presented regarding lower expenses in Linear Systems RE LTD., concerning premium rights granted by means of reinsurers for COP22.835 and lower costs in Sistemas Inteligentes en Red S.A.S., for COP6.649.
- (6) The increase in amortization of rights mainly in Consorcio Transmantaro S.A., for COP94.727, ISA REP for COP86.420, and INTERVIAL CHILE for COP33.543 due to the amortization start date of projects.

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23.2 Administrative expenses

Other administrative expenses for years ending December 31, are detailed below:

		2017	2016
Personnel costs	(1)	287.175	305.802
Contributions and taxes	(2)	41.565	78.230
Miscellaneous		49.264	51.962
Fees	(3)	57.656	46.973
Materials and maintenance	(4)	46.533	37.878
Services	(5)	26.266	22.979
Leases		15.757	17.006
Insurances		10.385	14.243
Studies and projects		4.458	9.697
Advertising and prints		12.040	7.874
Total administrative expenses before depreciations, amortizations, and provisions		**551.099**	**592.644**
Amortizations		11.849	232.716
Provisions	(6)	54.907	126.893
Depreciations		28.038	28.257
Total depreciations, amortizations, and provisions		**94.794**	**387.866**
Total administrative expenses		**645.893**	**980.510**

- (1) Personnel costs include all current benefits, non-current benefits, and post-employment benefits.
- (2) This item includes contributions to various control entities, electric energy tax, tax on financial transactions, property tax, industry and trade tax, tax on advertising signs and boards, as well as taxes on street lighting, environmental surcharge, and stamps. The most significant decrease corresponds to a wealth tax in ISA for COP17.794.
- (3) Increase in account payable fees for technical, administrative, legal, and financial assistance in INTERVIAL CHILE for COP4.510, ISA CTEEP for COP3.040, ISA for COP1.033, INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A. for COP1.088.
- (4) This item includes costs associated with construction and building of assets for operation and maintenance of road network and grid, including those incurred in the recovery of infrastructure. The variation responds mainly to an increase in the expenditure of ISA CTEEP for COP27.307 and to a decrease in ISA REP for COP9.935.
- (5) Increase in services, mainly in ISA CTEEP, due to sanitation services, utilities, and security.
- (6) Variation that corresponds to the events presented in 2016 in ISA CTEEP, where it acknowledged a provision for accounts receivable of Law 4819/58. In addition to the above, the decrease is related to the portfolio provisions acknowledged in 2016 in affiliates ISA TRANSELCA and ISA INTERCOLOMBIA of the Electricaribe's clients for COP17.485 and COP13.965, respectively.

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24. OTHER REVENUES AND EXPENSES

24.1 Other revenues

Other revenues and expenses and equity method for years ending December 31, are detailed below:

		2017	2016
Extraordinary revenues			
Indemnities		2.286	2.917
Leases		1.052	993
Recoveries	(1)	220.255	6.145
Proceeds from sale property, plant equipment		173	449
Other		32.057	23.764
Total extraordinary revenues		**255.823**	**34.268**
Equity method	(2)	185.134	242.061
Total other revenues		**440.957**	**276.329**

- (1) Recovery of provisions in ISA CAPITAL DO BRASIL S.A., for COP182.711 as a result of the exemption from payment of additional benefits of state pensioners protected by Law 4819/58, recovery of provisions in ISA CTEEP for COP25.934 due to reversion of provision of civil procedures as a result of favorable judicial events, and in ISA TRANSELCA for COP7.683 due to reversion of provision related to street lighting tax expenses.

- (2) Revenues by applying the equity method by companies where the Group has a joint control, such as profit and loss equity of companies Interligação Elétrica do Madeira for COP128.131 and Transmissora Aliança de Energia Elétrica S.A. –TAESA–, COP52.345.

24.2 Other expenses

Other administrative expenses for years ending December 31, are detailed below:

		2017	2016
Other expenses			
Losses from events of loss		2.382	1.143
Loss from write-off of assets		61.234	8.751
Other		13.091	9.810
Total extraordinary expenses		**76.707**	**19.704**
Equity method	(1)	45.843	8.371
Total other expenses		**122.550**	**28.075**

- (1) Recognition of losses from entities where ISA and its companies have joint control, particularly in 2017. ISA's investment in ATP Tower Holdings LLC COP9.926 and ISA CTEEP's investment in Interligação Elétrica Garanhuns S.A., Interligação Elétrica Paraguaçu S.A., and Interligação Elétrica Aimorés S.A., for a total amount of COP17.415.

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25. FINANCIAL RESULT

The detail of financial income and expense as of December 31, 2017 and 2016, is as follows:

		2017	2016
Financial revenues			
Valuation of investment	(1)	58.764	435.259
Commercial discounts, conditioned and agreements	(2)	101.144	59.631
On due accounts, receivable and other loans	(3)	54.313	53.996
Monetary variation	(4)	10.313	21.483
Dividends	(5)	2.295	2.349
Total financial income		**226.829**	**572.718**
Exchange difference			
Cash		181.832	199.236
Debtors		84.556	128.588
Financial obligations		42.728	108.752
Accounts payable		36.194	43.825
Investments abroad		759	599
Other assets		297	456
Total exchange difference	**(6)**	**346.366**	**481.456**
Total financial income		**573.195**	**1.054.174**

- (1) It corresponds to the negotiation income and sale of fixed and variable income investments, which presented lower revenues in ISA CTEEP for COP382.868, and there were less returns compared to former year in ISA for COP7.506 and contributions for 2017 from Fundo de Investimento Referenciado DI Bandeirantes for COP19.686.
- (2) The variation basically corresponds to ISA CTEEP for COP47.070, as a result of the adherence to the Special Tax Regularization Program –PERT–.
- (3) It corresponds to financial returns from placement of securities, returns on deposits and agreements.
- (4) Revenues for monetary correction, including: INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A., COP4.471 (2016: COP12.103), ISA CTEEP, COP3.125 (2016: COP4.655) e ISA CAPITAL DO BRASIL S.A., COP2.712 (2016: COP4.480).
- (5) Revenues mainly from dividends received from Empresa Propietaria de la Red –EPR– in June, a Panamanian company incorporated in the city of San Jose de Costa Rica. ISA holds a stake of 11,11% in such company.
- (6) Monetary variation by deceleration of inflation of 2017 respect to 2016, an index on which debt is indexed, particularly in Chile, Brazil, and Colombia.

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		2017	2016
Financial expenses			
Interest and commissions			
Interest on bonds	(1)	560.033	587.667
Commissions and management of securities	(2)	90.095	381.325
On financial obligations	(1)	274.141	303.300
Other interest		76.939	178.386
Loss in valuation and sale of investments		20.267	21.406
Total interest and commissions		**1.021.475**	**1.472.084**
Exchange difference			
Financial obligations		205.139	271.753
Accounts payable		117.631	187.230
Of assets		92.172	149.429
Of investments		3.597	7.019
Total exchange difference	(3)	**418.539**	**615.431**
Total financial expenses		**1.440.014**	**2.087.515**

- (1) Lower financial expenses due to changes in the reduction of interest rate in Colombia and Peru.
- (2) The variation basically is due to the extraordinary event in ISA CTEEP in 2016, where COP335.394 associated to the valuation of investments were recognized.
- (3) Monetary variation by deceleration of inflation of 2017 respect to 2016, an index on which debt is indexed, particularly in Chile, Brazil, and Colombia.

26. NET INCOME PER SHARE

Net income per share has been calculated based on the annual weighted average of the outstanding shares at the date of the statement of financial position.

As of December 31, 2017, and 2016, the number of outstanding shares was 1.107.677.894. The net income per share determination is as follows:

	2017	2016
Net income of the period	1.437.936	2.136.629
Average of outstanding shares in the period	1.107.677.894	1.107.677.894
Net earnings per share (expressed in COP)	1.298,15	1.928,92

27. RELATED-PARTY INFORMATION

Subsidiaries, associates, and joint ventures, including subsidiaries of associates and joint ventures are ISA's related parties.

Balances and transactions among companies from the Group have been eliminated in the consolidation process and are not disclosed in this note.

During 2017, business transactions did not take place with companies where there is joint control.

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Board of Directors and key Senior Management staff

ISA is managed by a Board of Directors which is comprised by nine (9) main members. During Ordinary General Shareholders Meeting held on March 31, 2017, the Board of Directors for the April 2017 - March 2018 period was appointed. The Board of Directors' report holds the information regarding its election and creation.

The Senior Management is composed by the CEO and the employees of the first management level reporting directly to the CEO.

There are no outstanding receivables and payables between the Company and members of the Board of Directors.

a) Accounts receivable to key Senior Management staff

	2017
Chief Executive Officer	747
Vice-president	350
Corporate directors	1.090
General Secretary	38
TOTAL	**2.225**

There are no other transactions other than remuneration between the Company and members of ISA Board of Directors and Senior Management.

As of December 31, 2017, ISA has not recognized value impairment and value impairment expense of accounts receivable with related-parties.

b) Remuneration to key Senior Management staff

The remuneration received by the key Senior Management staff are the following:

		2017
Remuneration		8.290
Short-term benefits		3.714
Board of Director's fees	(1)	1.860
TOTAL		**13.864**

(1) Fees due to participation in Board of Directors, Directorates, or Councils of ISA and its companies.

As of December 31, 2017 and 2016, there are no labor links between the members of the Board and the Company, or business links between the Company and close relatives of members of the Board of Directors.

28. INFORMATION ON BUSINESS UNITS

An analysis of revenues, costs, and expenses from the corporate group, arising from business lines operations reported as follows:

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28.1 Operating revenues

2016 incomes include recognition of RBSE values in ISA CTEEP, which explains decreases of acknowledgements in 2017, when compared to income from the respective periods of the previous year.

		2017	2016
Operating revenues			
Energy Transmission	(1)	5.333.389	10.179.275
Road Concessions	(2)	1.140.713	1.243.215
Information and Telecommunications Technologies	(3)	345.814	337.167
Management of Real-Time Systems	(4)	134.349	132.969
Total costs and expenses		**6.954.265**	**11.892.626**

- (1) Revenues decreased as a result of several factors: a) In Colombia, due to changes in the income profile of UPMEs Primavera-Bacata, Bolivar-Copey, Guatiguara-Primavera-Tasajero and Sabana-Bolivar, which are part of the calls agreed with UPME in 1999 and 2003, which income profile was high at the beginning of the operation, and from 2017 it becomes downward; and b) The behavior of the macroeconomic variables to which revenues are indexed (IPP, PPI and TRM).
- (2) This variation includes the net effect of an increase in revenues from operation and maintenance services and a reduction in financial assets yields, since the highest traffic on road concessions decreased the account receivable.
- (3) It showed a decrease mainly explained by the reduction of IP service sales, since higher income from extraordinary services to customers from another operator of undersea cable was presented in 2016.
- (4) Positive variation that responds to the increase of photo-detection, CPI behavior, the increase of regulated operations flows, and the Financial Movement Tax –GMF– of monies from Wholesale Energy Market agents –MEM–. Likewise, higher revenues from the investment, implementation and operation of a collection, management, control, and communication system for the Medellin public transportation fleet system.

28.2 Costs and expenses

		2017	2016
Operating costs and expenses			
Energy Transmission	(1)	2.336.393	2.778.511
Road Concessions	(2)	366.223	432.740
Information and Telecommunications Technologies	(3)	322.881	310.626
Management of Real-Time Systems	(4)	120.250	115.769
Total costs and expenses		**3.145.747**	**3.637.646**

- (1) The variation is the result of the following factors: a) Lower number of lawsuits and reversal of provision of civil procedures in Brazil; b) Lower maintenance expenses and depreciation in Colombia, the latter due to changes in useful lives; c) Lower wealth tax in Colombia.

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- (2) This variation was mainly due to lower insurance expenses and greater maintenance costs for specific cycles which depend on vehicle flow.
- (3) The increase is due to higher data and communication costs, higher depreciations, and amortizations for the acquisition of new equipment in Brazil and increase in new client's portfolio provisions.
- (4) Increase as a result of investment in licenses and renewal of insurance policies and higher depreciations of new equipment for the control center.

29. DISPUTES AND CLAIMS

ISA and its companies are currently a procedural party, acting as defendant, plaintiff or intervening third party in administrative, civil, and labor judicial proceedings. None of the proceedings in which it has been sued or has been summoned as intervening party may undermine the stability of the Group. Also, on its own behalf, they have instituted legal actions required for the defense of its interests.

Below, information related to the main legal procedures developed by the Group:

COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
ISA	Labor. Appeal Case number 05001310500620140118800	Armando Gómez Arenas, Carlos Alberto Jaramillo Mesa, Ciro León Cantor Castellanos, Enrique Aristóbulo Hernández López, Gerardo Antonio Arango Lalinde, Henry Correa Bechara, Jansen Mejía González	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA.	11.386
ISA	Labor. Second Instance. Case Number 05001310501220140113800	Héctor Miguel Altuve Santos, Javier Emilio Franco Roldán, Libardo Antonio López Loaiza, Luis Alberto Bastidas Uribe, Néstor José Chica Castaño, Orlando de Jesús Hernández Toro, Oscar Grajales Sarria	To declare ISA responsible for acknowledging, in favor of the plaintiffs, the retirement pension agreed upon the collective work convention entered in such convention and SINTRAISA.	8.688

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COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
ISA	Labor. Appeal Case number 05001310500620140113500	Alonso de Jesús Buriticá, Álvaro Fabra Celis, Henry Betancur Ríos, Jaime Ospitia Obregón, José Aníbal Albarracín Ardila	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA.	7.654
ISA	Administrative. First Instance. Case Number 05001310300320060325200	Empresas Públicas de Medellín –EPM–	Plaintiff seeks to declare Interconexión Eléctrica S.A. E.S.P., ISA liable for unjust enrichment.	1.866
ISA	Administrative. First Instance. Case Number 05001233100020020163600	Central Hidroeléctrica de Betania S.A. E.S.P.	Plaintiff claims: 1. To declare annulment of administrative acts. 2. To restore the infringed right to Central Hidroeléctrica de Betania S.A. E.S.P.	2.283
ISA	Administrative. First Instance. Case Number 20001333100320090017200	Lino Rojas Estrada	To suspend the legal effects of the agreement called Mesa de Trabajo line 220, and order ISA the payment of damages.	1.405
ISA	Civil. First Instance. Case Number 08001310300420170018400	Francisco José Sánchez Cotes, Promigas S.A. E.S.P.	To establish easements for energy conduction in favor of ISA-Constitutivas.	1.262
ISA	Labor. First Instance. Number 68001310500220120032300	Jorge Eliécer Reyes Plata	Plaintiff seeks a declaration stating that between him and ISA there was a work relation, which was ended without justifiable reason.	819

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ISA	Labor. First Instance. Case Number 05001310502020150118500	Geisson Aguilar Ávila, Ivonne Lisseth Aguilar Ávila, Yaned Patricia Ávila Carreño	A full statement of responsibility is intended due to proven fault of Interconexión Eléctrica S.A. E.S.P., in accident suffered by the deceased.	641
ISA	Civil. First Instance. Case Number 08001310301420160020900 Administrative	Promigas S.A. E.S.P., Situm S.A.S.	To establish easements for energy conduction in favor of ISA-Constitutivas.	621
ISA	First Instance. Case Number 05001233100019980397100	Gómez Cajiao y Asociados S.A.	Plaintiff seeks absolute nullity of the administrative act and auditing and consulting contract, based on the grounds that such contract was awarded to a different entity from the one the plaintiff represents, and to reestablish the rights of Gómez Cajiao y Asociados Cía. Ltda. (Today called Gómez Cajiao y Asociados S.A.) for having presented the best offer in public tender C-002 of 96.	602
ISA INTERCOLOMBIA	Labor. First Instance. Case Number 050013105008201700	Darío Alberto Castrillón Urrego	The plaintiff aims at stating that ISA INTERCOLOMBIA is liable for the plaintiff's wage imbalance. In this sense, wage levelling is requested due to the imbalance since 2014.	330

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ISA INTERCOLOMBIA	Labor. Case Number 05001310502120170000500	Dubián Alberto Sánchez	The plaintiff seeks a statement that there is a current employment relation between the plaintiff and ISA INTERCOLOMBIA from 2005 until now	24
ISA INTERCOLOMBIA	Labor. First Instance. Case Number 05001310501720170026000	Luis Fernando Castrillón	The company is requested to conduct a wage levelling due to the wage imbalance.	412
ISA INTERCOLOMBIA	Labor. Case number 05001310500420160124900	Gustavo de Jesús Álzate Morales	The company is requested to conduct a wage levelling due to the wage imbalance.	93
ISA INTERCOLOMBIA	Labor. Case number 05001310500520160136400	Oscar Hernando Ortiz Sánchez	The company is requested to conduct a wage levelling due to the wage imbalance.	230
XM S.A. E.S.P.	Antioquia Administrative Tribunal.	LA PREVISORA TRUST DEED	Annulment of an administrative act imposing a penalty.	6.209
XM S.A. E.S.P.	Civil Court N° 6 of the Medellin circuit	Saldarriaga Osorio Wilfredo de Jesús	Violation of copyright legal status.	1.132
XM S.A. E.S.P.	Council of State	CENTRAL HIDROELÉCTRICA DE CALDAS S.A. E.S.P.	Economic damages due to improper administrative act.	1.451
XM S.A. E.S.P.	Office - First Section of the Cundinamarca's Administrative Court	EMGESA S.A.	Special damage by issuance of constitutional law and/or legal administrative act.	114.688
XM S.A. E.S.P.	Office - First Section of the Cundinamarca's Administrative Court - Oral	ISAGEN S.A. E.S.P	Special damage by issuance of constitutional law and/or legal administrative act.	65.448

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COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
XM S.A. E.S.P.	Office - First Section of the Cundinamarca's Administrative Court - Oral	AES CHIVOR Y CÍA E.S.P	Special damage by issuance of constitutional law and/or legal administrative act.	18.945
ISA TRANSELCA	First Instance	Luis Calderón Lemus	Popular and group action	1.566
ISA TRANSELCA	First Instance	Lino Rojas Estrada/Daniel Estrada Plazas	Popular and group action	4.210
ISA TRANSELCA	First Instance	Flor Ávila Martínez and others	Popular and group action	20.000
ISA TRANSELCA	First Instance	Inmobiliaria Los Altos y otros (Real State Agency and others)	Compensation for occupation of property. "TERMINATION OF EASEMENT". Amount of damages claim for 4.423.059.000. The ordinary jurisdiction is no competent in accordance to the provisions of Article 104 of CPACA. In this jurisdiction, the action would be expired.	4.423
IENNE	First Instance	INCOMISA – INDÚSTRIA, CONSTRUÇÕES E MONTAGENS INGELEC S.A.	Compensation	1.293
IENNE	First Instance	José Gonzaga Arraes Sousa	Labor	136
IENNE	First Instance	Eliane Pereira Correa Mendes Alves	Labor	79
IENNE	First Instance	Andressa Fernandes Cersosimo	Labor	37
IENNE	First Instance	Diego Calle Herranz	Labor	72
ISA CTEEP	First Instance	Labor	Claim for overtime, private retirement plan, wage equivalence, and others.	89.013
ISA CTEEP	First Instance	Civil	Equity shares and others.	3.821

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COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
ISA CTEEP	First Instance	Fiscal	Property and land tax.	16.814
ISA CTEEP	First Instance	Contingencies CESP Foundation	PIS on medical care / INSS on court proceedings.	1.352
INTERNEXA ARGENTINA	First Instance	Ivonne Calvo C / TTSA	Job Layoff.	40
INTERNEXA S.A.	First Instance	INTERNEXA -ISA	Labor complaint, requesting severance payments, severance interests, service premium for all the time of employment relation. Readjustment of compensation due to unfair dismissal, in accordance to the provisions of the Collective Agreement signed with SINTRAISA and in force at the time of labor termination by the plaintiff, considering the real accrued income by the claimant.	280
INTERNEXA S.A.	First Instance	Breach of the resolution	Resolution N° 650 of April 7, 2017 - Do not fight with all technical available means against the dissemination of pornographic material with children.	24
INTERNEXA S.A.	First Instance	Breach of the resolution	Resolution 972 of 2017 - Research due to extemporaneous presentation of reporting formats.	166

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COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
INTERNEXA OPERADORA BRASIL	First Instance	Samuel de Barros Moraes	Labor process	149
INTERNEXA OPERADORA BRASIL	First Instance	Paulo Rodolfo Araújo Albuquerque Mello	Labor process	149
INTERNEXA S.A. (PERU)	The company maintains administrative sanctioning procedures issued by FITEL for the following reasons: Administrative sanctioning procedures due to breach of payment of contributions during 2012, for usufruct contracts with Telefónica del Perú for USD427,240. The company maintains administrative sanctioning procedures issued by OSIPTEL for the following reasons: Administrative sanctioning procedures due to breach of payment of contributions during 2010, 2011, 2012, 2013 and 2014 for usufruct contracts with Telefónica del Perú S.A.A., for USD124,303, USD266,929, USD119,258, USD92,849, USD9,494. During 2017 and 2016, the company presented its justification for 2010, 2011, 2012, 2013 and 2014 periods, respectively, which as of the date of this report, it is expecting a declaration.			3.104
CONSORCIO TRANSMANTARO	First Instance	Dionisia Castillo de Gómez and others	Annulment of legal act, compensation, and demand.	4.028
ISA REP	First Instance	Ingenieros Consultores y Ejecutores –ICE–	Ineffectiveness of contractual termination	8.938
ISA REP	First Instance	G4S Perú SAC	Ineffectiveness of contractual termination	3.447

The Company management and its legal advisers believe the possibility of material losses as of result of such claims is remote.

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30. GUARANTEES

At the end of 2017, the following guarantees were in effect:

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a) Bank guarantees:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
BANK GUARANTEES	ENERGY MINING PLANNING UNIT –UPME–	Secure compliance with the obligations assumed under the award of the following Public Biddings	UPME 03-2014, Ituango	COP	153.996	25/02/2018
			UPME 05-2014, Costa Caribe Reinforcement	COP	77.803	18/06/2018
			UPME 03-2016, San Antonio	COP	13.753	01/10/2018
			UPME 01-2017, El Bosque	COP	1.910	02/04/2019
			UPME 06-2013, Caracoli	COP	9.212	04/06/2019
			UPME 07-2013, Montería	COP	29.389	25/09/2019
			UPME 09-2016 Cuestecitas	COP	71.132	02/03/2021
	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 1 - Execution of Project and payment of fines from new projects: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azucar 2x500 kV new line. 3. Pan de Azucar - Polpaico 2x500kV new line.	USD	116.837	16/07/2018

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TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
BANK GUARANTEES	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 1 - Relevant Milestone N° 5 - Entry into operation of the Project regarding new works: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azucar 2x500 kV new line. 3. Pan de Azucar-Polpaico 2x500kV new line	USD	29.209	31/08/2018
			PLEX 1 - Entry into operation of the Project regarding new works "Cardones - Maintencillo 2x500 kV new line", "Maintencillo - Pan de Azucar 2x200 kV new line", and "Pan de Azucar - Polpaico 2x200 kV new line"	USD	43.814	15/04/2019
			PLEX 2 - Entry into operation of the new project "Encuentro - Lagunas 2x220 kV new line, first circuit".	USD	3.464	14/09/2018
			PLEX 4 - Effective execution of Project and payment of fines, from new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA. 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA. 3. Autotransformer Bank S/E Nueva Pan de Azucar, 500/220 kV, 750 MVA.	USD	18.097	01/08/2018

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TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
			PLEX 4 - Relevant Milestone N° 5 - Entry into operation of the Project regarding new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA. 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA. 3. Autotransformer Bank S/E Nueva Pan de Azucar, 500/220 kV, 750 MVA.	USD	4.524	02/04/2018
BANK GUARANTEES	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 4 - Entry into operation of the Project regarding new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA. 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA. 3. Autotransformer Bank S/E Nueva Pan de Azucar, 500/220 kV, 750 MVA.	USD	6.787	30/04/2019
			PLEX 7 - Seriousness of proposal, bid process for the award of use rights and execution of new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA. 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA. 3. Autotransformer Bank S/E Nueva Pan de Azucar, 500/220 kV, 750 MVA.	USD	5.410	20/02/2018

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TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 7. Compliance with the Open Joint Venture constitution for new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA. 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA. 3. Autotransformer Bank S/E Nueva Pan de Azucar, 500/220 kV, 750 MVA.	USD	5.968	20/02/2018
BANK GUARANTEES	Some municipalities of Antioquia, Colombia	To guarantee compliance with the payment of public lighting tax as settled	Municipality of Los Palmitos	COP	1.607	04/11/2018
			Municipality of San Roque	COP	58	28/02/2018
			Municipality of Albania	COP	2.855	01/11/2018
	OTHERS	Guarantee payment compliance	STERLITE Contracts to import goods (Ituango-Medellin Substation Projects and Refuerzo Costa Caribe) (SITU and CECO))	COP	27.149	27/03/2018

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In 2017, new guarantees to comply with obligations acquired by ISA were issued. On the other hand, ISA INTERCHILE made disbursements of debt guaranteed by the parent company, addressed to the execution of projects PLEX 1, PLEX 2, and PLEX 4.

OTHER GUARANTEES					
TYPE OF GUARANTEE	**BENEFICIARY**	**OBJECT**	**CURRENCY OF ORIGIN**	**BALANCE (COP)**	**END DATE**
STOCK PLEDGE	BID - CAF	ISA BOLIVIA. Granting of 100% collateral of ISA shares in the affiliate, as guarantee of compliance with loans payments in favor of lending institutions.	USD	11.361	15/02/2019
STOCK PLEDGE	BOND HOLDERS	RED DE ENERGÍA DEL PERÚ –ISA REP–. Granting of 100% collateral of ISA shares in the company Red de Energía de Perú –ISA REP–, as guarantee of compliance with debt payments of this subsidiary.	USD	127.091	08/11/2031
JOINT AND SEVERAL GUARANTEE BOND	BCIE	COMPANY OWNER OF THE GRID –EPR–. To secure loan agreement between EPR and BCIE up to USD44,500,000 related with the financing of SIEPAC Project. Collateral has to be kept until total payment.	USD	86.574	29/06/2027
STOCK PLEDGE	CREDITORS SENIOR CREDIT CREDITORS	ISA INTERCHILE Granting of 100% collateral of ISA shares in the affiliate, as guarantee of compliance with loans payments in favor of lending institutions.	USD CLP	1.366.642 11.800	31/03/2031 31/03/2020

Secure payment obligations, to lenders for the following affiliates:

- IDB: Inter-American Development Bank
- CABEI: Central American Bank of Economic Integration.
- CAF: Corporación Andina de Fomento (Andean Development Corporation)
- EPR: Company which owns the Grid.
- SIEPAC: Sistema de Interconexión Eléctrica de los Países de América Central (Electric Interconnection System for Central American Countries).

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ISA TRANSELCA

The following guarantees ordered by TRANSELCA were in effect at the end of the year:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Bank	Municipality of Pivijay	To guarantee compliance with payment of public lighting tax as settled.	COP	1.244	02/05/2018
	Municipality of Distraccion		COP	27	20/03/2018
	Municipality of Malambo		COP	25	06/05/2018
	Municipality of Dibulla		COP	17	04/04/2018
	Inversiones Landazábal Daguer (Landazábal Daguer Investments)	Guarantee in executive process	COP	153	20/02/2018
STOCK PLEDGE	IDB and CAF	Granting of 100% pledge of TRANSELCA ISA shares in ISA Bolivia, as guarantee of loans payments in favor of lenders.	USD	10.913	15/02/2019

XM S.A. E.S.P.

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Bank	Municipality of Guachene	To secure payment compliance of values settled by XM S.A. E.S.P., through Resolution N° 047 of August 2, 2011, issued by the Municipal Treasury of Guachene (Department of Cauca).	COP	800	08/11/2018

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INTERNEXA S.A.

TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Letter of credit Stand-By	BBVA Chile		INTERNEXA CHILE S.A. Guarantee credit obligations acquired with BBVA Chile for USD4.512.000 (guarantee of 110%).	USD	14.810	28/02/2020
Letter of credit Stand-By	BCI		INTERNEXA in CHILE. Debt from its equivalent in Chilean pesos for CLP3.800 million with Stand By of 120% with Banco de Bogotá.	CLP	22.134	07/03/2018
STOCK PLEDGE	IDB-CAF	Secure payment obligations, to lenders for the following subsidiaries	ISA BOLIVIA. Granting of 100% Pledge on INTERNEXA shares affiliate, representing 0,01% of its participation.	USD	2	15/02/2019
Corporate Signature	Itaú Unibanco S.A.		INTERNEXA in BRAZIL. To secure payment obligations entered into with Banco Itaú up to 67,24% of the loan granted for BRL66.771.00 (equivalent to BRL44.896.820.4)	BRL	16.676	17/04/2019
Letter of credit Stand-By	Banco Santander (Brazil) S.A.		INTERNEXA in BRAZIL. To secure payment obligations entered into with Banco Santander up to 67,24% for BRL25.000.000 (equivalent to BRL16.810.000)	BRL	15.164	31/03/2022
Letter of credit Stand-By	Banco SAFRA (Brazil) S.A.		INTERNEXA in BRAZIL. To secure payment obligations entered into with Banco SAFRA for BRL30.000.000 or its equivalent for USD9,144,111.19 with Banco BBVA.	BRL	27.062	16/11/2018

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INTERNEXA S.A. (PERU)

TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
	Telefónica del Perú S.A.		Second usufruct of two optical fiber pairs and the provision of the operation and maintenance service in relation to the tranche Red Zona Cusco 2, and the tranche via Huanta described in such contract, as well as the use in a peaceful, calm, uninterrupted, continuous, and permanent way; by Telefónica del Perú regarding two optical fiber pairs on the aforementioned INTERNEXA network in the tranche Red Zona Cusco 2 and the tranche via Huanta.	USD	1.266	01/03/2018
Letters of guarantee	Telefónica del Perú S.A.	To support due compliance with the obligations entered into with the following contracts	Usufruct of two optical fiber pairs and the provision of the operation and maintenance service in relation to the tranche 7 described in such contract, as well as use in a peaceful, calm, uninterrupted, continuous, and permanent way; by Telefónica del Perú regarding two optical fiber pairs on the aforementioned INTERNEXA network in Tranche 7.	USD	1.266	01/03/2018
	Sociedad Eléctrica del Sur Oeste S.A.		Optical fiber connection service and communication signals between Potencia Socabaya-Jesus-Santuario substations, related to the expansion of SE Jesus and interconnection to the 138 kV Santuario-Socabaya. transmission line, agreed in the contract from CD-222-2016-SEAL.	PEN	62	20/01/2018
	Superintendencia Nacional de Administración Tributaria (National Superintendence of Tax Administration)		Service contract for communication links for data transfer and to Internet.	PEN	210	07/05/2018
	ElectroPerú S.A.		Bandwidth service contract for telecommunications with Mantaro Production Center.	USD	106	18/12/2018

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INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇOES S.A.

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Letters of guarantee	Gilvan Pereira	To support due compliance with obligations entered into with the following contracts	Rio de Janeiro office rent	BRL	279	15/09/2018
	Fundacao Vale Do Rio Doce De Segurida de Social Valia		Rio de Janeiro office rent	BRL	576	31/08/2018
	Copel Telecomunicacoes		Due compliance with connectivity contract	BRL	56	24/01/2018
	SSG Participacoes Ltda.		Sao Paulo office rent	BRL	499	21/12/2017
	SSG Participacoes Ltda.		Sao Paulo office rent	BRL	300	05/12/2018

INTERNEXA CHILE S.A.

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Bank Guarantee	Empresa de Ferrocarriles del Estado (State Railway Company)	To secure crossing authorization and annual certification of an underground passageway for an optical fiber cable in the km. 103,60 of the Southern Central Line.	UF	COP 6	30/04/2019
		To secure crossing authorization and annual certification of an underground passageway of an optical fiber located inside a duct, in a railway masterpiece in km 387,840 of the Southern Central Line N° Cocharcas Station Sector. Sol. 1077.	UF	COP 6	14/06/2019
		To secure crossing authorization and annual certification of an underground passageway and underground parallelism of fiber optics of 32 meters in length, located in km 67,416 of the Southern Central Line N° Codegua Sector. Sol. 1072.	UF	COP 8	14/06/2019
		To secure crossing authorization and annual certification of an underground passageway of an optical fiber located inside a duct, in a railway masterpiece in km 27,986 of the Southern Central Line - Municipality of Buin. Sol. 1071.	UF	COP 6	14/06/2019

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ISA REP

Corporate bonds are covered as follows:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Concessions Mortgage, Pledge of Shares and Guarantee of Flows	Bond holders	To secure compliance with obligations acquired by ISA REP with holders of the following bonds	4th Issuance of the Second Bond Program ISA REP.	USD	7	16/02/2019
			17th Issuance of the Second Bond Program ISA REP.	USD	60	20/01/2018
			20th Issuance of the Second Bond Program ISA REP.	USD	113	20/01/2026
			4th Issuance of the Third Bond Program ISA REP.	USD	119	19/04/2031
			1st Series A Issuance of the Third Bond Program ISA REP.	PEN	119	08/11/2022
			3rd Issuance of the Third Bond Program ISA REP.	USD	30	07/02/2018
			1st Series B Issuance of the Third Bond Program ISA REP.	PEN	90	07/02/2023
			7th Issuance of the Third Bond Program ISA REP.	USD	40	14/07/2021

In addition, the following guarantees were ordered to support other obligations:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Bonds	Third Specialized and Permanent Court for contentious administrative proceedings of the Superior Court of Justice of Lima.	Cover damages that could cause an impact on OSINERGMIN, resulting from the suspension of the effects of Resolution OSINERG N° 458-2005-OS/CD, ordered by the Third Specialized and Permanent Court for contentious administrative proceedings of Lima, in the precautionary measure currently monitored by the Third Specialized and Permanent Court for contentious administrative proceedings of the Superior Court of Justice of Lima by ISA REP against OSINERGMIN.	USD	28	24/11/2018

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	Volcán Compañía Minera S.A.	To secure advance payment granted by Volcán due to "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca ISA REP and TL Pomacocha - Carhuamayo of Consorcio Transmantaro".	PEN	752	16/08/2018
	Volcán Compañía Minera S.A.	To guarantee due compliance with obligations from "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca of ISA REP and TL Pomacocha - Carhuamayo of Consorcio Transmantaro".	PEN	780	16/08/2018
	Sociedad Eléctrica del Sur Oeste S.A.	To secure compliance with "Service Operation Contract for the equipment installed in the Substations of Marcona, Socabaya, Callalli, Repartición and Mollendo", service awarded to ISA REP through Exoneration Process N° 074-2015-Seal.	USD	23	15/02/2018
	Ministry of Education	To guarantee due compliance with investment agreement for the project: "Equipment Infrastructure Substitution and Construction at the i.e. Teresa de la Cruz San Juan Bautista ICA - ICA".	USD	177	01/01/2018
Bonds	SUNAT	To secure all compensations included in the Resolution of Determination N° 012-003-0049647 and Resolution of Fines N° 012-002-0024382 issued by Sunat as a result of the tax audit imposed to 2011 annual income.	PEN	197	09/09/2018
	Ministry of Mines and Energy	To guarantee due compliance with the concession agreement, which is supportive, unconditional, irrevocable, automatic, without waiving the benefits and only transferable to another government authority, as provided in the concession agreement of the Energy Transmission System Etecen - Etesur.	PEN	14.920	05/09/2018
	Executing Unit from the National Program of Innovation for Competitiveness and Productivity - INNOVATE Perú -	To secure compliance with Innovation project PITEI-4-P-205-184-16.	USD	9	14/02/2018
	Alpina Inversiones Inmobiliarias S.A.	To secure due compliance with Sublease Contract for Future Goods between Red de Energía del Perú –ISA REP– and Alpina Inversiones Inmobiliarias S.A.	USD	445	11/01/2018
	Ministry of Education	To secure compliance with the project execution for taxes.	USD	201	05/06/2018

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CONSORCIO TRANSMANTARO S.A.

At the end of 2017, on this affiliate the following guarantees were in effect:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Agreement "Carapongo Substation First Stage and connection to associated lines".	USD	10.742	30/04/2018
	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Agreement for "Strengthening of North System with a second transmission circuit 220 kV between Talara and Piura."	USD	5.968	01/06/2018
ODO	Volcán Compañía Minera S.A.	To guarantee advance payment granted by Volcán due to "Contract for the relocation of the TL 220 kV Pomacocha – Pachachaca of ISA REP and TL Pomacocha - Carhuamayo of Consorcio Transmantaro".	USD	304	16/08/2018
	Volcán Compañía Minera S.A.	To guarantee due compliance with all obligations from "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca of ISA REP and TL Pomacocha - Carhuamayo of Consorcio Transmantaro".	USD	338	16/08/2018
	Ministry of Mines and Energy	To guarantee that Consorcio TransMantaro S.A., timely fulfills proper compliance with all respective obligations, according to the SGT Concession Agreement of the TL Machupicchu-Abancay-Cotaruse in 220 kV.	USD	5.968	18/08/2018
	Ministry of Mines and Energy	To guarantee that Consorcio Transmantaro S.A., timely fulfills proper compliance with all obligations according to the SCT Concession Agreement "TL 220 kV Planicie-Industriales and Associated Substations."	USD	17.904	11/02/2018

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TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
	Ministry of Mines and Energy	To guarantee timely and adequate fulfillment of all respective obligations, according to the SGT Concession Agreement of TL Chilca-La Planicie-Zapallal.	USD	8.952	12/04/2018
	Ministry of Mines and Energy	To guarantee timely and adequate fulfillment of all respective obligations, according to the SGT Concession Agreement of TL Trujillo-Chiclayo in 500 kV.	USD	1.373	26/04/2018
	ATN2 S.A	To guarantee timely payment of energy transmission contract obligations for installation of the supplementary transmission system between Consorcio Transmantaro and ATN2.	USD	2.104	18/02/2018
ODO	Ministry of Mines and Energy	To guarantee timely and adequate fulfillment of all respective obligations, according to the SGT Concession Agreement of TL Trujillo-Chiclayo in 500 kV.	USD	5.968	23/03/2018
	Ministry of Mines and Energy	To guarantee compliance with obligations according to the Concession Agreement of TL Project Pomacocha - Carhuamayo and associated substations.	USD	5.968	27/09/2018
	Ministry of Mines and Energy	To guarantee compliance with obligations according to the Concession Agreement (TL ICA Independencia).	USD	2.984	28/09/2018
	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Agreement "TL 500 kV Mantaro-Marcona-Socabaya-Montalvo and associated substations."	USD	121.449	28/02/2018
	Ministry of Mines and Energy	To guarantee compliance with the execution of works corresponding to Concession Agreement Orcotuna 220/60 kV Substation, as per provisions of subparagraph (i) of Article 25 of the Electric Concessions Law. Law N° 25844 of Article 37 of its Regulation approved by D.S. N° 009-93 MEM.	USD	516	30/01/2018

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TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
	Ministry of Mines and Energy	To guarantee timely and adequate compliance with obligations, according to SCT Concession Agreement "TL 220 kV Friaspata-Mollepata".	USD	9.400	31/05/2018
	Ministry of Mines and Energy	To guarantee timely and adequate compliance with obligations, according to SCT Concession Agreement "Orcotuna 220/60 kV substation".	USD	4.028	28/02/2018
	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Agreement for the TL Zapallal Trujillo – MEM.	USD	8.952	21/12/2018
	Ministry of Mines and Energy	To guarantee compliance with the execution of works corresponding to Concession Agreement for the TL 220 kV Friaspata-Mollepata kV, according to the provisions of subparagraph (i) of Article 25 of the Electric Concessions Law. Law N° 25844 of Article 37 of its Regulation approved by D.S. N° 009-93 MEM.	PEN	1.877	20/03/2018
ODO	Ministry of Mines and Energy	To guarantee due compliance with works corresponding to SGT Concession Agreement "Carapongo Substation First Stage and connections to associated lines".	PEN	1.877	10/04/2018
	Ministry of Mines and Energy	To guarantee timely and adequate compliance with obligations according to the SCT Concession Agreement "TL 220 kV La Planicie-Industriales and Associated Substations."	USD	5.968	31/08/2018
	Private Investment Promotion Agency Proinversión	Guarantee of validity, effect, and seriousness of the offer.	USD	23.872	27/02/2018
	Private Investment Promotion Agency Proinversión	Guarantee of validity, effect, and seriousness of the offer.	USD	5.968	30/03/2018

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PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Letters of Guarantee	Red de Energía del Perú S. A. – ISA REP–	Guarantee due compliance with employment rights	USD	44.760	26.10.2018
	Consorcio Transmantaro S.A.		USD	74.600	29.10.2018

ISA CTEEP

The existing guarantees granted by ISA CTEEP to support the financing of its companies, are the following ones:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN	BALANCE (COP)	END DATE
Stock pledge	BNDES	Secure payment obligations to lenders for the following affiliates	IEMG	BRL	25.174	15/04/2023
Stock pledge	BNDES		Serra do Japi	BRL	54.049	15/05/2026
Stock pledge	BNDES		Pinheiros	BRL	55.550	15/05/2026
Stock pledge	BNDES		Pinheiros	BRL	13.699	15/02/2028
Stock pledge/ Corporate Guarantee	Banco do Nordeste		IENNE	BRL	164.737	19/05/2030
Stock pledge	BNDES		IESul	BRL	4.074	15/05/2025
Stock pledge	BNDES		IESul	BRL	6.616	15/02/2028
Stock pledge/ Fiança Bancária	Bando da Amazonia		IEMadeira	BRL	140.312	10/07/2032
						30/06/2018
Stock pledge/ Fianza Bancaría	BNDES		IEMadeira	BRL	635.092	15/02/ 2030
						31/08/2018
Stock pledge/ Corporate Guarantee	Itaú/BES		IEMadeira	BRL	233.741	18/03/2025
Stock pledge	BNDES		IEGaranhuns	BRL	130.396	15/12/2028

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INTERVIAL CHILE

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN CLP	END DATE
Bank Guarantee	Ministry of Public Works	To guarantee compliance with basic studies of private initiative, called Ruta del Villarrica, in the term specified and the adequacy thereof. (A bank guarantee)	UF	133.990.700	17/05/2018
		To guarantee seriousness of the bid offer for the Concession System of the Fiscal Public Work called "Rutas del Loa Road Concession". (A bank guarantee)	UF	5.225.637.300	30/05/2018

CONCESSIONARIES COMPANIES IN CHILE

RUTA DE LA ARAUCANÍA SOCIEDAD CONCESIONARIA S.A.

Guarantees granted to the MOP in connection with concession agreement:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN CLP	END DATE
Bank Guarantee	Ministry of Public Works	Full compliance with Concession Agreement awarded by Decree MOP N° 443 of April 20, 1998, published in Official Journal N° 36108 of July 08, 1998, during the exploitation stage.	UF	5.359.628.000	23/08/2018

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Commercial Pledge1

	2017	2016
ENTITY	**CLP**	**CLP**
Banco de Chile	5.776.764.000	7.890.845.000
Corpbanca	2.969.655.000	1.937.659.000
Banco Estado	-	3.940.000.000
Banco Santander	8.686.942.000	5.752.962.000
BBVA	2.690.640.000	3.278.812.000
Balance	**20.124.001.000**	**22.800.278.000**

RUTA DEL MAIPO SOCIEDAD CONCESIONARIA S.A.

Guarantees granted to the MOP in connection with the concession agreement:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN CLP	END DATE
Bank Guarantee	Ministry of Public Works	To secure compliance with obligations acquired in the International Concession Agreement Ruta 5, Tranche Santiago - Talca and South Access to Santiago. Awarded by DS MOP N° 859 on June 30, 1998. (Five bank guarantees)	UF	8.227.028.980	02/05/2019
		To guarantee due compliance with the execution of works in Parque la Serena. (A bank guarantee)	UF	2.867.400.980	28/02/2019

1 Pledge subscribed on debt, granting withholding ownership and entitlement of the debt to the lender, as well as the payment preference on other creditors at the time of payment default.

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Operating Guarantees:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN UF	END DATE
Bank Guarantee	Ministry of Public Works	Contract for exploitation stage - International Concession Ruta 5, Tranche Santiago - Talca and South Access to Santiago. (Five bank guarantees)	UF	535.000	02/05/2019

Commercial Pledge[2]

	2017	2016
ENTITY	CLP	CLP
Banco de Chile	10.000.000.000	7.233.328.000
Corpbanca	16.932.796.000	6.500.000.000
Banco Estado	1.374.628.000	1.356.765.000
BBVA	13.048.737.000	5.000.000.000
Banco Santander	-	7.687.234.000
Banco BCI	12.517.134.000	-
Balance	**53.873.295.000**	**27.777.327.000**

2 Pledge subscribed on debt, granting withholding ownership and entitlement of the debt to the lender, as well as the payment preference on other creditors at the time of payment default.

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RUTA DEL BOSQUE SOCIEDAD CONCESIONARIA S.A.

Guarantees granted to MOP in relation to the concession agreement:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN CLP	END DATE
Bank Guarantee	Ministry of Public Works	To guarantee due compliance with Concession Agreement awarded by Decree MOP N° 576 on June 30, 1997, published in Official Journal Nº 35,890 on October 14, 1997, in the exploitation stage. (Four bank guarantees).	UF	8.039.444.000	30/12/2021
		To protect road infrastructure and proper execution of the parallelism with medium-voltage line between km 554.952 and km 555.659 of Ruta 5 South Tranche Chillán - Collipulli for electrification of walkway in Alhuelemu Sector, Municipality of Mulchen. (A bank guarantee).	UF	13.399.070	15/01/2018

Commercial Pledge[3]

ENTITY	CLP	CLP
Banco de Chile	12.839.360.000	4.244.091.000
Corpbanca	4.700.000.000	3.541.078.000
Banco Estado	7.828.149.000	8.157.446.000
BBVA	4.690.574.000	3.900.000.000
Banco Santander	6.369.170.000	7.731.884.000
Balance	**36.427.253.000**	**27.574.499.000**

3 Pledge subscribed on debt, granting withholding ownership and entitlement of the debt to the lender, as well as the payment preference on other creditors at the time of payment default.

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RUTA DEL MAULE SOCIEDAD CONCESIONARIA S.A.

Guarantees granted to MOP in relation to the concession agreement:

Operating Guarantees:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN CLP	END DATE
Bank Guarantee	Ministry of Public Works	To guarantee due compliance with the Concession Agreement approved by Decree MOP N° 21 of January 12, 1996, and Complementary Agreement N° 5 approved by Decree MOP N° 602 and published in Official Journal on August 24, 2004, in the Exploitation stage. (Six bank guarantees)	UF	8.039.442.000	31/12/2019
Bank Guarantee	Ministry of Public Works	To guarantee due compliance with all obligations assumed by Ruta del Maule Sociedad Concesionaria S.A., in relation to the construction of vandal-proof barriers, provided in Agreement N° 6 of Supreme Decree MOP N° 259 of December 05, 2016. (Two bank guarantees).	UF	199.324.566	30/09/2018
Bank Guarantee	Ministry of Public Works	To guarantee due compliance with all obligations assumed by Ruta del Maule Sociedad Concesionaria S.A., in relation to the construction of "Works regarding Gateways and Buli and Santa Teresa Locations", and safety regulations works, provided in Agreement N° 6 of Supreme Decree MOP N° 259 of December 05, 2016. (A bank guarantee).	UF	344.417.467	28/02/2019

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Commercial Pledge[4]

ENTITY	2017	2016
Banco Estado	-	4.023.820.000
Banco BCI	8.132.206.000	8.197.668.000
Banco de Chile	2.500.625.000	-
Corpbanca	-	2.344.064.000
Banco Santander	3.329.406.000	6.172.941.000
Balance	**13.962.237.000**	**20.738.493.000**

RUTA DE LOS RÍOS SOCIEDAD CONCESIONARIA S.A.

Guarantees granted to MOP in relation to the concession agreement:

TYPE OF GUARANTEE	BENEFICIARY	OBJECT	CURRENCY OF ORIGIN	BALANCE IN CLP	END DATE
Bank Guarantee	Ministry of Public Works	To guarantee due compliance with Concession Agreement approved by Decree MOP N° 758 of August 14, 1997, published in Official Journal on October 28, 1997, during exploitation stage. (Four bank guarantees)	UF	1.343.926.721	30/09/2018

4 Pledge subscribed on debt, granting withholding ownership and entitlement of the debt to the lender, as well as the payment preference on other creditors at the time of payment default.

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Commercial pledge[5]

ENTITY	2017	2016
Banco BCI	4.875.761.000	-
BBVA	-	5.370.511.000
Corpbanca	5.963.254.000	4.250.035.000
Banco Estado	-	1.500.000.000
Banco Santander	5.500.000.000	1.689.801.000
Balance	**16.339.015.000**	**12.810.347.000**

31. Commitments

At the end of 2017, the following commitments entered into by ISA and ISA TRANSELCA, as shareholders of ISA BOLIVIA, were in force. They were generated by bond indentures signed by this affiliate with IDB and CAF as lenders.

DERIVED FROM ITS AFFILIATE ISA BOLIVIA:	DUE DATE
Signature of "Support and Guaranty Agreement" whereby ISA and ISA TRANSELCA agree, as sponsors of ISA BOLIVIA, to guarantee loans granted by IDB and CAF.	Termination of contracts
Obligation in effect: pay the balance of the outstanding debt with such lenders, in case of Government intervention or at the date when license is revoked.	(February 15, 2019).
Loans were used for the implementation of transmission licenses of lines Santivañez-Sucre, Punutuma and Carrasco-Urubo for 30 years, and the license for project Arboleda Substation.	

5 Pledge subscribed on debt, granting withholding ownership and entitlement of the debt to the lender, as well as the payment preference on other creditors at the time of payment default.

32. SUBSEQUENT EVENTS

ISA

On January 22, 2018, the National Tax and Customs Department issued eight resolutions with numbers from 497 to 504, in which it ordered to return to ISA the excess payment and/or not due of the 2011 equity tax, for the part corresponding to the activity equity of Energy Transmission.

The value to be returned amounts to COP60.901 plus moratorium interest generated until payment by DIAN.

The tax repayment occurs by applying the legal stability agreement subscribed with the Nation for the activity related to Energy Transmission, by which the equity tax norms, among others, in force in 2008 were stabilized.

ISA - ISA INTERCOLOMBIA - ISA TRANSELCA

On February 3, 2018, CREG Resolution 015 of 2018 was published in Official Journal, whereby the methodology, tariff formulas, and other provisions were established for the remuneration on the electricity distribution activity in the National Interconnected System –STN–. The companies are analyzing the potential impacts of this resolution.

CONSORCIO TRANSMANTARO S.A.

On January 29, 2018, the company subscribed with the Peruvian State the agreements related to concession, assurances and guarantees of projects "Connection 500 kV Mantaro-Nueva Yanango Carapongo and Associated Substations" and "Connection 500 kV Nueva Yanango-Nueva Huánuco and Associated Substations", which will benefit the departments of Lima, Áncash, Junín, Huancavelica, Pasco and Huánuco These agreements have a validity of 30 years from the entry into operation. The total investment sum for both connections amount to USD272,040,106 and a total annual operational and maintenance cost for USD6,825,111.

On February 2, 2018, the First Permanent Commercial Board decided the actions for annulment of the arbitration award are unfounded, which are appealed by Proinversión and MINEM, and validating the arbitration award on behalf of the company, in relation to the Determination Resolution on 2010 described in Note 14(e).

Ruta de los Ríos Sociedad Concesionaria S.A.

On January 26, 2018, the concessionaire subscribed the Ad Referendum Agreement N° 3 related to Safety Regulations Works. Currently, the Supreme Decree and its publication in Official Journal is under process.

Ruta del Bosque Sociedad Concesionaria S.A.

On January 18, 2018, the company signed an Ad Referendum Agreement N° 4 for amendment of Concession Agreement related to Safety Regulations Works. Currently, the Supreme Decree and its publication in Official Journal is under process.

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ISA INTERCHILE

Based on the cause Resolution Ex. N° 1 / Rol-D-045-2017 of SMA, on January 4, 2018, there are disclaimers before the same headquarters (SMA).

In addition, on January 11, 2018, in parallel to the aforementioned process, before judicial headquarters, Environmental Court of Antofagasta, a complaint is presented regarding Article 17 N° 3 of Law 20.600 in relation to the ruling of SMA rejecting the Compliance Program submitted by ISA INTERCHILE S.A.

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TABLE OF REFERENCE FOR ACRONYMS

ANEEL	Brazil-National Electric Power Agency
ASIC	Administración del Sistema de Intercambios Comerciales (Management of Trade Exchange System)
BCI	Banco de Crédito e Inversiones
BCIE	Central American Bank of Economic Integration
BID	Inter-American Development Bank
BRL	Brazilian Real
CAF	Banco de Desarrollo de América Latina (Latin American) Development Bank) or Corporación Andina de Fomento (Andean Development Corporation)
CAN	Comunidad Andina de Naciones (Andean Community of Nations)
CESP	Compañía Energética de São Paulo (Brazil)
CGN	General Accounting Office
CLP	Chilean Peso
CND	Centro Nacional de Despacho (National Dispatch Center)
COP	Colombian Pesos
CREE	Contribución Empresarial para la Equidad (Business Contribution for Equity) or Impuesto sobre la Renta para la Equidad (Income Tax for Equity)
CREG	Commission for the Regulation of Energy and Gas
DECEVAL	Depósito Centralizado de Valores de Colombia (Central Securities Depository of Colombia)
EPM	Empresas Públicas de Medellín E.S.P.
EPR	Company which owns the Grid
FAER	Financial Support Fund for Energizing Rural Zones
FAZNI	Financial Support Fund for Energizing Non-Interconnected Zones
FOES	Social Energy Fund
GMF	Gravamen a los Movimientos Financieros (Financial Transaction Tax)
IASB	International Accounting Standards Board
ICO	Instituto de Crédito Oficial (Chile) (Official Credit Institute)
IGV	Impuesto General a las Ventas (General Sales Tax)
IUE	Impuesto a las Utilidades de Empresas (Bolivia) (Corporate Income Tax)
MOP	Ministerio de Obras Públicas (Chile) (Ministry of Public Works)
NCIF	Standards of Accounting and Financial Information
IAS	International Accounting Standards
OSINERGMIN	Organismo Supervisor de la Inversión en Energía and Minería (Peru) (Supervisory Body for Investment in Energy and Mining)
PROINVERSIÓN	Promoción de la Inversión Privada del Peru (Private Investment Promotion of Peru)
PRONE	Standardization Plan for Grids
RAP	Receita Anual Permitida
RBSE	Basic Network of the Existing System
REP	Red de Energía del Perú
RGR	Global Reversion Reserve
SIEPAC	Sistema de Transmisión Eléctrica para América Central (Energy Transmission System for Central America)
STN	National Transmission System
SUNAT	Superintendencia Nacional de Administración Tributaria (Peru) (National Superintendence of Tax Administration)
UNE	Une Telecomunicaciones S.A. E.S.P.
UPME	Energy Mining Planning Unit
USD	US Dollar
VQ	Voltage Quality

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STATUTORY AUDITOR'S REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

Statutory Auditor's Report

To the Shareholders of
Interconexión Eléctrica S.A. E.S.P.

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of comprehensive income, of changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Accounting and Financial Information Standards accepted in Colombia (NCIF) adopted by the Contaduría General de la Nación; for the designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error; and selecting and applying appropriate accounting policies and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I have conducted my audit in accordance with International Standards on Auditing accepted in Colombia. Those standards require me to comply with ethical and independence requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the consolidated financial statements. In making those risk assessments, the auditor considers internal controls relevant to the entity´s preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating of the accounting policies adopted and the estimates of importance made by the Management, as well as the presentation of the consolidated financial statements as a whole.

I believe that the audit evidence obtained provides a reasonable basis for expressing my opinion.

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Opinion

In my opinion, the accompanying consolidated financial statements, taken from the accounting books, present fairly, in all relevant respects, the financial position of the Interconexión Eléctrica S.A. E.S.P. and its subsidiaries as of December 31, 2017, the results of its operations and the cash flows for the year then ended in accordance with Accounting and Financial Information Standards accepted in Colombia adopted by the Contaduría General de la Nación.

Emphasis Paragraph

As described in Note 6 to the consolidated financial statements, CTEEP, a subsidiary of Interconexión Eléctrica S.A. E.S.P. through ISA Capital do Brasil, has a net balance of accounts receivable from the Sao Paulo State of approximately $1.184.211 million, related with the impacts of Law 4,819 of 1958, which granted to the employees of companies subject to the control of the Sao Paulo State, benefits already granted to other public servers. CTEEP has undertaken legal actions before the respective State authorities, to collect these accounts receivable. The accompanying financial statements do not include adjustments that could result from the outcome of this uncertainty. My opinion has not been modified by this matter.

Other Matters

The consolidated financial statements, prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, adopted by Contaduría General de la Nación of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries as of December 31, 2016, that are part of the comparative information of the accompanying financial statements, were audited by another statutory auditor designated by Ernst & Young Audit S.A.S. on which this auditor express an unqualified opinion on February 24, 2017.

Patricia Mendoza Sierra
Statutory Auditor
Professional Card No. 78856-T
Designated by Ernst & Young Audit S.A.S. TR-530

Medellín, Colombia
March 2, 2018

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CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellin, February 23, 2018

To the shareholders of Interconexión Eléctrica S.A. E.S.P.

The undersigned Legal Representative and the Chief Accounting Officer for Interconexión Eléctrica S.A. E.S.P., in compliance with NCIF (Colombian Accepted Financial and Accounting Reporting Standards) adopted by the Colombia's National General Accounting Office; with the provisions of Article 37 of Law 222 of 1995, and to Article 46 of Law 964 of 2005, we certify that:

1. The consolidated financial statement as of December 31, 2017 and December 31, 2016, have been faithfully taken from the books and before being made available to you and third parties, we have verified the following statements contained therein:

a. The events, transactions and operations have been recognized and executed during the years completed on those dates.

b. The economic facts are disclosed pursuant to the established by NCIF (Colombian Accepted Financial and Accounting Reporting Standards), adopted by the Colombia's National General Accounting Office.

c. The total value of assets, liabilities, equity, revenues, expenses, and costs, have been disclosed by the Company financial statements as of the cut-off date.

d. The assets represent a potential of future economic services and benefits, and liabilities represent past events representing outflow of resources, in the development of its activities, at the cutoff date.

2. The consolidated financial statements and other relevant reports to the public, from the period ended on December 31, 2017 and 2016, do not contain any inaccuracies, errors or omissions which prevent knowing the true financial condition or operations of ISA and its companies.

Bernardo Vargas Gibsone
Legal Representative

John Bayron Arango Vargas
Chief Accounting Officer
Professional I.D. Card 34420-T

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SEPARATE STATEMENT OF FINANCIAL POSITION

As of december 31, 2017 and 2016

Amounts expressed in millions of Colombian pesos

	NOTES	DECEMBER 2017	DECEMBER 2016
ASSETS			
Current assets			
Cash and cash equivalent	4	361.188	254.496
Accounts receivable	8	42.008	58.279
Other financial assets	6	-	4.568
Non-financial assets	7	7.786	18.150
Current tax	19.1	20.897	23.231
TOTAL CURRENT ASSETS		**431.879**	**358.724**
Non-current assets			
Restricted cash	5	16.901	20.298
Non-financial assets	7	1.200	1.300
Accounts receivable	8	209.235	215.799
Investments in subsidiaries and joint business	10	10.216.170	8.056.601
Investments in financial instruments	10	12.528	12.528
Property, plant, and equipment - Net	11	5.683.964	5.066.863
Investment property	12	7.720	7.803
Intangible assets	13	102.263	100.716
Non-current tax	19.1	44.649	-
TOTAL NON-CURRENT ASSETS		**16.294.630**	**13.481.908**
TOTAL ASSETS		**16.726.509**	**13.840.632**

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	NOTES	DECEMBER 2017	DECEMBER 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Financial liabilities	15	113.155	146.843
Current tax	19.4	10.271	6.977
Accounts payable	17	125.268	70.525
Provisions	18	38.287	25.927
Employee benefits	-	8.252	7.387
Other non-financial liabilities	21	4.040	4.115
TOTAL CURRENT LIABILITIES		**299.273**	**261.774**
Non-current liabilities			
Financial liabilities	15	3.814.421	2.084.431
Deferred tax	19.2	908.995	900.352
Accounts payable to related parties	9.1	300.346	288.768
Other non-financial liabilities	21	191.812	209.605
Employee benefits	20	225.201	211.351
Accounts payable	17	3.307	4.568
Provisions	18	7.026	1.549
TOTAL NON-CURRENT LIABILITIES		**5.451.108**	**3.700.624**
TOTAL LIABILITIES		**5.750.381**	**3.962.398**

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	NOTES	DECEMBER 2017	DECEMBER 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Subscribed and paid-in capital	22.1	36.916	36.916
Premium for placement of shares	22.4	1.428.128	1.428.128
Reserves	22.6	3.585.959	1.878.709
Income of the year	-	1.442.708	2.141.460
Retained earnings	-	3.242.453	3.242.453
Other comprehensive income	-	1.239.964	1.150.568
TOTAL SHAREHOLDERS' EQUITY		**10.976.128**	**9.878.234**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16.726.509**	**13.840.632**

See accompanying notes to financial statements.

Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
Chief Accounting Officer
Professional Card N° 34420-T
(See attached certificate)

Patricia Mendoza Sierra
Statutory Auditor
Professional Card N° 78856 – T
(See my report attached)
Appointed by Ernst & Young Audit S.A.S TR-530

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

As of December 31, 2017 and 2016

Amounts expressed in millions of Colombian pesos, except net income per share expressed in Colombian pesos

	NOTES	DECEMBER 2017	DECEMBER 2016
Revenues from ordinary activities	23		
Income from "contrato de cuentas en participación"		805.898	837.439
Energy transmission services		64.590	20.887
Connection charges		2.176	2.166
Infrastructure projects		6.472	10.847
Telecommunications		1.020	979
Other services		9.083	8.923
Total revenues from ordinary activities		**889.239**	**881.241**
Operating costs	24.1	(214.756)	(222.109)
GROSS PROFIT		**674.483**	**659.132**
Other revenues and expenses			
Administrative expenses	24.2	(88.664)	(105.387)
Equity method net revenue/(expense)	25	1.128.274	1.906.783
Other net revenue/(expenses)	25	3.930	3.226
Net income from operating activities		**1.718.023**	**2.463.754**

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	NOTES	DECEMBER 2017	DECEMBER 2016
Financial revenues	26	170.190	309.277
Financial expenses	26	(371.708)	(539.176)
INCOME BEFORE TAXES		**1.516.505**	**2.233.855**
Income tax	19.1	(73.797)	(92.395)
NET INCOME		**1.442.708**	**2.141.460**
NET EARNINGS PER SHARE	27	**1.302,46**	**1.993,29**
Other comprehensive income			
Actuarial losses from defined benefit plans, net of taxes		(12.830)	(14.042)
Earnings (losses) from cash hedging, net of taxes		(7.698)	69.949
Earnings from foreign exchange difference, net of taxes		109.924	150.108
Other comprehensive income		**89.396**	**206.015**
COMPREHENSIVE INCOME OF YEAR		**1.532.104**	**2.347.475**

Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
Chief Accounting Officer
Professional Card N° 34420-T
(See attached certificate)

Patricia Mendoza Sierra
Statutory Auditor
Professional Card N° 78856 – T
(See my report attached)
Appointed by Ernst & Young Audit S.A.S TR-530

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SEPARATE CASH FLOW STATEMENT

Years ended as of December 31, 2017 and 2016

Amounts expressed in millions of Colombian pesos

	DECEMBER 2017	DECEMBER 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from sales of goods and service delivery	883.230	920.878
Other collections from operating activities	2.957	3.420
Payments to suppliers from the provision of goods and services	32.549	14.157
Employee payments	67.203	56.480
Other payments from operating activities	10.847	26.950
Interest paid	237	333
Interest received	29.514	23.500
Income taxes paid	136.423	226.601
Other cash inflows	-	16.503
NET CASH FLOWS FROM OPERATING ACTIVITIES	**668.442**	**639.780**

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	DECEMBER 2017	DECEMBER 2016
CASH FLOW FROM INVESTMENT ACTIVITIES		
Cash flows from loss of control of subsidiaries or other businesses	-	72.006
Cash flows used to gain control of subsidiaries or other businesses	620.001	529.854
Other payments to acquire shares in joint ventures	480.824	-
Profits from the sale of properties, plant, and equipment	557	1.753
Purchase of properties, plant, and equipment	702.630	412.360
Profits from the sale of intangible assets	-	448
Intangible asset purchase	214	2.091
Collection from reimbursement of advanced payments and loans granted to third parties	6.830	94.137
Payments from future contracts under term, options, and financial swap	786	-
Dividends received	163.073	174.143
Interest received	7.474	9.533
Other cash inflows	5.082	2.854
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES	**(1.621.439)**	**(589.431)**

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	DECEMBER 2017	DECEMBER 2016
CASH FLOWS OF FUNDING ACTIVITIES		
Loan profits	1.800.000	650.000
Loan reimbursements	103.488	233.039
Payment of liabilities from financial lease	1.496	1.380
Dividends paid	434.210	319.011
Interest paid	204.681	208.906
NET CASH FLOWS FROM (USED IN) FUNDING ACTIVITIES	**1.056.125**	**(112.336)**
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CHANGES IN THE EXCHANGE RATE	**103.128**	**(61.987)**
Effects of the variation in the exchange rate on cash and cash equivalents	3.564	4.322
NET INCREASE IN CASH AND CASH EQUIVALENTS	**106.692**	**(57.665)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**254.496**	**312.161**
Cash and cash equivalents at the end of the period	**361.188**	**254.496**

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Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
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SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended as of December 31, 2017 and 2016

Amounts expressed in millions of Colombian pesos

			RESERVES									
	SUBSCRIBED AND PAID-IN CAPITAL	PREMIUM FOR PLACEMENT OF SHARES	LEGAL	BY TAX REGULATION	RESERVE FOR REACQUISITION OF OWN SHARES	FOR EQUITY STRENGTHENING	FOR REHABILITATION AND REPLACEMENT OF STN ASSETS	TOTAL	RESULTS OF THE YEAR	OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	TOTAL
Balance as of January 1, 2015	36.916	1.428.128	18.458	716.143	38.100	681.264	37.434	1.491.399	706.321	944.554	3.242.453	7.849.771
Transfers approved by the General Meeting of Shareholders	-	-	-	95.816	-	291.494	-	387.310	(387.310)	-	-	-
Payment of ordinary dividends at COP228 per share and an extraordinary dividend at COP60 settled on 1.107.677.894 outstanding shares, payable in two installments July - December	-	-	-	-	-	-	-	-	(319.011)	-	-	(319.011)
Net income in 2016	-	-	-	-	-	-	-	-	2.141.460	206.014	-	2.347.474
Balance as of December 31, 2016	**36.916**	**1.428.128**	**18.458**	**811.959**	**38.100**	**972.758**	**37.434**	**1.878.709**	**2.141.460**	**1.150.568**	**3.242.453**	**9.878.234**
Transfers approved by the General Meeting of Shareholders	-	-	-	86.843	(38.100)	1.658.507	-	1.707.250	(1.707.250)	-	-	-
Payment of ordinary dividends at COP248 per share and an extraordinary dividend at COP144 settled on 1.107.677.894 outstanding shares	-	-	-	-	-	-	-	-	(434.210)	-	-	(434.210)
Net income in 2017	-	-	-	-	-	-	-	-	1.442.708	89.396	-	1.532.104
Balance as of December 31, 2017	**36.916**	**1.428.128**	**18.458**	**898.802**	**-**	**2.631.265**	**37.434**	**3.585.959**	**1.442.708**	**1.239.964**	**3.242.453**	**10.976.128**

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NOTES TO SEPARATE FINANCIAL STATEMENTS

As of december 31, 2017 and 2016

(Values expressed in millions of Colombian pesos, except the nominal value of the share and the net income per share; foreign currency is expressed in original values)

I. GENERAL NOTES

1. GENERAL INFORMATION

Interconexión Eléctrica S.A. E.S.P. –ISA–, parent company, with headquarters in Medellin, was incorporated as joint stock company by public deed Nº 3057 issued by the 8th Notary of the Notarial Circuit of Bogota, on 14 September 1967.

On 22 November 1996, by public deed Nº 746 issued by the Sole Notary of Sabaneta, ISA changed its legal nature to Mixed Utility Company, incorporated as a Joint Venture of commercial and national nature, linked to the Ministry of Mines and Energy, with an indefinite date and subject to legal regime provided by Law 142 of 1994, a situation that materialized on 15 January 1997 by incorporating private contribution.

In accordance with the considerations of the Constitutional Court in its Ruling C-736 of September 19, 2007, ISA has a special legal nature by been defined as a Mixed Utility Company, decentralized by services, which is part of the executive branch of the public power and with special legal regime of private law.

Its headquarters is in Medellin, Calle 12, Sur # 18-168.

ISA's purpose is:

- The Electric Energy Transmission Public Service, according to the provisions of Laws 142 and 143 of 1994, and the regulations that add, modify, or replace them, as well as the provision of services associated, complementary or related to such activities, as per the legal and regulatory framework in force.
- The development of systems, activities and services of Information and Telecommunication Technologies.
- The direct or indirect participation in activities and services related to the transport of other energies.
- The provision of technical and non-technical services in activities related to their purpose.
- The development of infrastructure projects and their commercial operation, as well as the execution of activities related to the exercise of engineering according to Law 842 of 2003 and the regulations that add, modify, or replace it.
- The investment in national or foreign companies whose purpose is the use of any legal economic activity; the investment of movable and immovable assets, and the investment of shares, fees or parts, bonuses, commercial papers, or fixed income or variable documents, registered in the public securities

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market, or any other modality provided by Law, allowing the investment of resources.

- The management of the corporate group companies by defining strategic, organizational, technical, and financial guidelines, among others.

2. BASIS OF PRESENTATION

Following, the description of the main policies and practices adopted by ISA:

2.1 Accounting principles

The Company prepares its financial statements according to the Colombian Standards for Financial Information –NCIF–, adopted by the Colombia's General Accounting Office, provided by Law 1314 of 2009, regulated by Resolution 743 of 2013 of the General Accounting Office and all its subsequent modifications, and the Regulatory Decree 2748 of 2012 and all its subsequent modifications. These accounting standards for financial information correspond to the International Financial Reporting Standards –IFRS–, officially translated, and authorized by the International Accounting Standards Board –IASB– as of 31 December 2015.

The application of such international standards in Colombia is subject to some exceptions established by the regulator entity and provided by Decree 2420 of 2015 and its amendments.

Article 2.1.2 of Decree 2420 of 2015, added by Decree 2496 of 2015 and amended by Decree 2131 of 2016, requires the application of Article 35 of Law 222 of 1995, which indicates the subsidiaries shares should be acknowledged in the separate financial statements by the equity method, instead of the recognition, according to the provisions of IAS 27, at cost, at fair value, or at the equity method.

Article 2.2.1 of Decree 2420 of 2015, added by Decree 2496 of the same year and amended by Decree 2131 of 2016, provides that the determination of the post-employment benefits for future pensions of retirement or disability, will be executed according to the requirements of IAS 19. However, it requires the disclosure of the estimate of pension liabilities according to the parameters provided by Decree 1625 of 2016, Articles 1.2.1.18.46 et seq., and in the event of partial pension commutations according to the provisions of numeral 5 of Article 2.2.8.8.31 of Decree 1833 of 2016, informing the variables used and the differences with the estimate made in terms of the technical framework under NCIF. (See Note 20)

The separate financial statements have been prepared based on the historical cost, except for derivative financial instruments and some financial assets measured at fair value.

The separate financial statements as of December 31, 2017, were authorized for their issuance by the Board of Directors in its session held on February 23, 2018.

2.2 Application of the standards incorporated in Colombia since January 01, 2017

2.2.1 Amendments to IAS 1 Disclosure initiative

The Company has applied the amendments by the first time on 2017, according to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and

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Tourism. The amendments clarify that a company does not need to provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material; the amendments similarly provide guidance based on the aggregation and disaggregation of information to the effect of disclosures. However, the amendments reiterate that an entity should consider the possibility to provide additional revelations when compliance with specific requirements in the IFRS is enough so that users are able to understand the impact of certain agreements, events and conditions about the financial position and the financial return of the entity.

In addition, amendments explain that the participation of the entity in the other comprehensive result of the associates and joint ventures, accounted by using the equity method, should be presented separately from those originated in the company and should be differentiated in the entries that, according to other IFRS: (i) will not be therefore reclassified to profit and losses, and those that (ii) will be subsequently reclassified to the income when specific conditions were fulfilled.

The applications of these modifications did not have an impact on the financial return nor on the financial position of the Company.

2.2.2 Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The Company has applied the amendments by the first time on 2017, according to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism. Amendments of IAS 16 prevent entities from using a depreciation method based on revenues for elements of the property, plant, and equipment. Amendments of IAS 38 include a rebuttable presumption according to which revenues are not an adequate base for the amortization of the intangible asset. This assumption cannot be only disproved in the following two limited circumstances:

- When the intangible asset is expressed as an income measure; or
- when revenues and the consumption of economic benefits of the intangible asset are highly correlated.

The implementation of these amendments did not present an impact on the Company's financial statements.

2.2.3 IAS 19. Defined benefit plans: Employee contributions

The Company has applied the amendments by the first time on 2017, according to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism. Amendments to IAS 19 explain how employee or third party's contributions related to services or defined benefit plans should be accounted, by considering if such benefits depend on the number of service years of the employee.

For independent contributions of the number of service years, the entity can recognize them as a decrease in the cost service during the period in which it is delivered, or attribute them to the service periods of the employee, by using the projected unit credit method, while -for the benefits depending on the number of service years- it is required that the entity attributes them.

The Company does not anticipate that the application of these modifications will have a relevant impact on its financial statements.

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2.2.4 Modifications to IAS 27: Equity method in Separate Financial Statements

Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities which had applied IFRS and select the change for the equity method, will have to apply this change retroactively. Entities incorporating IFRS for the first time and implementing the equity method in their separate financial statements will have to apply such method as of the IFRS transition date.

The Company uses the equity method in its separate financial statements since the implementation of IFRS. Therefore, the implementation of this amendment does not have an impact on the company's financial statements.

2.2.5 Amendments to IFRS 10, 12 and IAS 28 Investment Entities: Application of the consolidation exception

The Company has applied the amendments for the first time in 2017, pursuant to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism. This amendment clarifies that the exemption to prepare the consolidated financial statements is available for an investment entity parent which should account for an investment entity subsidiary, even if the investment entity measures all its subsidiaries a fair value pursuant to IFRS. These amendments also provide an exemption through which an investor which is not an investment entity, may choose to retain the measurement at fair value with changes in income applied by its associates and joint business which are investment entities for its subsidiaries, when applying the equity method.

The implementation of these amendments has not had an impact on the financial statements, the Company is not an investment entity and does not have any parent company, subsidiary, associate, or joint business that qualifies as an investment entity.

2.2.6 Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The Company has applied the amendments for the first time in 2017, pursuant to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism. Amendments to IFRS 10 and IAS 28 are about situations when there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, amendments establish that gains or losses resulting from the control loss of a subsidiary which does not have a business in a transaction with an associate or a joint venture accounted by the equity method, are recognized in the income of the controlling one only to the extent of the unrelated investors participation in such associate or joint venture. Likewise, gains or losses resulting from the revaluation of the accumulated investments in a former subsidiary -which has become an associate, or a joint venture accounted, pursuant to the equity method- at fair value are recognized in the income of the former controlling entity, only to the extent of the unrelated investors participation in the new associate or joint ventures.

The company administration informs that the application of these amendments to IFRS 10 and IAS 28, could have an impact on its financial statements in future periods if such transactions would arise.

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2.2.7 Amendments to IFRS 11 Accounting for acquisition of an interest in a joint operation

Amendments to IFRS 11 require that a joint operator should record the acquisition of interest in a joint operation, which constitutes a business, by applying the relevant principles of IFRS 3 for accounting business combinations. The amendments also clarify that interest previously held in the joint operation will not be revalued in the acquisition of additional interest while the joint control is held. In addition, an exception has been added to the scope of these amendments, so they do not apply when the parties that share joint control are under the common control of an ultimate parent company.

The implementation of these amendments has not had any impact on the company's annual accounts, since there has not been any transaction of this type.

2.2.8 Annual Improvements of IFRS, Cycle 2012 - 2014

The Company has applied the amendments for the first time in 2017, pursuant to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism. The annual improvements include a series of amendments that are summarized below:

- Amendments to IFRS 5 introduce a specific scope on which assets (or disposal groups) are generally prepared either through sale or distribution to their owners. This amendment clarifies that the change of one of the disposal methods to other, would not be seen as a new disposal plan, but a continuation of the original plan. Therefore, there is no interruption in the application of the IFRS 5 requirements. This amendment should be prospectively applied.
- Amendments to IFRS 7 provide additional guidance to clarify whether a service contract continuous its participation in a transferred asset for the purpose of the required revelations regarding transferred assets.
- Amendments to IAS 19 clarify that the rate used to discount the obligations due to post-employment benefits must be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The evaluation of the depth for a high quality corporate bonds market should be at the monetary level (this means the same currency benefits should be paid). In the case of currencies for which a high quality corporate bond does not exist, market yields should be used instead at the end of the information period on the securities denominated in that currency.

The application of these amendments has not had any impact on the Company's financial statements.

2.3 Implementation of new standards and interpretations

Numeral 3 Article 2.1.2 of book 2, Part 1 of Decree 2420 of 2015 as amended by Decree 2496 of 2015, 2131 and 2132 of 2016 and 2170 of 2017, include the standards that have been issued by the IASB and adopted in Colombia which will become in effect in years after 2017.

2.3.1 New Standards of Accounting and Financial Reporting –NCIF– accepted in Colombia, in force as of January 1, 2018

2.3.1.1 IFRS 9 Financial Instruments: Classification and valuation

IFRS 9 introduces a new model to establish the impairment of financial assets. It

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is based on the expected loss, unlike the IAS 39 model which is based on the loss incurred. According to the impairment approach in IFRS 9, it is no longer necessary for an event related to the credit to occur before credit losses are recognized. In this way, the expected loss model is the result of recognizing impairments in advance, since it is not necessary that a deterioration event have occurred. In general, all assets will have an expected impairment from day 1 after its initial recognition and they are updated at each reporting date to reflect changes in credit risk.

ISA's clients are mostly regulated entities and belong to the energy market. This market has adequate and of high quality guarantees to support the portfolio and reduce the impairment probability.

The Company is still in the implementation period for this change, and it is assessing different methodologies pursuant to the information available at each of the financial assets, to measure possible impacts that the incorporation of this change could bring to the Financial Statements of ISA and its companies.

For ISA, it is worth mentioning that the impact of implementing the expected loss methodology would not be representative, since the accounts receivable, which are the most relevant financial asset for the analysis, have kept low arrears levels and most of them are supported by bank guarantees.

2.3.1.2 IFRS 15 Revenues from ordinary activities from contracts with customers

In May 2014, IFRS 15 was issued, which is fully applicable for all annual periods starting on January 1, 2018. This standard establishes a single comprehensive accounting model for the recognition and measurement of ordinary revenue arising from customer contracts.

The core principle of IFRS 15 is that an entity will recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenues are recognized through the application of the following five-step model framework:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenues when -or as- the entity satisfies a performance obligation.

For transition purposes, the standard could be retroactively applied to each presentation period or retroactively with the recognized accumulated effect in the initial application. In the first method, when the 2018 financial statements are presented, they will be presented in comparison with the 2017 year as if the application of IFRS 15 began on January 1, 2017. In the second method, the impact due to the implementation of IFRS 15 as of December 31, 2017, will be presented as of January 1, 2018 without restating the figures of previous years.

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The Company made the assessment of the implications for the adoption of IFRS 15, and the conclusion is that there are no quantitative effects in the application of IFRS 15, since the measurement and recognition made under IAS 18 and IAS 11 is similar to IFRS 15.

2.3.2 Amendments to the Accounting and Financial Reporting Standards –NCIF– accepted in Colombia, in force as of January 1, 2018

Article 1 of Decree 2131 of 2015 added enclosure 1.2 to Decree 2420 of 2015, modified by Decree 2496 of 2015, adding modifications to IAS 7 and IAS 12.

2.3.2.1 Amendments to IAS 7

Disclosure initiative: amendments made to IAS 7 are part of the disclosure initiative of the IASB and require companies to disclose information that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes affecting or not the cash flow. In the initial amendment application, the company is not obliged to include comparative information for former periods.

2.3.2.2 Amendments to IAS 12

Recognition of deferred tax assets for unrealized losses: these amendments clarify how to account deferred tax assets corresponding to debt instruments at fair value.

2.3.3 New Standards of Accounting and Financial Reporting –NCIF–accepted in Colombia, in force as of January 1, 2019

2.3.3.1 IFRS 16 Leases

IASB issued on January 13, 2016 a new IFRS 16 standard - Leases, which provides a comprehensive model to identify lease agreements and their treatment in the financial statements, for lessees and lessors. IFRS 16 establishes principles to recognize, measure, present and disclose leases with the aim of ensuring that lessees and lessors provide relevant information which faithfully represents such transactions.

IFRS 16 replaces the following standards and interpretations:

- IAS 16 Leases
- IFRIC 4 Determining whether an arrangement contains a lease
- SIC-15 Operating leases - Incentives
- SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease

2.3.4 Amendments to the Accounting and Financial Reporting Standards –NCIF– accepted in Colombia, in force as of January 1, 2019

2.3.4.1 Amendments to IAS 40

These amendments make some clarifications for cases in which a company must transfer properties, including properties under construction or investment property. These amendments establish that a change in use occurs when the property begins to meet or fails to meet the definition of investment property and there is evidence of such change. A simple change in the intention of use for the property by the Administration does not constitute evidence of a change in use. The Company must reevaluate the classification of its properties and, if applicable, reclassify it to reflect the existing conditions at that time.

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2.3.5 Annual Improvements of IFRS, Cycle 2014 - 2016

These improvements are included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 01, 2019 and include:

2.3.5.1 IFRS 1 - Elimination of short-term exemptions for adopters for the first time

Short-term exemptions included in paragraphs E3 - E7 of IFRS 1 were eliminated because they have already served their purpose. This amendment has not been introduced in the Colombian accounting framework by means of any decree to date and it does not apply to the Group.

2.3.5.2 IAS 28 - Clarifications that the measurement of associates at fair value with changes in income must be made for each investment

These amendments clarify the following:

- A company which is a venture capital organization or other qualified entity, may choose in the initial recognition of each of the investments, to measure its investments in associates and joint ventures at fair value with changes in income.

- If an entity, which is not an investment entity, has an interest in an associate or joint venture which is an investment entity, the entity may in the application of the equity method, accumulate the measurement at fair value applied by such investment entity to its associates or joint ventures. This choice is made separately for each investment, on the closest date among the date on which the investment entity is initially recognized, the date on which the associate or joint venture becomes investment entity and the date on which the investment entity associated, or joint venture becomes a parent.

2.3.6 IFRS issued by IASB not adopted in Colombia

2.3.6.1 Amendments to IFRS 9

Amendments to the existing requirements of IFRS 9 regarding the termination rights of a contract, to allow its measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive result), even in the case of negative compensation payments.

In addition, it includes a clarification regarding the accounting for a new modification or exchange of a financial liability measured at amortized cost which does not result in the derecognition of the financial liability.
Effective date: January 2019.

2.3.6.2 IFRIC 22 - Foreign Currency Transactions and Advance Consideration

It clarifies the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense, or income (or part of it), in the derecognition in accounts of a non-monetary asset or liability arising from the payment or receipt of an advance consideration in foreign currency.

2.3.6.3 IFRIC 23 - Uncertainty over Income Tax Treatments

It clarifies how to apply the requirements for the recognition and measure of IAS 12 when there is uncertainty over income tax treatments. In this circumstance, an entity will recognize and measure its asset or liability due to deferred or current taxes

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by applying IAS 12 requirements regarding the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates applying this interpretation.

Effective date: January 2019.

2.4 Main judgments and estimates

The preparation of the financial statements based on IFRS, demands from the administration the use of judgements, estimates and assumptions to establish the reported figures on assets and liabilities, the exposition of contingent assets and liabilities, on the date of the financial statements, the reported figures for revenues and expenses, as well as the applications of accounting policies as of December 31, 2017.

Nonetheless, final income could differ from estimates included in the statements of financial position. Management expects that variations, if any, have no significant effect on the statements of financial position.

These estimates are based on the best experience of Management, the best expectations regarding present and future events; as well as the best use of the available information on the date of disclosure of these separate financial statements; the current income could differ from the estimates, but it is adjusted once it is known.

The Group Management has determined that the most significant judgements and estimates correspond to:

➔ **Identification of Cash Generating Units –CGUs–:** they are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The identification of CGUs involves significant judgement, mainly in the way the Company must add its assets.

The Cash Generating Units for ISA under the Energy Transmission Service are the following:

a. **Assets connected to the STN:** these are the goods required for a generator, network operator, final user, or several of the above, physically connect to the STN. They will be remunerated through contracts between the assets owner and corresponding users of the Connection Asset. (Resolution CREG 011 of 2009).

   The remuneration for this type of assets is established by Resolution 097 of 2008, issued by CREG, it approves the main guidelines and the methodology for the establishment of charges for the use of regional transmission systems and local distribution, in the case of connections assets included in contracts signed with network operators.

b. **Assets of use of the STN:** these are those energy transmission assets operating at voltages equal to or greater than 220 kV, they are remunerated through charges for the use of the STN and they could be comprised by one or several constructive units. (Resolution CREG 011 of 2009). Assets of use are divided into two categories:

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- **Assets of no call:** they are comprised by those assets which by 1999 were in operation or pre-construction. They are also called existing assets.

  The remuneration of the Energy Transmission for these assets is based on Resolution 011 of 2009 issued by CREG, which establishes the parameters to remunerate the variables of investment, non-electric asset, AOM –Administration, Operation and Maintenance– expenses, easements, and others. Resolution 083 of 2008 defines the remuneration rate for the transmission activity.

- **Assets of calls:** those assets which are or have been built under the scheme of free competition principle defined by CREG in 1998, for the execution of projects, part of the transmission expansion plan. They are also known as UPMEs' Assets.

  The remuneration of assets built under the scheme of free competition or bidding established by the regulator is based on the bid submitted by the bidder awarded for the project implementation, which comprises a profile of 25 flows of expected annual revenues corresponding to the first 25 years of the project operation, which takes into account the particularities of each project, the risk perception of the bidder, the expected rate of return and the costs and risks inherent to the time of submission of the bid, among others. After this period, assets from calls become remunerated as an existing network.

  Projects are awarded independently and separately, so that the regulator issues a resolution for each project through which the profile of respective revenues is formalized. In this way, each of the projects built by a call for bids constitute a CGU.

- **Definition of hierarchy levels of financial instruments:** (See Notes 3.9 and 14.2.a.)

- **Lease agreements:** lease agreements may be financial or operating and their classification is based on the extent to which the risks and benefits of ownership of the asset affect lessor or lessee. A lease is classified as financial when all the risks and benefits belonging to the real estate are substantially transferred from the property leased to the lessee, on the contrary, it is classified as an operating lease. Among such risks the possibility of losses is included due to idle capacity or technological obsolescence, as well as the variations in performance due to economic conditions changes. Benefits may be represented by the expectation of a profitable exploitation throughout the economic life of the asset and the gain from revaluation or realization of a residual value.

  This classification is made at the beginning of the agreement and is not changed during its term, unless lessee and lessor agree to change the terms of the lease. However, changes in estimates –economic life or residual asset value–, would not generate a new classification of the lease.
  See Note 3.7 Leases.

- **Provision for value impairment of accounts receivable:** the estimate for doubtful accounts is established if there is objective evidence that the Company may not recover the amounts of debts according to the original terms of the

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sale or services rendered. To this end, the ISA's Management periodically evaluates the adequacy of the estimate through the ageing analysis of accounts receivable and collection statistics held by the Company. The estimate for doubtful accounts is recorded with a charge to the results of the year in which its need is determined. In the opinion of the Management, this procedure allows to reasonably estimate the provision for bad debts, to adequately cover the risk of loss in accounts receivable, according to market conditions where the Company operates.

- **Estimated recoverable amount of a non-financial asset:** the book value of non-financial assets, excluding deferred taxes is reviewed at each balance sheet date to determine whether there is indication of impairment. If there are indications of impairment, the asset recoverable value is estimated and registered to the result of the year.

- **Estimate of value of operating assets:** future in and out cash flow is estimated, as a result of the continuous use of the asset as well as of its disposal through other methods at the end of its life-cycle, and the corresponding discount is applied to these future cash flows.

- **Useful life and residual values of property, plant, and equipment:** the determination of useful lives and residual values of the components of property, plant and equipment involves judgements and assumptions that could be affected if circumstances change. The Company's Management reviews these assumptions periodically and adjusts them prospectively if any change is identified.

- **Legal and administrative processes provision:** In estimating loss contingency in legal proceedings that are pending against ISA, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the status of proceedings. This provision is linked to the probability of occurrence, as well as the professional judgement and opinion of the legal advisers.

- **Recovery of deferred tax assets:** the use of professional judgement is required to determine whether deferred tax assets should be recognized in the statement of financial position. Deferred tax assets require the Group Management to assess the likelihood the company will generate taxable income in future periods to use the deferred tax assets. The estimate of future taxable income is based on financial projections and the application of tax laws. If future cash flows and taxable income significantly differ from estimates, it could be an impact on the company's capacity to realize the net deferred taxable assets recorded at the reporting date.

  Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. Any difference between the estimates and the real disbursements is recorded in the year in which it occurs.

- **Employee benefits:** the cost of defined benefit pension plans and other post-employment medical benefits and the present value of pension obligations are determined by using actuarial valuations. These estimates include analyzing several hypotheses which could defer from future real events, such as determining the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the calculation of the defined benefit obligation is highly sensitive to changes in these assumptions. All hypotheses are reviewed at each closing date.

The mortality rate is based on the specific country's public mortality rates. The future wage and pension increase is based on expected future inflation rates for each country. (See Note 20–Employee benefits).

2.5 Transactions and balances in foreign currency

The financial statements are expressed in the primary economic environment in which the parent company operates -Colombian pesos- and consequently this one is the functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are redeemed. At the end of year for monetary assets and liabilities in foreign currency, gains and losses for exchange differences arising from the payment of such transactions are recognized at the statement of comprehensive income, as well as the conversion to the exchange rates.

Gains from exchange related to monetary items are presented in the statement of comprehensive income under "financial income". In addition, losses are presented in the statement of comprehensive income under the "financial expenses" item.

➔ Rates used

Transactions and balances in foreign currencies are translated at current exchange rates certified by the Central Bank –Banco de la República– in Colombia or official banks from the countries where the Company does transactions.

The exchange rates used for the preparation of financial statements as of December 31, 2017 and 2016, expressed in Colombian pesos, were as follows:

CURRENCY	CODE	2017	2016
American Dollar	USD	2.984,00	3.000,71
Euro	EUR	3.583,49	3.166,79
Peruvian Nuevo Sol	PEN	919,57	893,07
Bolivian Peso	BOB	428,74	431,14
Brazilian Real	BRL	902,05	920,72
Chilean Peso	CLP	4,85	4,48

2.6 Classification of balances as current and non-current

In the statement of financial position, balances could be classified according to their maturities, i.e., current are those with maturities equal to or below twelve months, except provisions for post-employment obligations and the like, and as non-current for maturities exceeding such period.

3. MAIN ACCOUNTING POLICIES

The main policies and accounting practices applied for the preparation of the attached financial statements, have been the following:

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3.1 Investments in subsidiaries, joint ventures, and associates

The Company updates investments in subsidiaries, joint ventures, and associates in its separate financial statements by the equity method.

Subsidiaries are entities (including structured entities), over which the parent company exercises direct or indirect control. (See list of companies Note 10).

A structured entity is an organization created with a definite purpose and limited termination. ISA has stake in autonomous equity which meet this definition.

An investor controls an entity when it is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the same.

Joint venture is an agreement whereby the parties that have joint control have rights to the net assets of the entity. Joint control only occurs when the decisions on relevant activities require the unanimous consent of the parties sharing the control.

Accounting policies of subsidiaries, associates and joint ventures of the Group are applied on a uniform basis with ISA's, to ensure consistency in the Group's financial information, basis for the proper application of the equity method.

The equity method is an accounting method whereby the investment is initially recorded at cost and adjusted for post-acquisition change in the Company's participation in net assets of subsidiaries, joint ventures, and associates, pursuant to the Company's participation. The profit or loss and other comprehensive income of ISA, includes the results of companies ISA has stake.

Dividends received from companies where there is control, joint control or significant influence are recorded as a lower investment value.

Transactions involving a loss of significant influence over an associate or joint venture are accounted for, by recognizing any retained stake by its fair value and the gain or loss resulting from the transaction is recognized in the income for the period including the corresponding items of other comprehensive income.

For transactions not involving a loss of significant influence in the associate or joint venture; the equity method remains being applied and the portion of the gain or loss recognized in other comprehensive income relating to the reduction in the share of the property is reclassified in income.

3.2 Property, plant, and equipment

Property, plant, and equipment are valued at acquisition cost –historical cost– or construction cost, less depreciation and accumulated impairment losses, if any. In addition to the price paid by the acquisition of each element, the cost also includes the following concepts:

- Import tariffs and non-recoverable indirect taxes imposed on the acquisition, after deducting trade discounts and rebates.
- All costs directly related to the placing of the asset and the necessary conditions for its operation in the manner intended by Management.

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- Costs due to loans directly attributable to the acquisition of a qualifying asset.
- The initial estimate of dismantling costs or withdrawing, as well as the rehabilitation of the place on which it is based, when obligations incurred by the company, as a result of using such item during a certain period.

Expenditures for maintenance, preservation and repair of these assets are recorded directly at income as an expense in the period incurred.

Additions and costs of expansion, modernization or improvements are capitalized as higher value of the relevant property, provided they increase their useful life, expand their production capacity and operational efficiency, improve the quality of services, or allow significant reduction costs.

An item from property, plant and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an asset is determined as the difference between net sales proceeds, if any, and the carrying value of the asset. This effect is recognized at the income.

Safety and environment assets

Certain items from property, plant and equipment may be acquired for safety or environmental purposes. Although the acquisition of this type of properties, plant and equipment does not increase the economic benefits provided by the existing property, plant, and equipment, it may be necessary for the Company to obtain the economic benefits derived from the rest of assets. Security assets are depreciated on a straight-line basis over their estimated useful life.

Assets under construction and assembly

Assets used during the course of construction for management, production, supply, or non-defined purposes, are recorded at cost, less any recognized impairment loss. Such property is classified in the appropriate categories of property, plant, and equipment when they are ready for their intended use, from which time depreciation of these assets begins i.e., when they are in the location and under the required conditions for operating as intended.

Loan costs

Loan costs directly attributed to the acquisition, construction, or production of qualifying assets, which are assets that require a substantial period of time for use before being ready for their use, are added to the cost of those assets until such time as they are ready for use. In general, for ISA, a substantial period will be considered, and it would be appropriate to capitalize the interest costs if the construction of an asset lasts for six (6) months or more. However, in case of periods shorter than such necessary for the construction of a qualifying asset, ISA's management will financially support the generation of future profits.

Specific loans are those entered into with the specific purpose of obtaining a suitable asset, and consequently, costs due to real loans entered into, could be directly capitalized, deducting financial yields obtained because of the temporal investment in funds as long as the activities, to prepare the asset for its use, are being conducted. Determining whether loans are specific or not, requires an assessment of the circumstances and evidence or internal documentation supporting this purpose.

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The capitalization rate is based on generic loan costs, divided by the weighted average of the loans received by the Company, which have been outstanding during the accounting period, excluding loans considered specific.

All other borrowing costs are recognized at income during the period they are generated.

Remaining useful life estimation

Every year, the Company reviews the residual value, the depreciation method, and the remaining life of the assets, for which a methodology was set, based on the rate of impairment of each asset associated with an instantaneous rate of failure, which in turn is associated with its effective age. With the effective age the aging rate is calculated to then estimate the life expectancy and the remaining life, based on international survival curves. This methodology has enabled obtaining more reliable values to estimate the remaining life of assets, useful input for assets renewal plan and basis of valuation thereof.

Lands are not depreciated as they have an indefinite useful life. Depreciation of the other elements from property, plant and equipment is calculated using the straight-line method on the cost, based on the estimated useful life of assets.

Residual value

It is the estimated amount that would be obtained by asset disposal after deducting estimated costs for such disposal, if such asset would have already reached its disposal age and other expected conditions at the end of its useful life.

Components of assets

A component of a fixed asset is an item that can be seen as part of other asset, but due to its own characteristics, the role it plays, and the type of strategies or activities followed during its technical life of service, they may be classified as a separate asset. Each component of properties, plant and equipment shall be identified and separated from other assets to depreciate their useful life and make its treatment and accounting control easier. Important spare parts and the permanent maintenance equipment, the company is to use for more than one accounting period, normally comply with specifications to be labelled as property, plant, and equipment. Similarly, if spare parts and assisting equipment of a fixed asset, could only be used for such asset, it will be registered as property, plant, and equipment.

The following is the estimated useful life of the assets or components of assets for the periods ended December 31, 2017 and 2016:

TYPE OF ASSETS / ACTIVE COMPONENT	USEFUL LIFE
Transmission lines	63
Buildings	100
Optical fiber	25
Machinery and equipment	15
Telecommunication equipment	15
Furniture, office equipment, laboratory equipment	10
Communication equipment	10

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TYPE OF ASSETS / ACTIVE COMPONENT	USEFUL LIFE
Transportation, traction and lifting equipment	10
CSM Equipment	6
Computing equipment and accessories	5
Components of substations	
Battery bank	15
Charger	15
SAS Components	15
Condensers	25
SVC Condensers	25
Compensation control - series	15
SVC control	15
Converter	15
CT –Current Transformer–	39
Switch	40
Current inverter	15
Lines –Grounding Grid S/E´s–	63
Lightning arresters	30

TYPE OF ASSETS / ACTIVE COMPONENT	USEFUL LIFE
Diesel station	30
Telephone station	15
Power Line Carrier –PLC–	15
PT –Power Transformer–	39
Reactor	32
SVC reactors	30
Fault recorder	15
Protection relays	15
RTU –Remote Terminal Unit–	15
Fire protection system	20
Isolator	40
Sensors –Discharge Information System–	15
Mobile Sub	25
Tele protection	15
Power transformer	40
SVC thyristors Valve	18
Voltage Quality –VQ–	15

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3.3 Investment property

Investment property –land, buildings, considered in whole or in part, or both– as part of the company or by the lessee who has agreed upon a finance lease, to obtain yields, surplus value, or both, instead of having them for their use in the rendering of services or administrative purposes. Investment property generates cash flow which is independent from the cash flow generated by other assets own by the Company.

Land or buildings are also classified as investment property held for a non-determined future use.

Its initial measurement is carried at cost, which includes the purchase price and any directly attributable expenditure –professional fees due to legal services, taxes due to property transfers, among others–. Subsequently, they are measured at cost, less depreciation and accumulated impairment.

Investment property is depreciated linearly over estimated useful life, regardless of its residual value. Useful lives in years are the following:

TYPE OF ASSET	USEFUL LIFE
Lands for investments	Not depreciated
Buildings for investment	100

Transfers are made to or from investment property, only when there is a change in its use.

Transfers which could be generated are:

- The Company occupies an asset classified as investment property; in these cases, the asset is reclassified to property, plant, and equipment. The cost considered for its accounting is the book value on the date of change in use.
- Conducting an operating lease to a third party or to be used by the Company. In this case the asset is reclassified as investment property and it is also registered based on its book value.

Investment property is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an investment property is determined as the difference between net sales proceeds, if any, and the book value of the asset. This effect is recognized in income in the period in which it was derecognized.

3.4 Other non-financial assets

It includes anticipated paid expenses, Telecommunication services and other assets, which are amortized through the straight-line depreciation method during the periods on which economic benefits are expected. Prepaid expenses mainly include money transactions such as pay of insurances, among others, and they could be also amortized pursuant to the validity of the corresponding policies.

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3.5 Intangibles

An intangible asset is recognized as such when the condition of being identifiable and separable are met, the Company has the ability to control the future economic benefits associated with it and the item will generate future economic benefits.

Intangible assets are initially recognized at their production or acquisition cost, and then they are valued at their corresponding accumulated amortization net cost and from the impairment losses such assets have had, if any.

An intangible asset is derecognized upon its disposal or, when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset, measured as the difference between net revenues from the sale and the carrying amount of the asset, is recognized in the income when the asset is derecognized.

Residual values, useful lives and amortization methods are reviewed at each annual period and are applied prospectively, if necessary.

➔ Easements

Easements are rights obtained for the use of a strip of land for the installation of a transmission line. It involves restrictions by the owner on land use and authorizations to the line owner for construction, operation, and maintenance operations.

Such intangibles are permanent rights with an indefinite term for use; although transmission lines related to these easements do have limited life. ISA has the possibility to either replace transmission lines when their useful life ends or use the right of easements acquired for any other service related to energy and telecommunications transmission, which are described in the purposes of creation of the easements. Easements have indefinite useful life and are not amortized but are tested for impairment on an annual basis.

➔ Software and licenses

Software is amortized by the straight-line depreciation method for a maximum period of three years. Licenses are amortized by the straight-line depreciation method for the periods for which it is expected to receive benefits, according to feasibility studies for their recovery.

Charges for studies and research are labelled as expenses when they happen.

3.6 Impairment of assets

➔ Non-financial assets

ISA's activities in the Colombian pesos electricity sector are essentially two: the service of energy transmission in the National Transmission System –STN–, commonly known as the STN service use, and access service for different users to such system, known as the connection service to the STN.

Meanwhile, the STN use service is provided through two different schemes: the first one, known as scheme of existing usage, refers to assets that were in service in 1999, including assets that on such date were in pre-construction and those that are built under the regulatory enlargement scheme; and the second one, known as scheme of use for public biddings, refers to assets

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that are or have been built under the scheme of free competition defined by CREG in 1998, for the implementation of projects that are part of the transmission expansion plan.

An asset value is impaired when its carrying amount exceeds its recoverable amount, and consequently at the end of each period reported, or before, if there is any indication of impairment, ISA evaluates the recoverable amount and compares it with the carrying amounts, including the intangible assets of undefined useful life, to determine whether there is an indication that these assets have suffered any impairment loss.

In this case, the recoverable amount of the asset or a cash generating unit is the greater between its fair value minus disposal costs and tis value in use. Under these conditions, whenever the fair value or recoverable value is lower than the book value of the asset, ISA must record the impairment.

To establish the use value in the future cash flows, ISA uses revenues and expenses projections for a long-term horizon, including a relevant period of 30 years plus a continuity period, being aligned with CREG current regulations for the activities of use and connection, aiming at changing the remuneration framework for assets of calls, which, as of the 26 year of operation, must be remunerated as existing.

The impairment loss is recognized as a lower cost of the asset or asset component that generated it and as an expense of the period where it was determined.

The recovery of impairment losses on assets cannot exceed the book value that would have been determined, net of depreciation, if the impairment loss for the same, had not been recognized in previous periods.

Financial assets

In the process of estimating the provision for doubtful collection, ISA's management regularly evaluates market conditions, for which it uses ageing of portfolio analysis in accordance with the classification of risks for business operations and overall portfolio. According to the analysis made by Management, it is considered that an account receivable is impaired when collection results impossible due to debtors' and guarantors' insolvency, lack of collateral, or any cause that allows considering them as losses in accordance with sound business practices.

When account receivables have a high risk of loss without having been provisioned, provided there is objective and express evidence that the flows are not recoverable under the initial terms of the transaction or business, an impairment loss of clients is recognized charged to the statement of comprehensive income, under provision for doubtful recovery clients.

Financial assets measured at amortized cost are assessed on the date of each statement of financial position and the loss due impairment is determined as the difference between the book value of the asset and the present value of future estimated cash flows, discounted at the original effective interest rate of the financial asset.

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Investments in subsidiaries, associated entities and joint venture are assessed at the date of each statement of financial position to determine the presence of impairment indicators, through the cash flow methodology.

3.7 Leases

Leases are classified as operating and finance lease. Lease that transfers substantially all risks and rewards incidental to ownership of the asset is classified as finance lease, otherwise, it is classified as operating lease.

3.7.1 Finance leases

➔ When ISA is the lessee

When ISA is the lessee of a property in finance lease, the cost of the leased assets is disclosed in the separate statement of financial position, depending on the nature of the asset under lease and, simultaneously, a liability is recorded in the separate statement of financial position for the same value; which is the lower between the fair value of the leased property or the present value of minimum lease payments payable to lessor plus, if applicable, the exercise of the purchase option.

These assets are amortized using the same criteria applied to the items of property, plant, and equipment for own use. Lease payments are divided between the interest and the decrease in debt. Financial expenses are recognized at the income statement.

➔ When ISA is the lessor

When ISA is the lessor of an asset under finance lease, assets are not presented as property, plant and equipment since the associated risks have been transferred to the lessee and in exchange a financial asset is recognized at the present value of the minimum lease payments received from the lease and any unwarranted residual value.

3.7.2 Operating lease

Leases in which the ownership of the leased asset and all substantial risks and rewards of the asset remain with the lessor.

Payments for operating leases are recognized as expenses -or revenues- in the income statement linearly over the lease term. Contingent payments are recognized in the period in which they occur.

➔ When ISA is the lessee

When ISA makes advance lease payments related to the use of property, these payments are recorded as prepaid expenses and amortized over the term of the lease.

➔ When ISA is the lessor

When ISA is the lessor, it continues recognizing the asset at the separate financial position statement and applies the procedures established within the policy of plant and equipment properties to properly manage accounting. The asset book value includes the initial direct costs during the negotiation and contracting stage of the operating lease. These costs are deferred in the lease term on the same basis as lease revenues.

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Revenues coming from the lease are recognized during the lease term, pursuant to a systematic allocation basis which properly shows the temporal pattern of the benefits from the use of the leased asset. Costs generated during the obtaining of revenues due to lease, including the property depreciation, will be recognized as expenses.

3.8 Financial instruments

Financial assets and liabilities are recognized when the entity becomes a part of the contractual provisions of the instrument.

3.8.1 Financial assets

Their classification depends on the business model used to manage the financial assets and the characteristics of contractual cash flows of the financial asset; this classification is determined at the time of initial recognition.

→ Financial assets at fair value with changes in income

Its characteristic is that they are incurred mainly for the purpose of obtaining liquidity management with frequent instrument sales. These instruments are measured at fair value and variations in its value are registered in income when generated.

→ Accounts receivable and others

Financial assets valued at amortized cost correspond to non-derivative financial assets, with known payments and fixed maturities, under which Management has the intent and ability to collect the contractual cash flows of the instrument.

Amortized cost is calculated by adding or deducting any premium or discount over the remaining life of the instrument and using the effective interest method. Gains and losses are recognized in the income statement when assets are recognized, for amortization or if there is objective evidence of impairment.

Loans and account receivables are financial assets issued or acquired by ISA in exchange of cash, goods or services handed over a debtor. Accounts receivable due to sales are recognized by the original invoice value, net of losses due to accumulated impairment and when all risks and benefits are transferred to the third party.

→ Financial assets at fair value with changes in other integral income

They correspond to investments in variable income not held for trading or not corresponding to a contingent consideration from an acquirer in a business combination. For these investments, ISA may choose at initial recognition and irrevocably, to disclose gains or losses on subsequent measurement at fair value in other comprehensive income.

These instruments are measured at fair value. Gains and losses arising from the new measurement at fair value are recognized at the other comprehensive income up to the derecognition at the asset accounts. In these cases, gains and losses that were previously recognized in equity are reclassified to retained earnings.

→ Cash and cash equivalent

Cash and cash equivalent in the statement of financial position includes all cash balances and cash held in banks. For purposes of preparing the cash flow

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statement and for its liquidity, temporal investments with an original maturity less than 90 days, are considered cash equivalents; these accounts are not subject to a significant risk of changes in their value.

Bank overdrafts payable on demand and that are an integral part of ISA's cash management are included as a component of cash and cash equivalents for purposes of the cash flow statement. And for the statement of financial position, the financial accounts disclosing overdrafts are classified as financial obligations.

Restricted cash is money resource which is independently classified in order to use it for specific purposes and previously established, such as: debt payment, capital equipment, or to be used under emergencies and/or unforeseen losses. Therefore, it has certain limitation for is availability, which could be legal or contractual and it cannot be freely used to cover current financial commitments, as a result of the company normal activities.

➔ **Derecognition of financial assets**

A financial asset or a portion thereof, is derecognized when sold, transferred, expired or control is lost over the contractual rights or cash flows of the instrument. When substantially all the risks and benefits of the property are retained by ISA, the financial assets are still recognized in the financial position for its total value.

3.8.2 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable transaction costs, except in the case of loans which are initially recognized at fair value of cash received less directly attributable transaction costs.

ISA establishes the classification of its financial liabilities at its initial recognition, which include: financial liabilities at fair value with changes in income or at amortized cost.

➔ **Financial liabilities at fair value with changes in income**

They include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value with changes in the income statement.

➔ **Financial liabilities at amortized cost**

They include borrowings received and bonds issued, which are initially recognized at the amount of cash received, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate, recognizing interest expenses based on the effective yield.

➔ **Derecognition of financial liability**

ISA will derecognize a financial liability if, and only if, it expires, is canceled or the obligations originating the same have been met. The difference between the financial liability book value and the consideration paid is recognized in the income.

3.8.3 Derivative financial instruments and hedging operations

Derivative financial instruments are initially recorded at fair value at the date of the transaction being valued and on subsequent measurements. The recognition of

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gains or losses arising from changes in their fair value depends on the designation made of the derivative financial instruments.

ISA designates certain financial instruments, which include derivatives, embedded derivatives, and non-derivatives with respect to foreign currency risk as a fair value hedge, cash flow hedge, or net investment hedge in a foreign operation.

At the inception of the hedge, ISA documents the hedging ratio and the objective and risk management strategy of the Company for undertaking the hedge; such documentation will include how the Company will measure the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

→ Fair value hedging

Changes in fair value of derivatives designated and qualified as fair value hedges are recognized immediately in income, along with any changes in fair value of the hedged asset or liability attributable to the hedged risk. The change in the hedged item attributable to the hedged risk is recognized in gains or losses in the item related to the hedged item.

The company interrupts the hedge accounting when: the hedging relation is revoked, the hedging instrument expires or is sold, finalized, or exercised, or the criteria for hedging accounting is no longer complied.

Any adjustment to the carrying amount of a hedged financial instrument is amortized to income for the period.

→ Cash flow hedging

The part of changes in fair value of derivates that is established to be an effective cash flow hedge will be recognized in other comprehensive income and will be accumulated under the title of cash flow hedge reserve. The ineffective part of gains or losses of the hedge instrument will be immediately acknowledged at the period income, at the "other gains or losses" line.

Amounts previously recognized in other integrated income and accumulated in equity, are reclassified in income of the period in which the hedged item, in the same line of the integrated income statement of the hedged item recognized. However, if the hedge of a forecast transaction would generate the recognition of a non-financial asset or non-financial liability, losses or gains previously accumulated in the equity are transferred and directly included in the initial cost or other item of the non-financial asset or liability.

The hedge accounting will be interrupted when the Company revokes the hedge relation, when the hedge instrument expires, or is sold, resolved, or exercised or the hedge no longer meets the requirements established for hedge accounting. The gain or loss that has been recognized in other comprehensive income and accumulated in equity will continue in equity and is recognized when the transaction is recognized in the income. When it is no longer expected

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that the forecast transaction occurs, any cumulative gain or loss in equity is immediately reclassified in gains or losses.

3.8.4 Offsetting assets and financial liabilities

Financial assets and liabilities are offset and reported net in the financial statements, only if, there is a legally enforceable right to the closing date requiring to receive or cancel the amounts recognized for their net amount, and when there is an intention to offset on a net basis to realize the assets and settle the liabilities simultaneously.

3.9 Fair value measurement

The fair value of an asset or liability is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the primary market, i.e., the market with higher volume and level of activity for the asset or liability. In the absence of a main market, it is assumed that the transaction takes place in the most advantageous market the Company has access to, this means, the market which maximizes the amount to be received to sell the asset or minimizes the amount to be paid to transfer the liability.

To determine the fair value, the Company uses valuation techniques that are appropriate to the circumstances and on which there is sufficient data for measuring, maximizing the usage of relevant observable input data and minimizing the usage of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified in the following levels:

- Level I: quoted prices -unadjusted- in active markets for identical assets or liabilities.
- Level II: valuation techniques for which, the data and variables having a significant effect on the determination of fair value recorded are observable, either directly or indirectly.
- Level III: internal valuation techniques, using company estimated variables not observable for the asset or liability (there is no observable information in the market).

When measuring the fair value, the Company considers the characteristics of the asset or liability, in particular:

- For non-financial assets, measurement of fair value considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to other market participant that would use the asset in its highest and best use.
- For liabilities and equity instruments, the fair value assumes that the liability will not be settled, and the equity instrument will not be canceled, nor otherwise extinguish on the measurement date. The fair value of the liability reflects the effect of default risk, i.e. the risk that a company does not fulfil an obligation, which includes but is not limited to own credit risk of the Company.
- In the case of financial assets and financial liabilities with offset positions in

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market risk or credit risk of the counterpart, it is allowed to measure the fair value on a net basis, consistently with how market participants would price net risk exposure at the measurement date.

3.10 Provisions

They comprise provisions which are recognized when the Company has a present obligation –be it legal or implicit– as the result of a passed event, it is then probable that a resource outflow is needed to settle such obligation, and a reliable estimate can be made regarding the obligation amount.

The amount recognized as provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period, considering the risks and associated uncertainties. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount represents the present value of the cash flow –when the effect of the value of money over time is material–.

Certain contingent conditions may exist at the date of issuance of the statement of financial position. They may result in a loss for the Company and will only be resolved in the future, when one or more events occur or may occur; such contingencies are estimated by the management and its legal counsels. The estimated loss contingencies necessarily involve an exercise of judgement and it is a matter of opinion.

In estimating loss contingency in legal proceedings pending against the Company, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the current status of proceedings. The value is determined by using the methodology established by the National Agency for Legal Defense of the State in External Circular N° 00023 of December 11, 2015. This methodology consists of three steps: determining the value of the claims, adjustment of value of claims and calculation of risk of adverse decision.

If the assessment of a contingency indicates that it is probable that a material loss will occur, and the amount of the liability can be estimated, then it is recorded in the statement of financial position. And if the assessment indicates that a potential loss is not probable, and the amount is known or is probable, but the amount of the loss cannot be estimated, then the nature of the contingency is disclosed in a note to the statement of financial position, with an estimate of the probable range of loss. Loss contingencies estimated as remote are not disclosed.

3.11 Income tax

The expense for income tax for the period comprises current and deferred income tax. Taxable assets and liabilities are measured at the amount expected to be recovered or paid to tax authorities. The expense for income tax is recognized in income, except in the case related to items recognized directly in equity, in which case it is recognized in equity.

3.11.1 Current tax

The current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the profit reported at the income statement, due to the items of income or expenses taxable or deductible in other years and items which

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are never taxable or deductible. The current tax liability is calculated using tax rates in force at the end of the period.

Management periodically evaluates positions taken in tax returns with respect to situations where tax laws are subject to interpretation. The Company, when appropriate, establishes provisions on the amounts it expects to pay to tax authorities.

3.11.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the statement of financial position and the corresponding tax bases used for determining taxable income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities by current tax and are related to income taxes applied by the same tax authority on the same taxable Company.

Deferred tax assets are recognized by all deductible temporary differences, including tax losses, to the extent that it is likely to be taxable income against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be recovered.

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable profits available to allow the use of all or part of the deferred tax asset. The deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

3.12 Employee benefits

Employee benefits include all compensation to employees and former employees related to the provision of services to the Company. These are wages, short and long-term benefits, termination benefits and post-employment benefits.

3.12.1 Post-employment benefits

➔ Defined contribution plans

The defined contribution plan is a post-employment benefit in which the Company pays fixed contributions to a pension fund, and which has no legal obligation to pay additional amounts. The obligations for payment of contributions to defined benefit pension plans are recognized as an expense for employment benefits into income in the periods in which services are rendered by employees.

➔ Defined benefit plan

In the case of defined benefit plans, the obligation and the cost of such benefits is determined by using the method of the projected unit credit with independent actuarial valuations on an annual basis.

The liability recognized in the statement of financial position regarding defined benefit pension plans is the present value of the obligation set at the date of the statement of financial position, less the fair value of the plan assets. The present value of the defined benefit obligation is determined by discounting the estimated outflow of cash, using interest rates calculated from the yield curve of Colombian Government bonds -TES B curve-, denominated in Actual Value Units (Unidades de Valor Real), UVR, with periods near to the terms of the pension obligation until maturity.

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Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions, are charged or credited in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless changes in the pension plan are conditional on the employee to continue in service for a specific -period granting the right-. In this case, the past service costs are amortized using the straight-line method during the period granted by the right.

➔ Other post-employment obligations

ISA grants its retired employees, benefits such as complementary health plan, health assistance, education assistance and calamity loan, after the employment relation. The right to access these benefits depends on the conditions defined in individual and collective contracts.

The obligation and the cost of such benefits are determined through a projected unit credit methodology. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise. These obligations are valued annually by qualified independent actuaries.

3.12.2 Non-current benefits

ISA provides their employees with benefits associated with their time of service, such as seniority premium and five-year period payments.

The fair value of any related asset is deducted from the present value of the obligation by benefits defined when establishing deficit or surplus. The calculation is annually performed by the certified independent actuaries, using the projected credit unit method to make a reliable estimate of the final cost for the Company. Any actuarial gain or loss is recognized in income in the period concerned.

3.12.3 Current benefits

Short-term obligations from employee benefits are recognized as expenses as the related service is provided. Employment obligations are adjusted at the end of each year, based on laws and labor agreements.

This benefit is recognized when a legal or current constructive obligation is held to pay this amount as a result of a service provided by the employee in the past and the obligation can be estimated with reliability. The obligation is recognized by the amount expected to be paid within the next year after the cut-off.

3.13 Onerous contracts

Present obligations arising from an onerous contract are recognized as a provision when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under the same. To date of the statement of financial position, the Company has no provisions for onerous contracts.

3.14 Recognition of revenues, costs, and expenses

Revenues, costs, and expenses are recorded based on the principle of accrual.

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3.14.1 Revenues

Revenues are calculated at fair value of the consideration received or receivable, considering the estimated amount of any discount, bonus, or commercial rebate that the Company may grant. Revenues from the rendering of services are recognized during the contract period or when services are provided.

The following criteria apply for the recognition of revenues:

➔ Revenues from participation accounts

Revenues from the participation accounts contract are recognized in accordance with the monthly settlement thereof, by its subsidiary ISA INTERCOLOMBIA, considering the contractually agreed distribution percentages.

➔ Revenues from energy transmission and other associated services

ISA by offering the service of Energy Transmission and other services linked to it, is regulated by the Gas and Energy Regulatory Commission –Comisión de Regulación de Energía y Gas CREG–. Revenues by operating costs are recorded at the time of the service.

➔ Revenues from construction contracts

When the outcome of a construction contract can be estimated reliably, the revenues from ordinary activities and their associated costs should be recognized based on the progress of the work at the end of the reporting period. The measurement is performed on the basis on the proportion that contract costs incurred for work performed to that date represent to total estimated contract costs, except that if this ratio is not representative of the status of completion. Variations in contract works, claims and incentive payments are included to the extend their amount can be measured reliably and their reception is considered probable.

When the outcome of a construction contract cannot be estimated reliably, the revenues from ordinary activities should be recognized only to the extent that it is probable recovering costs incurred in virtue of the contract. Contract costs should be recognized as expenses for the period in which they are incurred. In the case of a possibility that the total contract costs will exceed total revenues, the expected loss is recognized as an expense immediately.

For contracts where billings based on work progress exceeds the contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as amounts due to customers for the work contract. Amounts received before the related work is performed, are included in the consolidated statement of financial position as a liability, as an advance payment received. Amounts billed due to the work performed but not paid yet by the customer, are included in the statement of financial position in commercial accounts receivable and other accounts receivable.

➔ Revenues from dividends and interest

Revenues from dividends are recognized once shareholders' rights to receive the payment have been established –provided that the economic benefits will flow to the company and ordinary revenues can be measured reliably–.

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Revenues from interest are recognized when it is probable that ISA will receive economic benefits associated with the transaction. Earnings from interest are recorded on a time basis, by reference to the outstanding principal and the effective interest rate applicable, which is the discount rate that exactly matches the cash flow receivable or payable estimated throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

3.14.2 Operating costs and expenses

For accounting operating or production costs -type 7- and sales costs -type 6 -, during 2017 and 2016, ISA used costing and procedure methods established in appendix 2 of Resolution N° 20051300033635 of 2005 from the Superintendence of Household Utilities, which is still valid through Resolution 20161300013475 from May 19, 2016, an all their amendments and/or latter additions also issued by the Superintendence of Household Utilities.

The costing system is called "activity-based costing" –ABC–, in which the products offered by each service or business are the result of a series of operational processes that interact sequentially, so in its structure or map cost, it is necessary to observe how operations or tasks gradually flow to include activities, to shape these processes and the latter to provide a public service.

This system considers that the expenses incurred in each of the areas of administrative responsibility must be assigned to business units or services, according to the activities (support processes) developed by such areas.

3.15 Income per basic and diluted share

Income per basic share is calculated by dividing the income attributable to shareholders of the Company, by the weighted average of common shares outstanding in the year, excluding common shares acquired by the Company and held as treasury shares.

Diluted income per share is calculated by adjusting the average number of common shares outstanding to simulate the conversion of all dilutive potential common shares. The Company does not own common shares which are potentially diluted.

3.16 Distribution of dividends

Distribution of dividends to shareholders is recognized as a liability in the financial position of the Company, in the period in which the Shareholders' Meeting approves such dividends, or when the corresponding obligation is in place according to the applicable legal provisions or policies established by the Shareholders' Meeting.

3.17 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options, are shown in the equity as a deduction from the amount received, net of taxes.

The repurchase of own equity instruments of the Company, is recognized, and deducted directly in equity at acquisition cost and the difference with the par value is recognized as a higher or lower value of the premium for placement of shares.

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Own shares are repurchased, and their rights are suspended and, therefore, they do not participate in the distribution of dividends.

The Company is listed on the Colombia Stock Exchange.

3.18 Premium for placement of shares

Issue premium corresponds to the overpricing in the placement of shares, generated in capital increase operations.

3.19 Related parties

Among others, the following are parties related to the parent company:

i. Shareholders who, directly or indirectly, have a share equal to or exceeding twenty percent (20%) of ISA's share capital.
ii. Members of the Board of Directors and members of the Senior Management[1], as well as their close relatives[2] and/or companies where any of the members of the Board of Directors and the members of the Senior Management exert control or joint control.
iii. Companies in which ISA has direct or indirect control or joint control, as well as those joint ventures or companies in which ISA has (directly or indirectly) a participation equal or higher to twenty percent (20%), or companies in which ISA has the power to intervene in the decisions of financial and operating policy.

Commercial transactions between ISA and the members of the Board of Directors, the Senior Management and other administrators and/or their permanent relatives, spouses or partners and legal entities where they have stake or hold directing positions pursuant to the law, are subject to the legal regime of inabilities or incompatibilities applicable to ISA's contracting as mixed public utility company, which are prohibited to be contracted with the Company. The corporate website includes the informative list of such inabilities and incompatibilities provided by Colombian pesos legislation.

The legally valid commercial transactions between related parties are carried out under market conditions and prices, i.e., in conditions equivalent to those existing for arm's-length transactions.

3.20 Reclassifications

For the year ended on December 31, 2017, the Company reclassified from the revenues and costs for 2016 the revenues and costs related to the FAER, PRONE and FOES contribution funds.

1 The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO, who occupy the positions of Vice-Presidents and Corporate Directors.

2 "Related Parties" are those specified in IAS 24: "They are those family members that we might expect they would influence, or could be influenced by that person in their relations with the entity, including:" (a) Children of that person and the spouse or person with similar relation; (b) Children of the spouse of that person or a person with similar relation; and (c) Dependents of that person, or the spouse of that person, or a person with similar relation."

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	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Energy transmission services	22.092	(1.205)	20.887
Costos de operación	223.314	(1.205)	222.109

The previous reclassification is carried out in compliance with the concept of date January 04, 2018, from the Colombia's National General Accounting Office –CGN–, though which a new directive about the recognition of FAER, PRONE and FOES contributing recognition is issued.

The CGN, establishes that contributions should not be recognized as a higher value of the cost for the rendering of a service, since they do not generate an increase in the entity's equity, given that their economic burden is transferred to the users of the service through the fee charged.

Fees charged to STN users through tariffs, linked to those contributions, will not be recognized by the company as revenues, since such resources do not generate increases in equity, but they correspond to resources, which pursuant to the current legal provisions, are collected and then transferred to the Ministry of Mines and Energy, as the administrator.

This change does not impact the annual income (and the comparative one), neither the cash flow in the activities of operation, investment, or financing.

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4. CASH AND CASH EQUIVALENT

The composition of this item as of December 31, 2017 and 2016 is as follows:

		2017	2016
Cash			
Cash and banks	(1)	346.200	121.138
Cash equivalent		**346.200**	**121.138**
TDs, bonds, and securities	(2)	14.175	46.073
Other fixed income investments	(3)	-	87.042
Trusts		813	243
Cash equivalent		**14.988**	**133.358**
Total cash and cash equivalent		**361.188**	**254.496**

- (1) Considers resources from current and savings accounts. This variation is mainly explained by resources coming from the disbursements of bank loans to cover the investment plan to be executed during 2018 first quarter.
- (2) Current deposits mature in less than three months from the acquisition date and accrue the market interest for such investments.
- (3) Other fixed income investments correspond to "time deposit", which at the end of 2016 had a balance of USD29,000,000.

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5. RESTRICTED CASH

	2017	2016
Restricted cash	16.901	20.298

Restricted cash includes trusts created with resources for execution of delegated management projects FAER COP8.375 (2016: COP11.314) and management and payments trusts created for projects from the Energy Mining Planning Unit, (Unidad de Planeación Minero Energética) –UPME– COP8.153 (2016: COP8.534), as well as contributions to the Jaguar Connection project COP373 (2016: COP450).

6. OTHER FINANCIAL ASSETS

Other financial assets include financial instruments with maturity greater than 90 days. The composition as of December 31, 2017 and 2016 is the following:

	2017	2016
Other financial assets	-	4.568
Total other financial assets	**-**	**4.568**

7. NON-FINANCIAL ASSETS

Expenses paid in advance mainly include: insurance policies, advance payments for travel expenses and advances for the acquisition of services of expenses projects.

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Pre-paid expenses		7.019	-	18.150	-
Other assets	(1)	767	1.200	-	1.300
Total non-financial assets		**7.786**	**1.200**	**18.150**	**1.300**

(1) It includes the deferred amount generated in the contracting with INTERNEXA S.A., for telecommunications services and current operative and administrative solutions for the substations of Toledo, Samore, Banadia and Caño Limon for COP1.200 (2016: COP1.300).

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8. ACCOUNTS RECEIVABLE

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Clients	(1)	19.069	-	21.919	22
Dividends	(2)	1.776	-	-	-
Loans to economic related parties	(3)	210	195.628	203	203.898
Participation accounts	(4)	23.373	6.942	38.636	5.551
Loans to employees	(5)	1.590	6.664	1.622	6.328
Other debtors	(6)	4.223	1	4.009	-
Total accounts receivable		**50.241**	**209.235**	**66.389**	**215.799**
Less - Impairment	(7)	(8.233)	-	(8.110)	-
Total accounts receivable net		**42.008**	**209.235**	**58.279**	**215.799**

- (1) Mainly includes accounts receivable from usage and connection revenues for COP12.209 (2016: COP12.319); accounts receivable due to usage rights from members of the alliance entered into in 1997 between ISA and companies from the Information and Telecommunication Technologies to jointly develop an optical fiber network for the cities of Bogota, Medellin and Cali, aiming at improving the country telecommunications system for COP447 (2016: COP543); accounts receivable for infrastructure projects for COP296 (2016: COP3.426) related to the Cauca - Nariño project and executed with ISA INTERCHILE; accounts receivable due to technical services for COP6.117 (2016: COP5.653). See accounts receivable linked to Note 9.1.
- (2) Dividends receivable decreed by ISA Inversiones Chile at Extraordinary Shareholders' Meeting, on December 27, 2017, for CLP367.698.195, to be paid in February 2018. For the amounts linked to accounts receivable with related parties, refer to Note 9.1.
- (3) Loans granted to ISA Inversiones Maule, the current portion corresponds to interest receivable and the non-current to the capital. For the amounts linked to accounts receivable with related parties, refer to Note 9.1.
- (4) Account receivable from ISA INTERCOLOMBIA for income generated in the monthly settlement of the "contrato de cuentas en participación". See accounts receivable linked to Note 9.1.
- (5) Accounts receivable from employees for housing loans, purchase of vehicles and other loans of general purpose, granted at interest rates of 4% to 6% and a maturity up to five years for vehicles and 15 years for housing.

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- (6) This item mainly corresponds to accounts receivable from municipalities due to legal processes in favor of ISA, which are currently being processed to obtain devolution of balances seized. There are also balances from installments part of pensions, delivered deposits and expenses refunds from customers in regard to guarantees claims.
- (7) The following is the receivable accounts provision behavior:

	2017	2016
Initial balance	8.110	8.060
Provisions of year charged to profit or loss	123	55
Recovery of provisions	-	(5)
Final Balance	**8.233**	**8.110**

As of December 31, 2017, it was considered the increase for the accounts receivable provision for COP86 due to obligations of Electrificadora del Caribe S.A E.S.P., before the STN –National Transmission System–, given its intervention for liquidation purposes by the Superintendence of Public Residential Utilities, and COP37 from pension installments.

There are no restrictions on providing such accounts receivable of significant amount.

The Company does not have any customers with whom it records sales representing 10% or more of its ordinary revenues for the year ended December 31, 2017 and 2016.

As of December 31, 2017, and 2016, the analysis of trade receivables, due and unpaid, is as follows:

CLIENTS	2017	2016
Current	**11.683**	**15.351**
Due		
Due > 1 and <= 90 days	318	712
Due > 91 and <=180 days	-	-
Due > 181 and <= 360 days	86	-
Due > 360 days	6.982	5.878
Total due	**7.386**	**6.590**
Total accounts receivable from customers	**19.069**	**21.941**

The following are the amounts that are due at the end of the reporting period but for which the Company has not recognized any provision for uncollectible accounts, because no significant change in credit quality has occurred and the amounts have not yet been recorded. They are considered recoverable.

CLIENTS	2017	2016
Due		
Due > 1 and <= 90 days	318	712
Due > 360 days	9	26
Total due	**327**	**738**

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ISA charges interest on overdue accounts to its customers at the maximum rate authorized by law. By December 2017 and 2016, the rates were 29,16% and 32,99%, respectively.

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The legally valid commercial transactions between related parties are carried out under market conditions and prices, i.e., in conditions equivalent to those existing for arm's-length transactions.

At the date of these financial statements, there are no granted associated guarantees with balances between related parties, nor provisions for doubtful debts.

9.1 Balances and transactions with related parties

The following were the main balances and transactions of the Company with its related parties during 2017 and 2016:

		DECEMBER 2017	DECEMBER 2016
Balance			
Accounts receivable	**(Note 8)**	**37.640**	**54.021**
INTERNEXA S.A.		429	152
ISA INTERCOLOMBIA		30.315	44.187
RED DE ENERGIA DEL PERÚ S.A. –ISA REP–		4.375	4.120
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–		-	3.529
ISA BOLIVIA S.A.		1.652	1.558
ISA INTERCHILE		565	41
TRANSNEXA S.A. E.M.A.		304	434
Other assets	**(Note 7)**	**1.200**	**1.300**

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		DECEMBER 2017	DECEMBER 2016
INTERNEXA S.A.		1.200	1.300
Loans to economic related parties	**(Note 8)**	**195.838**	**204.101**
ISA INVERSIONES MAULE LTDA		195.838	204.101
Accounts payable	**(Note 17)**	**5.597**	**5.895**
ISA TRANSELCA		111	-
INTERNEXA S.A.		2.269	2.839
ISA INTERCOLOMBIA		2.466	1.710
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–		347	211
ISA INVERSIONES CHILE LTDA		-	597
EMPRESA DE ENERGÍA DE BOGOTÁ –EEB–		358	358
EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. –EPM–		3	-
ISA INTERVIAL		43	180
Loans from economic related parties -		**300.346**	**288.768**
ISA TRANSELCA		300.346	288.768
Equity transactions agreement	**(Note 8)**		
Account receivable due to dividends decreed in ISA's favor		**1.776**	**-**
ISA INVERSIONES CHILE LTDA		1.776	-

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		DECEMBER 2017	DECEMBER 2016
Income-related transactions agreement			
Revenues		**835.811**	**865.893**
Participating accounts contract	(Note 23)		
ISA INTERCOLOMBIA		805.898	837.438
Sale of services	(Note 23)		
RED DE ENERGIA DEL PERÚ S.A. –ISA REP–		4.462	4.132
ISA BOLIVIA S.A.		1.758	1.775
EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. –EPM–		9.956	363
TRANSNEXA S.A. E.M.A.		947	1.123
Interest			
ISA INVERSIONES MAULE LTDA		7.480	9.486
Construction services			
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–		3.739	10.637
ISA INTERCHILE		937	359
Leases			
INTERNEXA S.A.		634	312
Asset sales gain			
ISA INTERCOLOMBIA		-	268
Expenses		**31.063**	**23.790**

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	DECEMBER 2017	DECEMBER 2016
Purchase of services		
INTERNEXA S.A.	970	1.109
ISA INTERCOLOMBIA	5.831	4.920
TRANSNEXA S.A. E.M.A.	-	-
COMPAÑÍA DE EXPERTOS EN MERCADOS S.A. E.S.P. –XM–	11.276	348
Interest		
ISA INTERCOLOMBIA	1	-
INTERNEXA S.A.	-	157
ISA CAPITAL DO BRASIL S.A.	-	1.155
INTERNEXA S.A.	188	-
ISA TRANSELCA	12.754	13.959
Other expenses		
PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–	-	140
Studies and projects		
ISA INTERVIAL	43	180
ISA INVERSIONES CHILE LTDA	-	1.822

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Accounts payable to related parties

Credits with related parties accrued interest during year 2017 for COP12.754 (2016: COP12.757).

The balance of financing with related parties as of December 31, 2017 and 2016, comprises:

AFFILIATE	DUE DATE	TYPE OF INTEREST	2017		2016	
			NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Credits granted by national affiliates						
ISA TRANSELCA	12-Oct-22	Fixed rate DTF E.A. of December 31, previous year	60.798	75.418	60.798	72.374
ISA TRANSELCA	12-Oct-24	Fixed rate DTF E.A. of December 31, previous year	72.642	89.667	72.642	86.201
ISA TRANSELCA	12-Oct-24	Fixed rate DTF E.A. of December 31, previous year	12.537	15.475	12.537	14.877
ISA TRANSELCA	12-Oct-25	Fixed rate DTF E.A. of December 31, previous year	28.500	35.096	28.500	33.768
ISA TRANSELCA	12-Oct-25	Fixed rate DTF E.A. of December 31, previous year	12.500	15.392	12.500	14.810
ISA TRANSELCA	26-Dec-26	Fixed rate DTF E.A. of December 31, previous year	31.908	37.495	31.908	36.088
ISA TRANSELCA	31-Oct-27	Fixed rate DTF E.A. of December 31, previous year	26.000	31.803	26.000	30.650
Total credits with national subsidiaries			**244.885**	**300.346**	**244.885**	**288.768**
Total credits with subsidiaries			**244.885**	**300.346**	**244.885**	**288.768**
Less short-term portion			-	-	-	-
Total long-term credits with subsidiaries			**244.885**	**300.346**	**244.885**	**288.768**

During 2017 significant events were not presented in loans with economic associates.

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9.2 Board of Directors and key Senior Management Staff

ISA is managed by a Board of Directors composed of nine (9) main members. During Ordinary General Shareholders Meeting held on March 31, 2017 the Board of Directors for the April 2017 - March 2018 period was appointed. In the Operating Report of the Board of Directors, the information concerning the election and creation of this body can be consulted.

The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO.

There are no outstanding receivables and payables between the Company and members of Board of Directors.

There are no other transactions other than remuneration between the Company and members of ISA Board of Directors.

a) Accounts receivable from key personnel and Senior Management

	2017	2016
Chief Executive Officer	747	886
Vice-president	350	509
Corporate directors	1.090	459
General Secretary	38	72
TOTAL	**2.225**	**1.926**

There are no outstanding payables between the Company and members of the Senior Management of ISA.

There are no other transactions other than remuneration between the Company and members of ISA Board of Directors and Senior Management.

b) Board of Directors remuneration

In compensation for attending meetings of Board and its committees, the members received the remuneration determined by the Regular Shareholder's Meeting, equivalent to 103 UVT per meeting (2017 UVT value: COP31.859).

Board of Directors remuneration for 2017 was COP993 (2016: COP760).

As of December 31, 2017 and 2016, there are no labor connections between the members of the Board and the Company, or business links between the Company and close relatives of members of the Board of Directors. (See Note 3.19).

c) Remuneration to key staff of Senior Management

The remuneration received by the key personnel of the Senior Management is the following:

	2017	2016
Remuneration	8.290	7.553
Short-term benefits	3.714	2.705
TOTAL	**12.004**	**10.258**

There are no guarantees granted in favor of Senior Management.

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10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES, AND FINANCIAL INSTRUMENTS

	MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS	SHAREHOLDING (%)		BALANCE	
			2017	2016	2017	2016
Investments in subsidiaries and joint ventures						
ISA TRANSELCA	Energy Transmission	Colombia	99,997	99,997	863.124	841.050
INTERNEXA S.A.	Information and Telecommunication Technologies	Colombia	99,420	99,420	162.026	178.559
ISA INTERCOLOMBIA	Energy Transmission	Colombia	99,997	99,996	79.036	76.827
Compañía de Expertos en Mercados S. A. E.S.P. –XM–	Management of Real-Time Systems	Colombia	99,730	99,730	23.772	24.167
ISA INTERVIAL	Road Concessions	Colombia	100,000	100,000	1.271	1.273
Sistemas Inteligentes en Red S.A.S. –SIER–	Management of Real-Time Systems	Colombia	15,000	15,000	1.748	1.913
Consorcio Transmantaro S.A.	Energy Transmission	Peru	60,000	60,000	966.243	890.420
Red de Energía del Perú S. A. – ISA REP–	Energy Transmission	Peru	30,000	30,000	174.376	179.790
ISA Perú S. A.	Energy Transmission	Peru	45,146	45,146	52.145	52.365
Proyecto de Infraestructura Perú S. A. C. –PDI–	Infrastructure	Peru	99,967	99,967	19.318	10.909
ISA Bolivia S. A.	Energy Transmission	Bolivia	51,000	51,000	55.316	49.430
ISA Capital do Brasil S.A. (4) and Note 10.1.1	Energy Transmission	Brazil	99,990	99,990	2.986.488	2.435.095
ISA Investimentos e Participações LTDA.	Energy Transmission	Brazil	99,899	0,000	637.483	-
ISA Inversiones Chile Ltda.	Road Concessions	Chile	99,999	99,999	1.869.980	1.620.243
ISA Inversiones Maule Ltda.	Road Concessions	Chile	99,999	99,999	1.045.778	862.670

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	MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS	SHAREHOLDING (%)		BALANCE	
			2017	2016	2017	2016
ISA INTERCHILE	Energy Transmission	Chile	82,350	82,350	787.079	811.166
CAUTIVA	Reinsurance	Bermudas	100,000	100,000	7.822	5.253
Betania	Autonomous Equity	Colombia	100,000	100,000	6.987	7.448
Total investment in subsidiaries (1)					**9.739.992**	**8.048.578**
Investments in jointly controlled entities						
Interconexión Eléctrica Colombia Panamá S. A. –ICP–	Energy Transmission	Panama	50,000	50,000	7.845	8.019
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	Energy Transmission	Colombia	1,172	1,172	3	4
Total investments in jointly controlled entities (2)					**7.848**	**8.023**
Investment in associates						
ATP Tower Holdings LLC (Note 10.1.3)	Information and Telecommunication Technologies	USA	26,500	0,000	468.330	-
Total investment in associates					**468.330**	**-**
Financial instruments						
Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,481	0,481	-	-
Empresa Propietaria de la Red –EPR–	Energy Transmission	Costa Rica	11,110	11,110	12.525	12.525
Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,000	0,000	3	3
Total financial instruments (3)					**12.528**	**12.528**
Total investments					**10.228.698**	**8.069.128**

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- (1) Companies in which ISA has control.
- (2) ISA has joint control in these companies, and it is expressly defined at the statutory level.
- (3) ISA holds these investments as strategic business mobilizing plan in different countries. Electrificadora del Caribe was received as transfer payment.
- (4) ISA participates with 72,84% of the total ISA Capital do Brasil equity, where the remaining share corresponds to preferential shares which are reclassified to debt for purposes of presenting ISA financial statements.

ISA's investment in ISA Capital do Brasil S.A., is affected by the account receivable in COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA –ISA CTEEP–, recognized to the Government of the São Paulo State, linked to Law 4819/58 processes for BRL1.312 million (COP1.184.211), (2016: BRL1.150 million, COP1.059.154).

10.1 Acquisitions 2017

10.1.1 Interligação Elétrica Norte E Nordeste S.A. –IENNE–

ISA, through its subsidiaries, ISA Capital do Brasil S.A., and ISA CTEEP, acquired the entire stake of other shareholders in IENNE, an entity incorporated on December 03, 2007, with the objective or exploiting the energy transmission public service concession.

On September 15, 2017 and October 05, 2017, ISA CTEEP paid ISOLUX and CYMI an amount close to COP63.461 and COP30.315, for the purchase of 50% and 25%, respectively, corresponding to the updated offered price at market value. Contracts signed among the parties regarding the acquisition of mention stake, do not foresee any type of future conditioning clause and/or price adjustments.

As a result of the operation, ISA CTEEP obtained 100% of IENNE operations as of the approval of the regulatory body, on September 29, 2017, ending the acquisition process on October 5, 2017.

10.1.2 Transmissora Aliança de Energia Elétrica S.A.

In June 2017, ISA through its Brazilian affiliate, ISA Investimentos e Participações do Brasil S.A., acquired 41,6% of the Transmissora Aliança de Energia Elétrica S.A –TAESA– control block. These shares represent 26% common stock and 14,9% TAESA total share capital, for a final amount of USD309 million, after making amendments to the price established in the purchase and sale agreement signed on December 27, 2016. This acquisition was made with capital contributions from ISA Investimentos e Participações do Brasil S.A., for USD203 million and debentures in the Brazilian capital market worth USD106 million.

As result of this acquisition, ISA takes the position of the TAESA control block sellers, keeping their rights and obligations and joined the Share Holders Agreement with Companhia Energética de Minas Gerais S.A., –CEMIG–.

10.1.3 ATP Tower Holdings LLC

ISA made equity investment for COP480.024, in Andean Tower Partners –ATP–, telecommunications infrastructure company, for the development of Colombia and Peru. The ATP business is to provide, operate and manage towers and sites required by mobile operators to install their infrastructure, as well as new technologies, Small Cells and DAS –Distributed Antenna Systems– to satisfy connectivity demands from the mobile industry. This company is an ISA's associate.

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In addition, in December 2017, through ATP, Torres Unidas was acquired, this company provides solutions and services related to communication towers and mobile infrastructure in the Andean Region. Thanks to this transaction ATP becomes one of the main operators in this business sector for the Andean Region.

11. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment net balance as of December 31, 2017 and 2016, is:

	2017	2016
Property, plant, and equipment in operation		
Grids, lines, and cables	8.816.492	8.796.864
Plants and ducts	4.498.668	4.465.400
Buildings	334.987	304.262
Machinery and equipment	47.469	47.360
Communication and computing equipment	30.906	29.325
Transportation, traction and lifting equipment	6.000	6.089
Furniture, chattels, and office equipment	28.195	26.121
Lands	183.920	169.684
Subtotal property, plant, and equipment	**13.946.637**	**13.845.105**
Less – cumulative depreciation	(9.392.584)	(9.275.632)
Subtotal property, plant, and equipment	**4.554.053**	**4.569.473**
On-going constructions	1.090.516	479.702
Property in transit	18.343	-
Machinery and equipment in transit	21.052	17.688
Total net property, plant, and equipment	**5.683.964**	**5.066.863**

As of December 31, 2017 and 2016 no operating and/or economic indications were identified, revealing that the net carrying value of property, plant and equipment cannot be recovered.

During 2017, interests were capitalized for COP27.697 (2016: COP15.246), due to the acquisition, construction, or production of suitable assets, which are the ones that need of a period before being ready for its planned use.

ISA currently holds insurance policies for combined material damages, terrorism, and consequential losses, intended to ensure the loss and damage of its fixed assets, except transmission lines and towers. There are no restrictions or pledges or guarantee deliveries on property, plant, and equipment for any obligations.

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→ **Property, plant, and equipment movement:**

NAME	BALANCE 2015	ADDITIONS AND/OR TRANSFERS	SALES, WRITE-OFFS AND/OR TRANSFERS	2016 DEPRECIATION EXPENSES	BALANCE 2016	ADDITIONS AND/OR TRANSFERS (1)	SALES, WRITE-OFFS AND/OR TRANSFERS	2017 DEPRECIATION EXPENSES	2017 BALANCE
Grids, lines, and cables	2.510.268	38.685	(421)	(61.308)	2.487.224	19.628	-	(62.237)	2.444.615
Plants and ducts	1.632.847	92.893	(237)	(105.189)	1.620.314	79.926	(88)	(92.126)	1.608.026
Buildings	259.771	286	-	(3.357)	256.700	30.724	-	(3.562)	283.862
Machinery and equipment	17.098	2.108	-	(2.263)	16.943	737	(226)	(1.981)	15.473
Communication and computing equipment	2.343	4.039	(2)	(1.913)	4.467	1.581	-	(2.128)	3.920
Transportation, traction and lifting equipment	3.919	47	-	(323)	3.643	-	-	(350)	3.293
Furniture, chattels, and office equipment	11.921	250	-	(1.672)	10.499	2.075	-	(1.629)	10.945
Lands	169.431	252	-	-	169.683	14.236	-	-	183.919
On-going constructions (2)	207.475	272.247	(20)	-	479.702	610.855	(41)	-	1.090.516
Property in transit (3)	-	-	-	-	-	18.343	-	-	18.343
Machinery and equipment in transit	19.510	(405)	(1.417)	-	17.688	3.607	(243)	-	21.052
Total	**4.834.583**	**410.402**	**(2.097)**	**(176.025)**	**5.066.863**	**781.712**	**(598)**	**(164.013)**	**5.683.964**

→ (1) In 2017 the following projects entered operation: Puerto Libertador - Montelibano 110 kV Connection for COP59.864, Uraba Substation expansion for COP1.402, Chivor Substation for COP17.194, Structural reinforcement control buildings phase 3 (Caño Limon, Banadia, Samore, Toledo, Reforma, Purnio, Ibague, Urra) for COP3.753 and guarantee for the cells of Cerromatoso Substation for COP2.350.

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- (2) The balance of on-going constructions mainly includes:
  - UPME Project 03-2014 Northwestern Interconnection 230/500 kV for COP491.854 (2016: COP59.151), which scope comprises design, supply, civil works, assembly, and commissioning of substations Antioquia, Medellin, expansion of substations and related transmission lines at 500 kV - 547 km. Expected date for entry into service: August 31, 2018.
  - 500 kV Costa Caribe Interconnection project for COP171.154 (2016: COP30.335), which scope comprises design, supply, civil works, assembly, and commissioning of Cerromatoso - Chinu 500 kV - 352 Km transmission lines and substations expansions. Expected date for entry into service: September 30, 2018.
  - UPME Project 07-2013 Chinu-Monteria Uraba Line 230 kV for COP170.028 (2016: COP86.887), which comprises the design, supply, civil works, assembly, and commissioning of Monteria Substation 230 kV and related transmission lines (Chinu - Monteria - Uraba) 195 km. Expected date for entry into service: October 29, 2018.
  - UPME Project 06-2013 Caracoli 220 Kv for COP148.433 (2016: COP61.557), which scope comprises design, supply, civil works, assembly, and commissioning of Caracoli 220 kV Substation project and related transmission lines - 53 km. Expected date for entry into service: February 13, 2018.
  - UPME 03-2016 San Antonio 230 kV Substation and related transmission lines for COP11.619 (2016: COP1.396), which includes the design, acquisition, construction, testing, and commissioning of two-line bays and two transformation lines for the San Antonio 230 kV Substation, two bay lines for the Sochagota Substation 230 kV (existing) and a 230-kV line double circuit between the San Antonio and Sochagota substation. Expected date for entry into service: June 30, 2018.
  - UPME 09-2016 Copey - Cuestecitas 500 kV and Copey - Fundacion 220 kV for COP7.081 (2016: COP0), which includes design, acquisition of supplies, construction, testing, commissioning, operation, and maintenance of the works linked to the Copey - Cuestecitas 500 kV and Copey – Fundacion 220 kV transmission lines project. Expected date for entry into service: November 30, 2020.

- (3) Assets in transit correspond to the supply of the asset "GIS Substation", for the Interconexión Noroccidental project USD5,759,822.

12. INVESTMENT PROPERTY

	2017	2016
Investment property		
Lands	1.839	1.839
Buildings	9.994	9.994
Subtotal Investment property	**11.833**	**11.833**
Less – cumulative depreciation	(4.113)	(4.030)
Total Investment property	**7.720**	**7.803**

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Investment property corresponds to blocks II and V of ISA's headquarters, leased to its subsidiaries XM and INTERNEXA S.A., respectively. Revenues, costs, and expenses associated to the investment property are executed by ISA INTERCOLOMBIA, through a rendering of services contract.

NAME	BALANCE 2015	ADDITIONS AND/OR TRANSFERS	SALES, WRITE-OFFS AND/OR TRANSFERS	2016 DEPRECIATION EXPENSES	BALANCE 2016	ADDITIONS AND/OR TRANSFERS	SALES, WRITE-OFFS AND/OR TRANSFERS	2017 DEPRECIATION EXPENSES	2017 BALANCE
Lands	1.839	-	-	-	1.839	-	-	-	1.839
Buildings	6.047	-	-	(83)	5.964	-	-	(83)	5.881
Total	**7.886**	**-**	**-**	**(83)**	**7.803**	**-**	**-**	**(83)**	**7.720**

There are no contracts for repairs, maintenance, acquisition, construction, or development, representing future obligations for the Company as of December 31, 2017 and 2016.

13. INTANGIBLE ASSET

	2017	2016
Software	12.960	12.960
Licenses	12.360	12.360
Easements	100.409	97.416
Rights	11.635	11.635
Less – intangible amortization	(35.101)	(33.655)
Total intangible assets	**102.263**	**100.716**

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Movement of intangible assets

NAME		BALANCE 2015	ADDITIONS AND/OR TRANSFERS	SALES AND/ OR WRITE-OFFS	AMORTIZATION EXPENSE 2016	BALANCE 2016	ADDITIONS AND/OR TRANSFERS	SALES AND/ OR WRITE-OFFS	AMORTIZATION EXPENSE 2017	2017 BALANCE
Software		209	3.387	-	(792)	2.804	-	-	(1.186)	1.618
Licenses		689	103	-	(460)	332	-	-	(226)	106
Easements	(1)	92.049	5.367	-	-	97.416	2.993	-	-	100.409
Rights		667	-	(448)	(55)	164	-	-	(34)	130
Total		**93.614**	**8.857**	**(448)**	**(1.307)**	**100.716**	**2.993**	**-**	**(1.446)**	**102.263**

(1) As of December 2017, COP2.917 for the updating of litigation processes due to easements and COP198 due to easements payments, due to litigations resolution.

As of December 2017, and December 2016, the Company management considered that there were no operating and/or economic signs, indicating that the registered net value of indefinite useful life intangible assets, may not be recovered.

14. FINANCIAL INSTRUMENTS

14.1 Classification of asset financial instruments by nature and category

Fair value of financial assets

The carrying value of financial assets measured at amortized cost is the reasonable approach to its fair value. The fair value is presented in the following table, based on the categories of financial assets, compared with its current and non-current carrying value included in the financial statements.

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The detail of financial instruments of asset, classified by nature and category, as of December 31, 2017 and 2016 is as follows:

		2017		2016	
FINANCIAL ASSETS	**NOTE**	**AMORTIZED COST**	**AT FAIR VALUE**	**AMORTIZED COST**	**AT FAIR VALUE**
Cash and cash equivalent	4	-	361.188	-	254.496
Accounts receivable	8	42.008	-	58.279	-
Other financial assets	6	-	-	4.568	-
Total current		**42.008**	**361.188**	**62.847**	**254.496**
Restricted cash	5	-	16.901	-	20.298
Accounts receivable	8	209.235	-	215.799	-
Equity instruments	10	-	12.528	-	12.528
Total non-current		**209.235**	**29.429**	**215.799**	**32.826**
Total		**251.243**	**390.617**	**278.646**	**287.322**

14.2 Classification of financial instruments of liabilities by nature and category

Financial liabilities fair value

The carrying value of financial liabilities measured at amortized cost is the approximation of its fair value. The fair value is presented in the following table, based on the categories of liabilities, compared with current and non-current carrying value included in the financial statements.

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The detail of liability financial instruments, classified by nature and category, as of December 31, 2017 and 2016 is as follows:

		2017		2016	
FINANCIAL LIABILITIES	**NOTE**	**AMORTIZED COST**	**AT FAIR VALUE**	**AMORTIZED COST**	**AT FAIR VALUE**
Financial liabilities	15	113.155	-	146.843	-
Accounts payable	17	125.268	-	70.525	-
Total current		**238.423**	**-**	**217.368**	**-**
Financial liabilities	15	3.814.421	-	2.084.431	-
Accounts payable	17	303.653	-	293.336	-
Total non-current		**4.118.074**	**-**	**2.377.767**	**-**
Total		**4.356.497**	**-**	**2.595.135**	**-**

a. Fair value hierarchies

The financial instruments recognized at fair value in the statement of financial position, are classified hierarchically according to the criteria described in Note 3.9. Fair value measurement.

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The following table shows the financial and liabilities assets measured at fair value as of December 31, 2017 and 2016:

	2017		FAIR VALUE MEASURED AT THE END OF PERIOD		
FINANCIAL INSTRUMENTS AT FAIR VALUE	**CURRENT**	**NON-CURRENT**	**LEVEL I**	**LEVEL II (1)**	**LEVEL II**
Financial assets					
Cash and cash equivalent	361.188	-	361.188	-	-
Restricted cash	-	16.901	16.901	-	-
Equity instruments	-	12.528	-	12.528	-
Total	**361.188**	**29.429**	**378.089**	**12.528**	**-**

	2016		FAIR VALUE MEASURED AT THE END OF PERIOD		
FINANCIAL INSTRUMENTS AT FAIR VALUE	**CURRENT**	**NON-CURRENT**	**LEVEL I**	**LEVEL II (1)**	**LEVEL II**
Financial assets					
Cash and cash equivalent	254.496	-	254.496	-	-
Restricted cash	-	20.298	20.298	-	-
Equity instruments	-	12.528		12.528	-
Total	**254.496**	**32.826**	**274.794**	**12.528**	**-**

(1) Fair values have been classified in Level II, on the basis of input data of valuation techniques used. (See Note 3.9 Fair value estimation)

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14.3 Net monetary position

As of December 31, ISA had the following assets and liabilities in foreign currency expressed in thousands of equivalent US dollars:

	USD THOUSAND	COP MILLION
Assets		
Current assets		
Cash and cash equivalent	1.737	5.184
Financial assets	2.876	8.582
Total current assets	**4.613**	**13.766**
Non-current assets		
Financial assets	65.566	195.649
Investments in subsidiaries, associates, and jointly controlled entities	3.042.293	9.078.203
Investments in financial instruments	4.197	12.525
Total non-current assets	**3.112.057**	**9.286.377**
Total assets	**3.116.670**	**9.300.143**
Liabilities		
Current liabilities		
Accounts payable	16.672	49.749
Total current liabilities	**16.672**	**49.749**
Non-current liabilities		
Accounts payable	22	64
Total non-current liabilities	**22**	**64**
Total liabilities	**16.694**	**49.813**
Net monetary asset position	**3.099.976**	**9.250.330**

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15. FINANCIAL LIABILITIES

The balance of this item as of December 31, 2017 and 2016 is composed by bonds and financial obligations, as shown below:

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Financial liabilities					
Outstanding bonds	Note 15.1	29.772	2.833.718	24.841	1.634.242
Financial obligations	Note 15.2	83.383	980.703	122.002	450.189
Total		**113.155**	**3.814.421**	**146.843**	**2.084.431**

15.1 Outstanding bonds

								2017		2016	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM (YEARS)	INTEREST RATE			NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Program Tranche 4 Lot 1	COP	07/04/2006	07/04/2026	20	CPI	+	4,58%	118.500	121.115	118.500	122.870
Program Tranche 4 Lot 2	COP	07/04/2006	07/04/2026	20	CPI	+	4,58%	104.500	98.951	104.500	99.895
Program Tranche 7 Series A	COP	01/12/2011	01/12/2023	12	CPI	+	4,47%	180.000	181.299	180.000	180.665
Program Tranche 7 Series B	COP	01/12/2011	01/12/2041	30	CPI	+	4,84%	120.000	120.789	120.000	120.348
Program Tranche 8 Series C9	COP	22/05/2013	22/05/2022	9	CPI	+	2,84%	120.000	120.925	120.000	121.575
Program Tranche 8 Series C15	COP	22/05/2013	22/05/2028	15	CPI	+	3,25%	100.000	100.872	100.000	101.415
Program Tranche 9 Series C10	COP	07/05/2015	07/05/2025	10	CPI	+	3,80%	100.000	100.972	100.000	101.495
Program Tranche 9 Series C15	COP	07/05/2015	07/05/2030	15	CPI	+	4,14%	120.000	121.222	120.000	121.860
Program Tranche 9 Series C20	COP	07/05/2015	07/05/2035	20	CPI	+	4,34%	280.000	282.929	280.000	284.432

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								2017		2016	
Program Tranche 10 Series C8	COP	16/02/2016	16/02/2024	8	CPI	+	4,73%	115.000	115.753	115.000	116.306
Program Tranche 10 Series C12	COP	16/02/2016	16/02/2028	12	CPI	+	5,05%	152.000	153.021	152.000	153.791
Program Tranche 10 Series C25	COP	16/02/2016	16/02/2041	25	CPI	+	5,38%	133.000	133.737	133.000	134.431
Program Tranche 11 Series A7	COP	18/04/2017	18/04/2024	7	Fixed Rate		6,75%	260.780	263.960	-	-
Program Tranche 11 Series C15	COP	18/04/2017	18/04/2032	15	CPI	+	3,81%	196.300	198.934	-	-
Program Tranche 11 Series C25	COP	18/04/2017	18/04/2042	25	CPI	+	4,00%	242.920	246.260	-	-
Program Tranche 12 Series A8	COP	28/11/2017	28/11/2025	8	Fixed Rate		6,99%	150.080	150.802	-	-
Program Tranche 12 Series C14	COP	28/11/2017	28/11/2031	14	CPI	+	3,75%	120.100	120.781	-	-
Program Tranche 12 Series C30	COP	28/11/2017	28/11/2047	30	CPI	+	3,98%	229.820	231.168	-	-
TOTAL								**2.843.000**	**2.863.490**	**1.643.000**	**1.659.083**

The following events took place in 2017 and they explain the variation in balance for outstanding bonds:

- On April 18, 2017, the Company conducted the Eleventh Tranche of the Securities Program in the amount of COP700.000 million, from which COP260.780 million were placed in Series A7 with maturity on April 2024; COP196.300 million in Series C15 with maturity on April 2032 and COP242.920 million in Series C25 with maturity on April 2042. Resources for this placement were used to finance investments.
- On November 28, 2017, the Company conducted the Twelfth Tranche of the Securities Program in the amount of COP500.000 million, from which COP150.080 million were placed in Series A8 with maturity on November 2025; COP120.100 million in Series C14 with maturity on November 2031 and COP229.820 million in Series C30 with maturity on November 2047. Resources for this placement were used to finance investments.

Maturity of outstanding bonds:

DUE DATE	
Short-term	**29.772**
Long-term	**2.833.718**
2019	-
2020	-
2021	-
2022 and after	2.833.718
Total	**2.863.490**

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15.2 Financial obligations

								2017		2016	
FINANCING SOURCE	**ORIGINAL CURRENCY**	**INITIAL DATE**	**DATE OF MATURITY**	**TERM (YEARS)**	**INTEREST RATE**			**NOMINAL VALUE**	**AMORTIZED COST VALUE**	**NOMINAL VALUE**	**AMORTIZED COST VALUE**
BANCO DE BOGOTÁ	COP		26/02/2022	7	CPI	+	3,60%	200.189	204.875	222.432	233.410
BANCO DE BOGOTÁ	USD	04/07/2012	04/04/2017	4,8	LIBOR (6M)	+	2,60%	-	-	72.017	73.345
BBVA	COP	23/02/2016	23/02/2023	7	CPI	+	2,99%	250.000	253.591	250.000	259.727
BBVA	COP	09/10/2017	09/10/2027	10	CPI	+	4,80%	50.000	50.993	-	-
Banco Davivienda	COP	09/10/2017	09/10/2027	10	CPI	+	4,80%	50.000	50.993	-	-
BBVA	COP	07/11/2017	07/11/2027	10	CPI	+	4,80%	90.000	91.165	-	-
Banco Davivienda	COP	07/11/2017	07/11/2027	10	CPI	+	4,80%	90.000	91.165	-	-
BBVA	COP	14/12/2017	14/12/2027	10	CPI	+	4,80%	60.000	60.244	-	-
Banco Davivienda	COP	14/12/2017	14/12/2027	10	CPI	+	4,80%	260.000	261.060	-	-
Total national financial obligations								**1.050.189**	**1.064.086**	**544.449**	**566.482**
BNP PARIBAS	USD	17/05/2006	15/05/2017		LIBOR (6M)	+	0,345%	-	-	5.688	5.709
Total foreign obligations								**-**	**-**	**5.688**	**5.709**
Total financial obligations								**1.050.189**	**1.064.086**	**550.137**	**572.191**

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During 2017, the following events took place and they explain the debt change:

- In May, through a payment for USD1.9 million, a credit with BNP-PARIBAS bank was paid.
- In July, through a payment for USD24 million, a credit with Banco de Bogotá was paid.
- In August, an installment for COP22.243 was made to a standing loan with Banco de Bogotá.
- In October, November and December, disbursements were received from Banco BBVA for a total of COP200.000 and from Davivienda Bank for COP400.000, to finance investments.

Financial obligations maturity

DUE DATE		
Short-term		**83.383**
Long-term		**980.703**
2018	94.486	
2019	169.487	
2020	169.487	
2021 and after	547.243	
Total		**1.064.086**

16. RISK MANAGEMENT POLICY

Given the nature of its activities, ISA is exposed to financial risks mainly related to investment in foreign subsidiaries, entering into financial obligations, revenues indexed to macroeconomic variables and the acquisition of goods and services abroad.

Therefore, a risk management methodology has been implemented, which together with ongoing monitoring of financial markets, seeks to minimize potential adverse effects on the financial information. ISA identifies, evaluates, and performs a comprehensive management of the financial risks the company could be exposed to, to minimize their impact on the financial results.

At ISA, the responsibility for the implementation and administration of this system belongs to the strategy office, which in turn discloses such administration to the Board of Directors of the Company. Below, the financial risks to which the Company is exposed:

16.1 Market risk

Market risk corresponds to unfavorable variations from expected fair value or future cash flows of a financial instrument caused by adverse changes in variables such as exchange rates, domestic and international interest rates, the price of indicators -macroeconomic variables-, raw material, commodities, among others.

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Sensitivity analyzes listed below are made based on the balances of financial instruments with cut-off date as of December 31, 2017.

a. Interest rate risk and macroeconomic variables

This risk corresponds to unfavorable changes in the fair value or future cash flows of financial instruments with respect to expectations and is caused by the variation -volatility- of domestic and international interest rates and macroeconomic variables that are indexed to these flows, thus affecting their value. The purpose of interest rate risk management is to find a balance in the revenues and debt structure which allows to stabilize the cost of the latter and minimize the volatility at the income statement.

➔ **Financial obligations**

ISA's debt structure is mostly indexed to interest rates and macroeconomic variables, as well as a portion of the debt is at a fixed rate as described below:

TYPE OF INTEREST RATE	2017
CPI	84,15%
Fixed interest rate	9,93%
DTF	5,92%

As of December 31, 2017, those obligations indexed to DTF –Fixed Term Deposit– mainly correspond to loans with local economic related parties. On the other hand, indexed fixed rate obligations to the CPI correspond to bank loans and corporate bond issuances.

Following are the effects, before taxes, in the statement of comprehensive income, compared with a reasonable variation in interest rates -to date it has not been necessary to hedge financial obligations indexed at interest rate)-:

YEAR	INCREASE / DECREASE BASIC POINTS	EFFECT ON PROFIT AND LOSS BEFORE INCOME TAX STATEMENT (COP MILLION)
2017	(+) 100	(18.105)
2017	(-) 100	18.105

ISA currently keeps revenues which are indexed in the producer price index -PPI-[3], an indicator which is not negotiated at the financial market. Therefore, the indebtedness is mostly CPI indexed since this indicator has a relation with the PPI, which allows to minimize the impacts on the interest rate linked to macroeconomic variables.

3 In accordance with the remuneration of revenues scheme set by the Energy and Gas Regulatory Commission –Comisión de Regulación de Energía y Gas, CREG–.

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Financial instruments - liquidity excess

As of December 31, 2017, ISA does not keep financial instruments -liquidity surpluses- indexed to interest rates.

Since the financial instruments that may compose the portfolio of excess liquidity are acquired in order to hold them to maturity, these investments are not exposed to interest rate risk (investments measured at amortized cost).

b. Exchange rate risk

ISA has exposure to currency Exchange risk –US Dollar–, by the effect on conversion of earnings received from companies abroad; amounts related to projects that have been awarded in UPME's public biddings, which revenues are calculated in US dollars and paid in Colombian pesos; costs related to service of debt obtained in US dollars, purchases of equipment and/or implementation of new projects, capitalizations to affiliates and loans to related parties.

As of December 31, 2017, ISA held the following financial assets and liabilities - in thousands of US Dollars (See Note 14.3 net monetary position):

	2017
Financial assets	
Cash and cash equivalent	1,7
Economic related parties	65,6
Other financial assets	2,3
Total assets	**69,6**
Liabilities	
Accounts payable	16,7
Total liabilities	**16,7**
Net monetary position	**52,9**

Following, the effects before tax are presented in the income statement, compared to a reasonable variation in the exchange rate of foreign currency -US Dollar- keeping all other variables constant:

YEAR	DEVALUATION / REVALUATION	EFFECT ON PROFIT AND LOSS BEFORE INCOME TAX STATEMENT (COP MILLION)
2017	(+) 10%	15.777
2017	(-) 10%	(15.777)

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c. Mitigation measures

Hedge operations for financial risks are considered as mitigation tools for market risk, their objective is to stabilize for a time horizon, the financial statements, and the cash flow before fluctuations of the aforementioned risk factors.

Thus, once the existence of exposure to a risk market is identified with certainty, decision is made for the use of natural or synthetic hedging. The closing is done through ISA treasury department, under corporate guidelines which establish a hedging and not speculation criterion.

As part of the market risk hedging –exchange rate, interest rate, price– ISA can carry out standardized derivative operations -commodity future agreements- as well as non-standardized such as forwards, swaps and options operations at terms in agreement with the best conditions of each market, which qualify as financial hedging instruments to be registered in the financial statements.

As of December 31, 2017, ISA does not have an exchange rate hedging for this type of risk.

16.2 Counterparty credit risk

The counterparty credit risk is defined as the breach of contract, default or doubtful collection of the obligations entered by the Company' customers, as well as by counterparties on financial instruments owed or used, which would result in financial losses.

a. Credit risk –customers–:

At ISA this risk refers to the late payment, doubtful recovery of portfolio from agents who pay the charges for the use of the STN –National Transmission System–, customers connected to the STN, economic associates, dark fiber customers and other related services.

The main administration measures for this risk are:

- Mechanisms and instruments defined in the regulation to cover payments made by agents in the wholesale energy market –guarantees, notes, and prepayments, as well as the supply limitation scheme–, which include those corresponding to charges for the use of STN service, settled and managed by XM, under the contract of mandate defined in the regulation for this effect.
- Withdrawal fee clauses included in STN connection agreements.
- Collection management.
- Analysis of financial statements to new customers connecting to the STN.

b. Credit risk –liquidity excess–:

In bank deposits and financial investments, including the procurement of derivative instruments, credit and counterparty risk is mitigated by the selection of institutions widely recognized in the market and with risk rating given by locally or internationally approved agencies; additionally, a counterparty quota is assessed for these transactions through an allocation model that keeps both quantitative –financial indicators– and qualitative variables –risk ratings– which is reviewed quarterly.

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Furthermore, issuer concentration policies are maintained both at individual and economic group levels that allow narrowing the credit risk exposure. Such policies are monitored regularly to ensure their effective implementation.

As of December 2017, ISA had the following risk classification due to its liquidity excess:

LIQUIDITY EXCESS BY LOCAL RISK RATING

Rate	Balance in COP million	(%) Participation
AAA	371.337	100%
Total	**371.337**	**100%**

LIQUIDITY EXCESS BY FOREIGN RISK RATING

Rate	Balance in COP million	(%) Participation
A+	5.184	100%
Total	**5.184**	**100%**

* Standard & Poor's Graduation for Long Term Rating

16.3 Liquidity risk

Liquidity risk is defined as the incapacity to obtain sufficient funds for the fulfillment of obligations when due, without incurring in unacceptably high costs.

ISA carries out constant monitoring of the short-term cash flow, which permits liquidity needs to be identified during the periods analyzed. Furthermore, liquidity indicators are used, such as the monthly and accumulated liquidity coverage ratio, which is calculated periodically. These ratios are intended to verify whether the current and non-current revenues from the Company's cash flow covers its expenses.

In addition, ISA has tools in place for achieving additional liquidity such as issuance of commercial paper and credit lines with local and foreign companies, which allow remedying temporary needs for funds when so required.

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The following is a description of the future maturity profile expected for the company's financial liabilities:

AS OF DECEMBER 31, 2017	0 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial obligations and bonds	54.190	58.965	980.703	2.833.718	3.927.576
Principal	22.243	47.244	980.703	2.833.718	3.883.908
Interest*	31.947	11.721	-	-	43.668
Accounts payable to economic related parties**	-	-	75.418	224.928	300.346
Accounts payable	125.268	-	-	3.307	128.575
Total	**179.458**	**58.965**	**1.056.121**	**3.061.953**	**4.356.497**

- * Payment of interest projected over time.
- ** Accounts payable to economic associates in loans taken from Group companies.

17. ACCOUNTS PAYABLE

The breakdown of this item as of December 31, 2017 and 2016 is as follows:

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Suppliers and contractors	(1)	105.077	-	50.418	-
Creditors	(2)	14.841	-	12.889	-
Received deposits	(3)	5.350	905	7.218	83
Sales paid in advance		-	2.402	-	4.485
Total		**125.268**	**3.307**	**70.525**	**4.568**

- (1) Accounts payable to suppliers and contractors originate mainly from the purchase of goods and services for the development of Company operations. These liabilities are in national currency and in foreign currency, they do not accrue interest and are usually cancelled according to the schedule of payments in 15, 30 or 45 days.
- (2) Creditors include balances payable for finance lease, accounts payable for contributions to social security and parafiscal payments, health complementary plans and accounts payable fees.
- (3) It mainly includes resources received in administration delegated for the execution of the Cauca – Nariño project for COP4.882.

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18. PROVISIONS

Provisions, as of December 31 are the following:

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Other estimated liabilities and provisions	(1)	24.355	7.026	13.771	1.549
Disputes and claims	(2)	13.932	-	12.156	-
Total provisions		**38.287**	**7.026**	**25.927**	**1.549**

- (1) At the end of 2017, it includes provision for goods in transit for the procurement of the GIS Substation for the Medellin 500 Substation from the Northwest Interconnection Project USD5,759,822.
- (2) The breakdown of the provision for disputes and claims is as follows:

	2017		2016	
TYPE OF PROCESS	#	BALANCE	#	BALANCE
Administrative	4	2.871	6	3.498
Civil	247	9.120	123	6.401
Labor	7	1.941	7	2.257
Total	**258**	**13.932**	**136**	**12.156**

The provision for litigation and claims, complies with the methodology of valuation established in Resolution N° 353, issued in November 2016, by the State National Agency of Legal Defense. This methodology consists of determining the value of claims, adjusting the real value of claims, and calculating the registration value by applying what established in such resolution.

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The movement of provisions as of December 31, 2017 is as follows:

	CONTINGENCIES	OTHER PROVISIONS
Final balance as of December 31, 2015	**7.120**	**1.891**
Provisions in the period	7.048	46.614
Usage in period	(251)	(33.185)
Recoveries	(1.761)	-
Final balance as of December 31, 2016	**12.156**	**15.320**
Provisions in the period	3.802	72.770
Usage in period	(2.026)	(56.709)
Final balance as of December 31, 2017	**13.932**	**31.381**

18.1 Disputes and claims

ISA is currently a procedural party, acting as defendant, plaintiff or intervening third party in administrative, civil, and labor judicial proceedings. None of the proceedings in which it has been sued or has been summoned as intervening party may undermine the stability of the Company. Also, on its own behalf, it has instituted legal actions required for the defense of its interests.

The following information shows the probable and eventual processes against and in favor:

PROBABILITY OF WINNING OR LOSING	#	BALANCE
Likely against	258	13.932
Likely in favor	7	1.213
Eventual against	52	36.916
Eventual in favor	31	172

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The main judicial processes the Company is currently in are:

Proceedings as defendant

TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE	PROBABILITY
Labor. Cassation Case Number 05001310500620140118800	Armando Gómez Arenas, Carlos Alberto Jaramillo Mesa, Ciro León Cantor Castellanos, Enrique Aristóbulo Hernández López, Gerardo Antonio Arango Lalinde, Henry Correa Bechara, Jansen Mejía González	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA.	11.386	Eventual
Labor. Second Instance. Number 05001310501220140113800	Héctor Miguel Altuve Santos, Javier Emilio Franco Roldán, Libardo Antonio López Loaiza, Luis Alberto Bastidas Uribe, Néstor José Chica Castaño, Orlando de Jesús Hernández Toro, Oscar Grajales Sarria	To declare ISA responsible for acknowledging in favor of the plaintiffs, retirement pension agreed upon the collective work convention entered in such convention and SINTRAISA.	8.688	Eventual
Labor. Cassation Case Number 05001310500620140113500	Alonso de Jesús Buriticá, Álvaro Fabra Celis, Henry Betancur Ríos, Jaime Ospitia Obregón, José Aníbal Albarracín Ardila	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA.	7.654	Eventual
Administrative. First Instance. Number 05001310300320060325200	Empresas Públicas de Medellín –EPM–	Plaintiff seeks to declare Interconexión Eléctrica S.A. E.S.P., ISA liable for unjust enrichment.	1.866	Probable
Administrative. First Instance. Number 05001233100020020163600	CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.	Plaintiff claims: 1. To declare annulment of administrative acts 2. To restore the violated right of Central Hidroeléctrica de Betania S.A. E.S.P.	2.283	Eventual

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TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE	PROBABILITY
Administrative. First Instance. Number 20001333100320090017200	Lino Rojas Estrada	To suspend the legal effects of the agreement called Mesa de Trabajo line 220, and order ISA the payment of damages.	1.405	Eventual
Civil. First Instance. Case number 08001310300420170018400	Francisco José Sánchez Cotes, Promigas S.A. E.S.P.	To establish easements for the energy conduction in favor of ISA-Constitutivas.	1.262	Eventual
Labor. First Instance. Number 68001310500220120032300	Jorge Eliécer Reyes Plata	Plaintiff seeks a declaration stating that between him and ISA there was a work relation, which was ended without justifiable reason.	819	Probable
Labor. First Instance. Number 05001310502020150118500	Geisson Aguilar Ávila, Ivonne Lisseth Aguilar Ávila, Yaned Patricia Ávila Carreño	A full statement of responsibility is intended due to proven fault of Interconexión Eléctrica S.A. E.S.P., in accident suffered by the deceased.	641	Eventual
Civil. First Instance. Case number 08001310301420160020900	Promigas S.A. E.S.P.,Situm S.A.S.	To establish easements for the energy conduction in favor of ISA-Constitutivas.	621	Probable
Administrative. First Instance. Case number 05001233100019980397100	GÓMEZ CAJIAO Y ASOCIADOS S.A.	Plaintiff seeks the absolute nullity of administrative act and auditing and consulting contract, based on the grounds that such contract was awarded to a different entity to the one the plaintiff represents, and to reestablish the rights of Gómez Cajiao y Asociados Cía. Ltda. (Today called Gómez Cajiao y Asociados S.A.) for having presented the best offer in public tender C-002 of 96.	602	Probable

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Processes in favor

TYPE AND INSTANCE	DEFENDANT	DESCRIPTION OF LITIGATION	ESTIMATED VALUE	PROBABILITY
First Instance - Administrative Court	Superintendence of Household Utilities	Annulment of SSPD-20082400007415 of March 26, 2008 is requested, whereby ISA was penalized and declare that ISA is not obliged to pay such penalty.	1.132	Probable

19. TAXES

19.1 Income current tax and CREE

The tax legislation applicable to the Company establishes that:

- The nominal rate on income tax is 25% for the 2016 taxable year and 34% for the 2017 taxable year.

- Law 1607 of December 2012 created the Income Tax for Equity –CREE–, equivalent to 9% of the taxable base. The taxable base for this tax is similar to the income with the exception of some deductions which are not allowed. CREE was repealed through the 2016 tax reform Law 1819; therefore, it is only paid until the 2016 taxable year only.

- Law 1739 of 2014 created the surtax on Income Tax for Equity –CREE–, which is applicable when the CREE tax base exceeds COP800 million, this surtax for the 2016 taxable year was 6%.

- Law 1819 of 2016 repealed the CREE tax and its surtax, it also created a new surtax on income equivalent to 6% for the 2017 taxable year and 4% for the 2018 taxable year.

- For both cases, income tax and income tax for equality –CREE–, the base for determining the income tax cannot be less than 3% of liquid equity on the last day of the immediately preceding taxable period, calculated by deducting such items duly authorized in the tax laws. Notwithstanding the above, the 2016

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tax reform, Law 1819, established an increased for the calculation of the presumptive income which moved to 3.5%.

- Law 1819 of 2016, established as of the 2017 taxable year the use of International Accounting Standards applicable for Colombia as the base for the calculation of taxable income for the income tax, and the different tax treatments were made explicit.

- As of the 2017 taxable year an anti-deferral regime for passive income obtained abroad by Colombian residents starts being enforced. It is called Empresas Controladas del Exterior Foreign Controlled Corporations –ECE–, through which passive income obtained by corporations or other foreign corporations controlled by Colombian residents, has to be immediately declared in Colombia once ECE is enforced.

To calculate the income tax and Income Tax for Equality –CREE– for the Company, it is necessary to consider the following situations:

a. On June 27, 2008, ISA, and the State -Ministry of Mines and Energy- signed a legal stability agreement for the energy transmission activity for a 20-year period. This agreement basically provided for stabilization of income tax regulations, including an income tax rate, deduction of the inflationary component of financial expenses, special deduction of 40% for new investments in real productive fixed assets, tax discount by VAT paid in the import of machinery for the energy transmission and presumptive income as 3% of liquid assets, as well as the time limit of the equity tax.

This agreement ensures that in the event of adverse changes to the rules stabilized in the agreement those rules will continue to apply during the term thereof.

b. Decision N° 578 of the Andean Community of Nations –Comunidad Andina de Naciones–, –CAN–, seeks the elimination of double taxation for income earned in any of the member countries (Ecuador, Peru, Bolivia, and Colombia) through exoneration.

In determining the net income in the income tax for the 2017 and 2016 years and the income tax for Equity –CREE– for 2016 only, the Company requests, under its private settlement as exempted income the value obtained in the member countries of the Andean Community of Nations, (Peru, Ecuador, and Bolivia), the net value resulting from subtracting the corresponding costs and deductions from the revenues generated by the exempted activity.

c. Occasional earnings are cleared separately from ordinary income. Occasional earnings are obtained from the disposal of fixed assets held for two or more years, the income generated from the liquidation of companies and those from inheritances, bequests, and donations.

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Tax asset

Tax asset to December are:

		2017		2016	
CURRENT		**CURRENT**	**NON-CURRENT**	**CURRENT**	**NON-CURRENT**
Due to current tax income	(1)	19.273	-	19.005	-
Due to other taxes and contributions	(2)	1.624	44.649	4.226	-
Total		**20.897**	**44.649**	**23.231**	**-**

(1) Current taxes as of December 31 is:

	2017		2016	
	CURRENT	**NON-CURRENT**	**CURRENT**	**NON-CURRENT**
Current tax income	(58.704)	-	(94.833)	-
Discounts, withholdings, advances	77.977	-	113.838	-
Total other assets for taxes	**19.273**	**-**	**19.005**	**-**

This item includes the provision for income tax and tax on income CREE with its corresponding surtax, decreased due to the application of tax discounts due to taxes paid abroad and deductible VAT from import and procurement of heavy machinery for basic industries (Article 258-2 Tax Statute), and the application of withholding paid during the year and income tax and CREE surtax advance payments at the income tax and CREE declarations corresponding to the former period.

(2) This item includes advance deferred withholding which will be offset in subsequent periods, two processes in favor with DIAN which are before the Dispute Tribunal and a credit balance from Trade and Industry from some municipalities where ISA is a taxpayer. In 2017, the deductible VAT is also included for the acquisition and importation of heavy machinery for basic industries (Article 258-2 Tax Statute) which will be taken as tax discount in future taxable periods.

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Reconciliation of income tax expense

The reconciliation between the income tax expense and the product of accounting profit multiplied by the local tax rate of the Company is as follows:

	2017	2016
Net profit before income tax	1.516.505	2.258.260
Income tax rate in Colombia	40%	40%
Income tax expense at nominal rate	606.602	903.303
Increase (decrease) in the provision resulting from:		
Application fixed assets benefit	(106.533)	(23.289)
Non-deductible expenses	22.961	20.581
Taxable dividends, CAN dividends and income ECE	30.290	21.199
Equity method	(451.310)	(772.433)
Exempted income	(21.865)	(26.354)
Lower tax paid in other jurisdictions	(3.690)	(2.420)
Current and deferred rate difference	(2.658)	(28.192)
Income tax expense	**73.797**	**92.395**
Income tax effective rate	**4,87%**	**4,09%**

The reconciliation between the income tax expense and the product of accounting profit, excluding the equity method impact, multiplied by the local tax rate of the Company is as follows:

	2017	2016
Net earnings before income tax	1.516.505	2.258.260
Equity method	(1.128.274)	(1.931.083)
Net earnings before income tax excluding equity method	388.231	327.177
Income tax rate in Colombia	40%	40%
Income tax expense at the local rate	155.292	130.871
Increase (decrease) in the provision resulting from:		
Application of fixed assets benefit	(106.533)	(23.289)
Non-deductible expenses	22.961	20.581
Taxable dividends, CAN, ECE income	30.290	21.199
Exempt income	(21.865)	(26.354)
Lower tax paid in other jurisdictions	(3.690)	(2.420)
Difference current and deferred rates	(2.658)	(28.193)
Income tax expense	**73.797**	**92.395**
Income tax effective rate	**19,01%**	**28,24%**

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The amount of income tax in the income statement corresponds to the recognition of the current tax on the earnings of the year for Colombia, the amount withheld abroad which cannot be accredited from the national tax, last year tax adjustments, and the change in deferred tax, as follows:

	2017	2016
The income tax expense consists of:		
Current income tax expense	58.704	94.833
Expenses for taxes paid in other jurisdictions	4.484	7.259
Deferred income tax expense	11.722	(6.564)
Income tax adjustment former years	(1.113)	(3.133)
Income tax expense	**73.797**	**92.395**

→ **Effective rate vs nominal income tax rate**

Income tax effective rate

	2017		2016	
Income tax provision	73.797	= 4,87%	92.395	= 4,09%
Income before taxes	1.516.505		2.258.260	

Income tax effective rate deducting the equity method impact

The equity method found in income is no basis for determining the income tax. To determine the income tax, it is considered dividends actually received in the year and which are taxable under current tax regulations, this makes the effective rate of the Company to be distorted. The following is the calculation of the effective tax rate by correcting the impact from equity method included in the income statement.

	2017		2016	
Income tax provision	73.797	= 19.01%	92.395	= 28,25%
Income before tax excluding the equity method	388.231		327.072	

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The effective rate, excluding the equity method impact, for the 2017 year was 19,01% compared to a nominal rate of 40% (Income Tax 34%, Surtax 6%), while for 2016, the effective rate was 28,25% compared to a nominal rate of 40% (Income 25%, CREE 9%, and Surtax 6%), mainly explained by:

- The application of the deduction for investment in productive fixed assets reduces the payment of income tax; for 2017, there is a reduction of 27% of the effective rate compared to the nominal rate. For 2016, this item reduced the rate by 7%.
- The non-deductibility of expenses, and other differences in accounting and tax treatments, generates an increase of the rate in 6%. By 2016 the effect on the rate was 6%.
- The amount of taxes paid abroad, and which cannot be used as a tax credit on the income tax, as well as the determination of deferred taxes at rates lower than current rates represents a decrease in the effective tax rate of 2%. By 2016 the effect on the rate was 9%.
- The impact of the application of the Controlled Foreign Corporations –CFC– regime, created by the 2016 tax reform and applicable from the 2017 tax year, combined with the application of the exempted income by executing operation in the Andean Community –CAN–, cause a tax increase by 2%. In 2016, ECE regimen was not implemented, and CAN's exemption represented a tax decrease by 2%.

19.2 Deferred tax

The Company's deferred tax is related to the following:

- In property, plant, and equipment by differences in the recognition of deemed cost, inflation adjustments for tax purposes, recognition of finance leases and the use of different useful lives for tax and accounting purposes.
- In liabilities, by differences for determining financial obligations, the recognition of finance leases, non-deductible provisions, and the difference between the amortization of the actuarial calculation.

Following is the detailed balance of the Company's net deferred tax:

	2017		2016	
	BEGINNING OF THE PERIOD	**END OF THE PERIOD**	**BEGINNING OF THE PERIOD**	**END OF THE PERIOD**
Deferred tax assets				
Accounts receivable	536	2.279	552	536
Estimated liabilities and provisions	7.938	2.943	2.101	7.938
Accounts payable	1.733	1.282	1.136	1.733
Intangibles and other assets	9.838	9.437	10.381	9.838
Labor obligations	26.438	32.999	27.563	26.438
Total deferred tax assets	**46.483**	**48.940**	**41.733**	**46.483**

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	2017		2016	
	BEGINNING OF THE PERIOD	END OF THE PERIOD	BEGINNING OF THE PERIOD	END OF THE PERIOD
Deferred tax liabilities				
Property, plant, and equipment	(944.364)	(952.542)	(950.243)	(944.364)
Financial obligations	(2.471)	(5.393)	(3.200)	(2.471)
Total deferred tax liabilities	**(946.835)**	**(957.935)**	**(953.443)**	**(946.835)**
Net deferred tax	**(900.352)**	**(908.995)**	**(911.710)**	**(900.352)**

Balance annual variations in the deferred tax were acknowledged as showed below:

	2017	2016
Deferred tax variation		
Beginning of the period (net)	(900.352)	(911.710)
End of the period (net)	(908.995)	(900.352)
Variation of the fiscal year	**8.643**	**(11.358)**
Detail of the deferred tax variation		
Recognized variation in income	11.722	(6.564)
Variation recognized in other comprehensive income	(3.079)	(4.794)
Total deferred tax variations	**8.643**	**(11.358)**

The Company has permanent investments, which have accounting and tax differences resulting from the application of the equity method for accounting purposes and the fiscal cost thereof. No deferred taxes have been calculated on these differences as there is no expectation of realization on the same. The non-recognized deferred tax would be defined by applying the rate to which the capital gains would be taxed, depending on the country the investment is located, to the differences between the accounting cost and the tax cost of the investment.

ISA has no tax losses or presumptive income excesses still to be capitalized in determinations of future taxes and, therefore, it has not recognized any amount of deferred tax for this concept.

19.3 Wealth tax

Law 1739 of 2014 created the Wealth Tax for 2015, 2016 and 2017 under the responsibility of legal entities, taxpayers, and contributors of complementary taxes,

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among others; and it is generated by holding it as of 1 January 2015, whose value is equal or greater than COP1.000 million pesos.

The tax base of the wealth tax is the value of gross equity of legal entities held as of January 1, 2015, 2016 and 2017 minus debt of the same in effect on those dates, and it allows excluding the equity value of investments in national companies.

If the tax base of wealth tax in any of years 2016, 2017 and 2018, is higher than that determined in 2015, the taxable base for any of those years will be the lower between the tax base determined in 2015 increased by twenty-five percent (25%) of inflation certified by the National Department of Statistics for the year immediately preceding the declared year and the tax base determined in the year in which it is declared. If the tax base of the wealth tax determined in any of the years 2016, 2017 and 2018, is lower than that determined in 2015, the tax base for each of the years will be the higher between the tax base determined in 2015 decreased by twenty-five percent (25%) of inflation certified by the National Department of Statistics for the year immediately preceding the declared year and the tax base determined in the year in which it is declared.

Applying these provisions and by calculating at a rate of 0.4%, the Company determined a wealth tax for tax year 2017 of COP11.812 million; such tax may not be used as cost or deduction on income tax.

The tax on wealth was not repealed or extended through the 2016 tax reform. Therefore, its last payment is estimated to be in 2017.

19.4 Tax liabilities

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Other tax liabilities	(1)	10.271	-	6.977	-
Total other tax liabilities		**10.271**	**-**	**6.977**	**-**

(1) They correspond to withholding and self-withholding balances at source payable and the sales tax payable, the industry and trade tax liability, and the National University's stamp cost. These amounts are paid in the following year.

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19.5 Total taxes 2017

ISA contributed during 2017 with COP108.601 million in total taxes, from which COP7.522 million are recognized by the regulator. The following table shows the amounts the Company disclosed in its 2017 Financial Statements as costs/expenses for the year and corresponding to taxes, fees, and contributions that are recognized by the regulator.

2017 TAXES	NATIONAL GOVERNMENT	DEPARTMENTAL AND MUNICIPAL GOVERNMENTS	SECTOR CONTRIBUTIONS	REGULATION, SURVEILLANCE, AND CONTROL ENTITIES	TOTAL TAXES, FEES, AND CONTRIBUTIONS
Income tax	73.797	-	-	-	73.797
Wealth tax	11.812	-	-	-	11.812
Industry and trade tax	-	2.083	-	-	2.083
Financial transaction tax	5.428	-	-	-	5.428
Street lighting tax	-	1.287	-	-	1.287
Real estate tax	-	3.059	-	-	3.059
Other municipal taxes (1)	-	644	-	-	644
Subtotal taxes	**91.037**	**7.073**	**-**	**-**	**98.110**
Contribution SSPD and CREG	-	-	-	389	389
Inspection fee - Comptroller's Office of the Republic	-	-	-	2.580	2.580
Tax subtotal	**-**	**-**	**-**	**2.969**	**2.969**
ENERGY MINING PLANNING UNIT –UPME–	-	-	7.522	-	7.522
Subtotal recognized contributions	**-**	**-**	**7.522**	**-**	**7.522**
Total TAXES	**91.037**	**7.073**	**7.522**	**2.969**	**108.601**

(1) Other municipal taxes include: tax on advertising and billboards, fire department surtax, vehicle tax, surtax on disaster prevention and environmental surtax.

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20. EMPLOYEE BENEFITS

The Company offers its retired employees contributions subsequent to the employment relationship by pension, medical assistant plan, education support, and seniority premium.

The structure of the benefits to non-current employees as of 31 December 2017 and 2016 is the following:

	NOTE	2017	2016
BENEFIT			
Retirement pension	20.1	137.629	134.057
Health plans and prepaid medicine and medical assistance	20.2	74.721	67.194
Education support	20.3	9.059	7.896
Seniority and quinquennium bonus	20.4 20.5	1.885	1.742
Long-term bonuses	20.6	1.907	462
Total long-term employee benefits		**225.201**	**211.351**

20.1 Retirement pensions

ISA, according to the collective and individual employment contracts, must pay retirement pensions to those workers who meet certain requirements of age and length of service. The Social Security Institute –ISS– (today Colpensiones), and pension management companies assume the major portion of this obligation, according to legal requirements.

The present value of the pension obligation, as of December 31, 2017 and 2016 was determined based on actuarial studies in accordance with IAS 19 using the actuarial valuation method. Projected unit credit is used to determine the present value of the defined benefit obligation, and where appropriate, the cost for services and the cost of past services.

Under this method, the benefits are attributed to periods in which the obligation to provide benefits is created by directly applying the formula of the benefit of the service-based plan on the valuation date. When benefits are based on compensation and salary, or wage increases, they are applied until the date in which the participant is expected to finish the service. However, if the service in recent years leads to significant additional benefits in previous years, benefits are linearly attributed from the date when service by the employee entitles to benefits under the plan, until such date when subsequent services lead to no additional material amount of benefits under the plan.

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The primary actuarial assumptions used in the valuation are:

	2017	2016
VARIABLES		
Discount rate	7,10%	7,30%
Future salary increase	4,00%	4,00%
Future pension increase	3,50%	3,50%
Inflation rate	3,50%	3,50%
Minimum wage increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Number of people covered by pension plan	410	412
Number of people covered by contributions plan	9	30

20.2 Prepaid medical assistance plans and health assistance

ISA will pay the following percentages on premiums for health plans corresponding to prepaid medical assistance and hospitalization policy:

- For wages and pensions up to four point three (4,3) legal monthly minimum wages –SMLMV– in force, (90%) of the premium value.
- For wages and pensions above four point three (4,3) and up to five point five (5,5) legal monthly minimum wages (SMLMV), eighty percent (80%) of the premium value.
- For wages and pensions above five point five (5,5), seventy percent (70%) of the premium value.

ISA acknowledges 1,70 SMLMV as medical assistance. This benefit is provided to the employee and its beneficiaries.

The primary actuarial assumptions used in the valuation are:

	2017	2016
VARIABLES		
Discount rate	7,20%	7,30%
Minimum wage increase	4,00%	4,00%
Initial increase rate for benefit cost	7,00%	5,80%
Final increase rate for benefit cost	4,50%	4,50%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by medical assistance plan	1.052	1.068

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20.3 Education support

Employees are entitled to a recognition for education support, for each child of active workers and pensioned personnel, under 18 years old and up to 25 years old, provided they are single and are not working.

Values to be recognized will be provided in the collective contracts in force:

EDUCATION LEVEL	AMOUNT FOR EACH PERIOD BENEFICIARIES OF THE LABOR COLLECTIVE PACT
Preschool, kindergarten, primary and secondary, for each child	4.5 SMLMV (annual)
Technology, technical, professional and specialization in technology, per each child	2.25 SMLMV (per semester)
Children with learning disabilities, any age	4.5 SMLMV (annual)

The support will be paid per year or early school semester and must be pursue at education centers duly approved by the competent entity.

The primary actuarial assumptions used in the valuation are:

	2017	2016
VARIABLES		
Discount rate	7,20%	7,30%
Minimum wage increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by pension plan	219	236

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These benefits are valued annually. Reconciliation movements are presented below:

	PENSION	MEDICAL ASSISTANT PLAN	EDUCATION SUPPORT	TOTAL
Balance as of December 31, 2016	**134.057**	**67.194**	**7.896**	**209.147**
Current period service costs	-	529	291	820
Interest expense/revenue	9.481	4.758	566	14.805
Actuarial (profit)/Loss from experience	(370)	3.299	463	3.392
Actuarial (Profit)/Loss from change in demographic assumptions	-	2.119	-	2.119
Actuarial (Profit)/Loss from financial assumptions	2.829	865	127	3.821
Benefits directly paid by the Company	(8.368)	(4.043)	(284)	(12.695)
Balance as of December 31, 2017	**137.629**	**74.721**	**9.059**	**221.409**

The quantitative sensitivity analysis against a change in a key assumption will generated the following effect on the net obligation due to benefits as follows:

ASSUMPTIONS	PENSION	MEDICAL ASSISTANT PLAN	EDUCATION SUPPORT
Change in discount rate			
Increase in discount rate in +1%	(13.208)	(7.936)	(1.148)
Decrease in discount rate in -1%	15.783	9.677	1.447
Change in benefit increase			
Increase in benefit rise in +1%	-	-	1.531
Decrease in benefit rise in -1%	-	-	(1.228)
Change in medical trend			
Increase in medical trend in +1%	-	8.466	-
Decrease in medical trend in -1%	-	(6.999)	-
Obligation base	**137.629**	**74.721**	**9.059**
Term of plan	**11,2**	**12,3**	**15**

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Sensitivity analysis estimates the effect on benefit obligation post-employment as a result of reasonably possible changes in key assumptions used at each reporting date.

In 2017, COP12.830 was recorded in other comprehensive income for defined benefit plans, net of tax.

The estimate of pension liabilities will have the following results, in case it was calculated under the terms of the Technical Regulatory Framework, from Decree 2420 of 2015, modified by Decree 2496 of 2015 and subsequent adjustments.

The primary actuarial assumptions used in the valuation are:

	2017
VARIABLES	
Technical interest real rate	4,80%
Wage increase rate	5,74%
Pension increase rate	5,74%
Inflation rate	5,74%
Mortality rate	2008 valid rentier
Number of people covered by pension plan	410

The results of the estimate as of 31 December 2017 of mathematical retirement pension reserve in charge of ISA, considering the Regulatory Technical Framework, are presented below:

GROUP	NUMBER OF PERSONS	MATHEMATICAL RESERVE VALUE AS OF 31 DECEMBER 2017
Pension liability increase	3	1.680
Retired staff with shared pension	329	93.621
Beneficiary staff in charge of the Company	6	1.122
Retired staff by the Company and in expectation of ISS (Colpensiones)	2	354
Beneficiary shared staff with the ISS (Colpensiones)	60	18.300
Active staff with requirements met with the Company and ISS (Colpensiones)	3	4.406
Voluntarily retired staff affiliated to ISS (Colpensiones)	2	1.077
Staff with temporary and shared rents with ISS (Colpensiones)	4	606
Disability pension (replacement) shared with ISS (Colpensiones)	1	246
Total	**410**	**121.412**

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20.4 Quinquennium

The benefit is provided every five years of service in the Company. It consists of paying a fixed amount when the employee turns five years of service.

20.5 Seniority

The benefit consists in the annual payment of one salary day per each year of service with the Company, in the month of completion of each year of service. This benefit begins when participant completes five years of service with the Company.

The primary actuarial assumptions used in the valuation are:

	2017	2016
VARIABLES		
Discount rate	6,90%	7,20%
Minimum wage increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by seniority premium and quinquennium	109	113

These benefits are valued annually. Reconciliation movements are presented below:

	SENIORITY AND QUINQUENNIUM
Balance as of December 31, 2016	**1.742**
Current period service costs	193
Interest expense/revenues	113
Actuarial (profit)/Losses from experience	131
Actuarial (Profit)/Loss from change in demographic assumptions	-
Actuarial (Profit)/Losses from financial assumptions	37
Benefits directly paid by the Company	(331)
Other changes	-
Balance as of December 31, 2017	**1.885**

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The quantitative sensitivity analysis against a change in a key assumption would generate the following effect on the net obligation due to long-term benefits as follows:

ASSUMPTIONS	SENIORITY/QUINQUENNIUM
Change in discount rate	
Increase in discount rate in +1%	(117)
Decrease in discount rate in -1%	132
Change in salary increase	
Increase in salary rise +1%	139
Decrease in salary rise -1%	(125)
Obligation base	**1.885**
Term of plan	**7**

Sensitivity analysis estimates the effect on long-term benefit obligation as a result of reasonably possible changes in key assumptions used at each reporting date.

20.6 Other benefit liabilities for employees

As of December 31, 2017 and 2016, the Company acknowledges the following bonuses liabilities granted to employees:

	2017	2016
Long-term bonuses	1.907	462

21. OTHER NON-FINANCIAL LIABILITIES

		2017		2016	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Deferred revenues	(1)	-	191.812	-	209.605
Revenues received in advance from sales		3.710	-	3.927	-
Collections in favor of third parties		330	-	188	-
Other non-financial liabilities		**4.040**	**191.812**	**4.115**	**209.605**

(1) Deferred revenues mainly correspond to deferred revenues from the National Transmission System –STN–, COP186.117 (2016: COP201.276) from call for bids assets –UPME– and infrastructure use rights for COP5.695 (2016: COP8.328).

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22. EQUITY

22.1 Subscribed and paid-in capital and number of shares

ISA's subscribed and paid-in capital, as of December 31, 2017 and 2016, is COP36.916 represented in 1.125.498.016 shares, distributed as follows:

2017			
SHAREHOLDER	**NUMBER OF SHARES**	**COP MILLIONS**	**% INTEREST (1)**
STATE INVESTORS			
Ministry of Finance and Public Credit	569.472.561	18.679	51,41140
Empresas Públicas de Medellín E.S.P. –EPM–	112.605.547	3.693	10,16590
Subtotal	**682.078.108**	**22.372**	**61,5773**
PRIVATE CAPITAL INVESTORS			
Mandatory Pension Fund Porvenir Moderate	101.141.309	3.316	9,1309
Mandatory Pension Fund Protección Moderate	69.095.393	2.266	6,2379
Mandatory Pension Fund Colfondos Moderate	28.630.240	939	2,5847
Ishares Colcap Stock Fund	16.164.729	530	1,4593
Mandatory Pension Fund Old Mutual Moderate	10.704.210	351	0,9664
Norges Bank-CB New York	10.617.842	348	0,9586
Vanguard Emerging Markets Stock Index Fund	6.700.140	220	0,6049
Abu Dhabi Investment Authority J.P. Morgan	5.505.236	181	0,4970
Ishares Edge Msci Min Vol Emerging Markets Etf	4.806.895	158	0,4340
Horizons Colombia Select De S&P Stock Fund	4.743.195	156	0,4282

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2017				
SHAREHOLDER		**NUMBER OF SHARES**	**COP MILLIONS**	**% INTEREST (1)**
PRIVATE CAPITAL INVESTORS				
Vanguard Total International Stock Index Fund		4.630.465	152	0,4180
Ishares Msci Emerging Markets Etf		2.810.216	92	0,2537
Ishares Core Msci Emerging Markets Etf		2.767.563	91	0,2499
Blackrock Institutional Trust Company N.A.		2.554.509	84	0,2306
Monetary Authority of Singapore		2.387.797	78	0,2156
Caxdac - Old-age		2.185.377	72	0,1973
Emerging Markets Core Equity Portfolio of Dfa Inve		2.136.337	70	0,1929
Pension Fund Protección Vol-Moder		2.031.959	67	0,1834
Other Shareholders		145.986.374	4.788	13,1795
Subtotal		**425.599.786**	**13.959**	**38,4228**
Total outstanding subscribed capital		**1.107.677.894**	**36.331**	**100**
Own shares reacquired	(2)	17.820.122	585	
Total subscribed and paid-in capital		**1.125.498.016**	**36.916**	

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		2016		
SHAREHOLDER		**NUMBER OF SHARES**	**MILLIONS**	**% INTEREST (1)**
STATE INVESTORS				
Ministerio de Hacienda y Crédito Público		569.472.561	18.679	51,411
Empresas Públicas de Medellín E.S.P. –EPM–		112.605.547	3.693	10,166
Subtotal		**682.078.108**	**22.372**	**61,577**
INVESTORS WITH PUBLIC AND PRIVATE CAPITAL				
Empresa de Energía de Bogotá S.A. E.S.P		18.448.050	605	1,3849
Subtotal		**18.448.050**	**605**	**1,3849**
Subtotal		**700.526.158**	**22.977**	**63,2428**
PRIVATE CAPITAL INVESTORS				
Fondo de Pensiones Obligatorias Porvenir Moderado		89.737.599	2.943	8,1014
Fondo de Pensiones Obligatorias Protección Moderado		69.647.327	2.284	6,2877
Fondo de Pensiones Obligatorias Colfondos Moderado		28.609.043	938	2,5828
Fondo Bursátil Ishares Colcap		12.909.662	423	1,1655
Norges Bank-Cb New York		10.872.969	357	0,9816
Old Mutual Fondo de Pensiones Obligatorias		10.527.754	345	0,9504
Vanguard Emerging Markets Stock Index Fund		5.864.459	192	0,5294
Vanguard Total International Stock Index Fund		3.929.807	129	0,3548
Abu Dhabi Investment Authority J.P. Morgan		3.185.525	104	0,2876
Caxdac - vejez		3.006.347	99	0,2714
Other shareholders		169.861.244	5.539	15,2446
Subtotal		**407.151.736**	**13.354**	**36,7571**
Total outstanding subscribed capital		**1.107.677.894**	**36.331**	**100**
Own shares reacquired	(2)	17.820.122	585	
Total subscribed and paid-in capital		**1.125.498.016**	**36.916**	

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- (1) Percentage of interest on outstanding shares, which are common, registered, and dematerialized.
- (2) Shares belonged to CORELCA and were reacquired by ISA on August 1998. To this date, all rights inherent thereto have been suspended, and consequently, they do neither participate in the distribution of dividends nor are part of the quorum to deliberate and decide.

The Colombian Centralized Deposit of Securities Depósito Centralizado de Valores de Colombia –DECEVAL–, is an entity that receives securities in deposit, for their administration and custody, thereby contributing to facilitate and speed up the market agents' operations.

22.2 Authorized shares and nominal value

As of December 31, 2017 and 2016, the authorized capital stock included 1.371.951.219 common shares, with a nominal value of COP32,800000005352. All shares issued are totally paid.

22.3 Rights and restrictions of shareholders

Shareholders with common shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at the Company Shareholders' Meetings. ISA lists its shares on the Colombia Stock Exchange.

22.4 Premium for placement of shares

This item amounts to COP1.428.128 in 2017 and 2016. (See Note 3.18)

22.5 Dividends

Dividends declared in 2017 and 2016, on income from the previous year, are as detailed below:

	2017	2016
Net income of previous period	2.141.460	706.321
Outstanding shares:	1.107.677.894	1.107.677.894
Ordinary dividend per share (in COP)	248	228
Extraordinary dividend per share (in COP)	144	60
Total decreed dividends per share	392	288
Decreed dividends	434.210	319.011
Form of payment	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2017.	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2016.

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The detail of paid dividends in the last years is as follows:

ATTRIBUTED TO THE PERIOD	TYPE OF DIVIDEND	DATE OF PAYMENT	PESOS PER SHARE
2014	Ordinary	28 Apr-15	52
2014	Extraordinary	28 Apr-15	15
2014	Ordinary	28-Jul-15	52
2014	Extraordinary	28-Jul-15	15
2014	Ordinary	27-Oct-15	52
2014	Extraordinary	27-Oct-15	15
2014	Ordinary	10-Dec-15	52
2014	Extraordinary	10-Dec-15	15
2015	Ordinary	26-Jul-16	114
2015	Extraordinary	26-Jul-16	30
2015	Ordinary	15-Dec-16	114
2015	Extraordinary	15-Dec-16	30
2016	Ordinary	25-Jul-17	124
2016	Extraordinary	25-Jul-17	72
2016	Ordinary	12-Dec-17	124
2016	Extraordinary	12-Dec-17	72

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22.6 Reserves

		2017	2016
Legal	(1)	18.458	18.458
Legal under tax provisions	(2)	898.802	811.959
Reserve for reacquisition of own shares	(3)	-	38.100
For equity strengthening	(4)	2.631.265	972.758
For rehabilitation and replacement of STN assets	(5)	37.434	37.434
Total		**3.585.959**	**1.878.709**

- (1) According to the law, the Company is required to set aside 10% of its net annual profits as legal reserve until the balance of this reserve equals 50% of the subscribed capital. The mandatory legal reserve may not be distributed before the liquidation of the Company but may be used to absorb or reduce net annual losses. Reserve balances are freely available to stakeholders provided that they do not exceed 50% of the subscribed capital.
- (2) At the General Shareholders' Meeting on 31 March 2017, the increase by COP86.843 of the fiscal reserve was authorized, in compliance with Article 130 of the Tax Statute, in order to make tax deductions due to an excess of accounting depreciations. According to such legal provisions, such reserve can be released as long as accounting depreciations exceed those requested annually for tax purposes, or as long as assets that generated the greater deducted value are sold.
- (3) The General Shareholders' Meeting changed the aim of the reserve for the reacquisition of ISA shares belonging to Empresas Públicas de Medellín E.S.P., by COP38.100 to reserve for equity strengthening.
- (4) In compliance with Article 47 of the Statutes, the General Shareholders' Meeting has established this reserve occasionally, so that the Company keeps its financial strength, maintains the level of the financial indicators required by the credit rating agencies to provide the investment grade and fulfill the contractual commitments acquired with financial entities.
- (5) On March 30, 2000, the General Shareholders' Meeting approved an appropriation of COP24.933 for the rehabilitation and replacement of the National Transmission System assets, and on March 18, 2002 an addition to this reserve was approved for COP12.501, for a total of COP37.434.

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23. REVENUES FROM ORDINARY ACTIVITIES AND OTHER REVENUES

		2017	2016
Use of STN, UPME Public Bidding	(1)	64.590	20.887
Connection to the STN	(1)	2.176	2.166
Information and Telecommunication Technologies		1.020	979
Usage rights		2.763	2.921
Management, operation, and maintenance		99	96
Income for "Contrato en cuentas de participación"	(2)	805.898	837.439
Subtotal energy transmission services and associates		**876.546**	**864.488**
Construction services for infrastructure projects	(3)	6.472	10.847
Construction services for infrastructure projects		**6.472**	**10.847**
Total Energy Transmission business		**883.018**	**875.335**
Technology transference		6.221	5.906
Total revenues other services		**6.221**	**5.906**
Total revenues from ordinary activities		**889.239**	**881.241**

- (1) They represent the remuneration due to services rendered by the Company for Energy Transmission (STN use) and connection to the National Transmission System –STN–. By 2017, an increase of income due to STN Use Services was presented, since ISA is receiving income from UPME 06-2013 and UPME 07-2013, which have not been transferred to ISA INTERCOLOMBIA by term extensions at the date of service implementation delivered by the Ministry of Mines and Energy.
- (2) Since 2014, ISA INTERCOLOMBIA, ISA's affiliate, is responsible for the representation of energy assets and therefore it receives most of the revenues from the Existing Grid, UPMES and connection to the STN. Periodically and with the settlement of the participation account contract, ISA, inactive partner, receives a percentage of income as revenue from participation account. Income decrease compared to 2016 is related to the stage in which the remuneration structure of UPMEs revenues is located, whose income profile is high at the beginning of operations. It decreases from 2017.
- (3) Construction service incomes of third party-owned projects are detailed as follows:

PROJECT NAME	2017	2016
Cauca – Nariño	1.796	-
Mantaro -Montalvo	1.701	6.804
Carapongo Substation	1.464	1.208
Project management	851	-
Planicie - Industriales	574	1.154
Friaspata - Mollepata	-	1.470
Other	86	211
Total revenues for construction service projects	**6.472**	**10.847**

In 2017, the Cauca – Nariño project has entered a completion phase; and the Mantaro - Montalvo project was completed in August 2017. Planicie-Industriales, Mantaro – Montalvo, Friaspata - Mollepata, and Carapongo Substation projects are related to the delivery of services regarding technical and engineering assistance.

The methodology used for the recognition of construction revenues in each project is as indicated in Note 3.14.1. For technical assistance service, revenues are recognized for the service provided.

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24. OPERATING COSTS AND EXPENSES

24.1 Operating costs

Operating costs for the years ending on December 31, are detailed as follows:

		2017	2016
Personnel expenses	(1)	19.734	17.312
Materials and maintenance		31	337
Fees	(2)	1.475	1.055
Insurances		6.530	5.985
Services	(3)	1.630	2.461
Maintenance of intangibles		1.678	1.805
Environmental - Social ISA Region		1.622	1.264
Communications		361	225
Advertising, prints and publications		3	-
Studies	(4)	2.786	2.146
Miscellaneous		837	904
Contributions and taxes	(5)	18.054	16.102
Total operating costs before depreciation and amortization		**54.741**	**49.596**
Depreciations	(6)	159.238	171.755
Amortizations		777	758
Total depreciations and amortizations		**160.015**	**172.513**
Total operating costs		**214.756**	**222.109**

- (1) Personnel expenses include all short-term, long-term, and post-employment benefits. (See Note 20).
- (2) This item includes fees by technical, legal, financial, design and study advices, as well as the costs of services collected by ISA INTERCOLOMBIA as part of the service delivery agreement to ISA. For 2017, an increase of the service delivery to such subsidiary was submitted.
- (3) These costs incorporate services for transports, public services, processes outsourcing, installations, and supervisions. The decrease, compared to 2016, is generated due to lower supervision and outsourcing costs of processes.
- (4) Increase due to environmental research of Stage 1 of the Copey - Cuestecitas project.
- (5) In 2017, an increase of tax costs to financial movements, UPME contribution, and Industry and Trade Tax.
- (6) The review of assets remaining lives meant an increase on the useful lives, which causes a decrease of the costs due to depreciation.

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24.2 Administrative expenses

Other administrative expenses for years ending December 31, are detailed below:

		2017	2016
Personnel expenses	(1)	36.641	31.271
Materials and maintenance		106	59
Fees	(2)	7.168	6.031
Leasing		16	-
Insurances		412	343
Services	(3)	4.941	3.926
Maintenance of intangibles		2.211	2.513
Environmental - Social ISA Region		2.421	1.821
Communications		786	716
Advertising, prints and publications	(4)	4.877	2.031
Studies		3.500	3.818
Diverse	(5)	2.672	1.405
Contributions and taxes	(6)	16.751	34.605
Total administrative expenses before depreciations, amortizations, and provisions		**82.502**	**88.539**
Depreciations		4.858	4.354
Amortizations		669	549
Provisions	(7)	635	11.945
Total depreciations, amortizations, and provisions		**6.162**	**16.848**
Total administrative expenses		**88.664**	**105.387**

- (1) Personnel expenses include all short-term, long-term, and post-employment benefits. (See Note 20).
- (2) Increase of fees by legal, administrative and audit advices.
- (3) Increase by installation and service delivery of IT infrastructure for information security.
- (4) Increase by positioning of ISA brand.
- (5) It includes: stationery, travel expenses, subscriptions, memberships, books, photocopies, hygiene items, public affairs, legal expenses, sport expenses, recreation expenses, and court proceedings expenses.
- (6) This item includes contributions to various control entities, tax on financial transactions, property tax, vehicle tax, fire department surtax, industry and trade tax and tax on advertising signs and boards, street lighting, environmental surcharge, and stamps. The most significant decrease corresponds to the wealth tax.
- (7) It includes provisions by debtors, investments, and disputes; the decrease arises because in 2016 it was recognized the provision by impairment of the investment in Electricaribe.

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25. OTHER REVENUES AND EXPENSES AND EQUITY METHOD

Other revenues and expenses and equity method for years ending December 31, are detailed below:

		2017	2016
Revenues due to property, plant, and equipment sales		139	323
Leases		3	3
Compensations		127	106
Recoveries	(1)	2.845	4.183
Others		955	-
Total other revenues		**4.069**	**4.615**
Other expenses		-	758
Loss from write-off/sales of assets	(2)	139	631
Total other expenses		**139**	**1.389**
Other net revenue/(expenses)		**3.930**	**3.226**
Revenue from equity method	**(3)**	**1.149.278**	**1.907.677**
Expense by equity method	**(4)**	**21.004**	**894**
Equity method net revenue/(expense)		**1.128.274**	**1.906.783**

- (1) Recoveries related to the closure of civil processes by COP1.685, recovery by the impact in the estimated actuarial calculation by COP557, and recoveries of costs and expenses by COP603.
- (2) Decrease by lower asset reductions in 2017: COP598 (2016: COP2.097). See Note 11.
- (3) the variation is the sum of two extraordinary events in Brazil:
  - In September 2016, ISA CTEEP adjusted the value of the RBSE to BRL 3.896 million (2012 figures), generating an income of COP1,3 trillion for ISA. Likewise, in June 2017, the RBSE was again adjusted to BRL4.094 million (2012 figures), from which ISA collected income for COP85.493 million.
  - These results also include the implementation of the Special Program for Tax Adjustment –PERT– by ISA Capital do Brasil and ISA CTEEP, generating an income for ISA of COP248.675 in 2017.
- (4) Expense by applying the equity method in the following investments: ISA INTERCHILE, COP10.772 (2016: COP0), Andean Tower Partners –ATP–, COP9.926 (2016: COP0), Interconexión Eléctrica Colombia Panamá –ICP–, COP305 (2016: COP879), ISA INTERVIAL, COP1 (2016: COP0), Proyectos de Infraestructura Perú S. A. C. –PDI–, COP0 (2016: COP14) and Interconexión Eléctrica Colombia Panamá –ICP–, COP0 (2016: COP1).

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26. FINANCIAL RESULT

The detail of financial income and expense as of December 31, 2017 and 2016, is as follows:

		2017	2016
Financial revenues			
Interest			
Valuation of investment	(1)	13.545	21.318
Return on other assets		10.090	13.724
On financial assets	(2)	8.084	9.961
Returns from monetary readjustment		5.243	4.496
Dividends		2.293	2.337
Commercial discounts, conditioned and agreements		1.097	461
Total interest		**40.352**	**52.297**
Exchange difference			
Loans		70.909	106.098
Cash		14.951	71.542
Financial obligations		30.361	37.161
Economic related parties	(2)	-	21.826
Accounts payable		11.760	12.492
Debtors		1.857	7.861
Total exchange difference	**(3)**	**129.838**	**256.980**
Total financial income		**170.190**	**309.277**

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		2017	2016
Financial expenses			
Interest and commissions			
On bonds	(4)	157.580	176.228
On public credit, financial obligations	(4)	44.214	50.904
Loss in valuation and sale of investments	(1)	10.243	21.867
Loans to economic related parties		12.754	15.114
Actuarial calculation		14.918	14.319
Commissions and other bank charges		1.375	1.041
Issue of securities management		1.149	957
Miscellaneous		616	647
Other interest		237	333
Total interest and commissions		**243.086**	**281.410**
Exchange difference			
Loans		72.350	120.468
Cash		11.385	67.219
Financial obligations		32.411	32.428
Economic related parties	(5)	-	18.669
Accounts payable		6.487	13.095
Debtors		5.989	5.887
Total exchange difference	**(3)**	**128.622**	**257.766**
Total financial expenses		**371.708**	**539.176**

- (1) During 2017, a lower level of investments continued, as well as lower exchange rates in 2017.
- (2) During 2017, a capital deposit of accounts receivable to economic associates was received, which is directly reflected in lower financial yield and lower exchange effect.
- (3) Decrease of income and expenses due to the difference in exchange effect of variations of closing rates.
- (4) Decrease of expenses due to the effect of the IPC decrease regarding 2016.
- (5) Difference in exchange generated in 2016, due to an extra capital deposit of ISA Inversiones Maule.

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27. EARNINGS PER SHARE (COP)

Net earnings per share has been calculated on the basis of the annual weighted average of the outstanding shares at the date of the statement of financial position.

As of December 31, 2017 and 2016, the number of outstanding shares was 1.107.677.894. The earning per share determination is as follows:

	2017	2016
Net income of the period	1.442.708	2.141.460
Average of outstanding shares in the period	1.107.677.894	1.107.677.894
Net earnings per share (expressed in COP)	1.302,46	1.933,29

28. GUARANTEES AND COMMITMENTS IN EFFECT

GUARANTEES						
TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN IN MM	BALANCE IN MM COP	DUE DATE
Bank	ENERGY MINING PLANNING UNIT –UPME–	Secure compliance with the obligations assumed under the award of the following Public Biddings.	UPME 03-2014 ITUANGO	COP 153.996	COP 153.996	25-02-18
			UPME 09-2016 CUESTECITAS	COP 71.132	COP 71.132	02-03-21
			UPME 01-2017 EL BOSQUE	COP 1.910	COP 1.910	02-04-19
			UPME 06-2013 CARACOLÍ	COP 9.212	COP 9.212	04-06-19
			UPME 05-2014 CECO-COSTA CARIBE	COP 77.803	COP 77.803	18-06-18
			UPME 07-2013 MONTERÍA	COP 29.389	COP 29.389	25-09-19
			UPME 03-2016 SAN ANTONIO	COP 13.753	COP 13.753	01-10-18

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GUARANTEES					
TYPE OF GUARANTEE	**BENEFICIARY**	**OBJECT**	**CURRENCY OF ORIGIN IN MM**	**BALANCE IN MM COP**	**DUE DATE**
Bank	SITU PROJECT	Stand by Credit Card to support the STERLITE's payment (the supplier) for importing transmission cables.	USD 5	COP 15.757	27-03-18
Bank	CECO PROJECT	Stand by Credit Card to support the STERLITE's payment (the supplier) for importing transmission cables.	USD 4	COP 11.392	27-03-18
Bank	LOS PALMITOS MUNICIPALITY	To guarantee compliance with payment of public lighting tax as settled.	COP 1.390	COP 1.390	04-11-18
	SAN ROQUE MUNICIPALITY		COP 58	COP 58	
	ALBANIA MUNICIPALITY		COP 2.855	COP 2.855	
	LOS PALMITOS MUNICIPALITY		COP 217	COP 217	
Bank	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chile-PLEX expansion plan.	(PLEX 1) Guarantee the execution time of the Important Milestone N° 5: Cardones - Maitencillo 2x500 kV New Line, and the conditions established in the Awarding Decree issued by the Ministry of Energy.	USD 2	COP 4.734	30-01-18
			(PLEX 7) Guarantee the seriousness of the Bid Process Proposal of exploitation and execution rights of: b) The new project "New Autotransformers Bank 1x750 MVA 500/220 kV in S/E Nueva Cardones, S/E Nueva Maitencillo and S/E Nueva Pan de Azucar.	USD 2	COP 5.410	20-02-18

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GUARANTEES						
TYPE OF GUARANTEE	**BENEFICIARY**	**OBJECT**		**CURRENCY OF ORIGIN IN MM**	**BALANCE IN MM COP**	**DUE DATE**
Bank	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chile-PLEX expansion plan.	(PLEX 7) Guarantee compliance with the constitution obligations of Open Stock Corporation: New Project, New Autotransformers bank 1x750 MVA 500/220 kV in S/E Nueva Cardones, S/E Nueva Maitencillo and S/E Nueva Pan de Azucar.	USD 2	COP 5.968	20-02-18
			(PLEX 1) Guarantee project's operation according to the technical conditions: Cardones-Maintencillo 2x200 kV New Line.	USD 2	COP 7.101	01-03-19
			(PLEX 1) Guarantee project's operation according to the technical conditions: Pan de Azucar - Polpaico 2x200kV New Line.	USD 4	COP 11.647	26-03-19
			(PLEX 4) Guarantee the execution time of the Important Milestone N° 5: Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA.	USD 1	COP 1.508	02-04-18
			(PLEX 4) Guarantee the execution time of the Important Milestone N° 5, Autotransformers Bank S/E Nueva Maitencillo 500/220 Kv, 750 MVA.	USD 1	COP 1.508	02-04-18

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GUARANTEES						
TYPE OF GUARANTEE	**BENEFICIARY**	**OBJECT**		**CURRENCY OF ORIGIN IN MM**	**BALANCE IN MM COP**	**DUE DATE**
Bank	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chile-PLEX expansion plan.	(PLEX 4) Guarantee the execution time of the Important Milestone N° 5, Autotransformers Bank S/E Pan de Azucar 500/220 Kv, 750 MVA.	USD 1	COP 1.508	02-04-18
			(PLEX 1) Guarantee project's operation according to the technical conditions: Pan de Azucar - Polpaico 2x200kV New Line.	USD 8	COP 25.066	15-04-19
			(PLEX 4) Guarantee project's operation according to the technical conditions: Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA.	USD 1	COP 2.262	30-04-19
			(PLEX 4) Guarantee project's operation according to the technical conditions: Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA.	USD 1	COP 2.262	30-04-19
			(PLEX 4) Guarantee project's operation according to the technical conditions: Autotransformer Bank S/E Pan de Azucar, 500/220 kV, 750 MVA.	USD 1	COP 2.262	30-04-19

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GUARANTEES						
TYPE OF GUARANTEE	**BENEFICIARY**	**OBJECT**		**CURRENCY OF ORIGIN IN MM**	**BALANCE IN MM COP**	**DUE DATE**
Bank	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chile-PLEX expansion plan.	(PLEX 1) Guarantee the execution time of the Important Milestone N° 5: Maintencillo - Pan de Azucar 2x500 kV new line	USD 3	COP 7.765	31-05-18
			(PLEX 1) Use and execution of the new project: Cardones-Maintencillo 2x500 kV new line.	USD 6	COP 18.935	02-06-18
			(PLEX 1) Protect the effective execution of the Project and the payment of fines: Maintencillo - Pan de Azucar 2x500 kV New Line.	USD 10	COP 31.060	26-06-18
			(PLEX 1) Effective execution of the Project and the payment of fines: Pan de Azucar - Polpaico 2x500kV New Line	USD 22	COP 66.842	16-07-18
			(PLEX 4) Guarantee the effective execution of the Project and the payment of fines: Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA.	USD 2	COP 6.032	01-08-18

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GARANTÍAS

TYPE OF GUARANTEE	BENEFICIARY	OBJECT		CURRENCY OF ORIGIN IN MM	BALANCE IN MM COP	DUE DATE
Bank	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chile-PLEX expansion plan.	(PLEX 4) Guarantee the effective execution of the Project and the payment of fines: Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA.	USD 2	COP 6.032	01-08-18
			(PLEX 4) Guarantee the effective execution of the Project and the payment of fines: Autotransformer Bank S/E Pan de Azucar, 500/220 kV, 750 MVA.	USD 2	COP 6.032	01-08-18
			(PLEX 1) Guarantee the execution time of the Important Milestone N° 5: Pan de Azucar - Polpaico 2x500kV New Line.	USD 6	COP 16.710	31-08-18
			(PLEX 2) Guarantee project's operation according to the technical conditions: Bid Process for the new project "Encuentro Laguna New Line".	USD 1	COP 3.464	14-09-18

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GUARANTEES GRANTED TO SUBSIDIARIES					
TYPE OF GUARANTEE	**BENEFICIARY**	**OBJECT**	**CURRENCY OF ORIGIN IN MM**	**BALANCE IN MM COP**	**DUE DATE**
STOCK PLEDGE	ISA BOLIVIA	Granting of 100% collateral of ISA shares in the affiliate, as guarantee of compliance with loans payments in favor of lending institutions.	USD 4	COP 11.361	15-02-19
STOCK PLEDGE	ISA INTERCHILE	Granting of 100% collateral of ISA shares in the affiliate, as guarantee of compliance with loans payments in favor of lending institutions.	USD 2.431	COP 11.800	31-03-20
JOINT AND SEVERAL GUARANTEE BOND	Company which owns the Grid –EPR–	To secure loan agreement between EPR and BCIE up to USD44,500,000, related with the financing of SIEPAC Project. Collateral has to be kept until total payment.	USD 29	COP 86.574	29-06-27
STOCK PLEDGE	ISA INTERCHILE	Granting of 100% collateral of ISA shares in the affiliate, as guarantee of compliance with loans payments in favor of lending institutions.	USD 458	COP 1.366.642	31-03-31
STOCK PLEDGE	ISA REP	Granting of 100% collateral of ISA shares in the company Red de Energía de Perú –ISA REP–, as guarantee of compliance with debt payments of this subsidiary.	CLP 2.431	COP 127.091	08-11-31

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29. SUBSEQUENT EVENTS

On 22 January 2018, the National Tax and Customs Department issued eight resolutions with numbers from 497 to 504, in which it ordered to return to ISA the excess payment and/or not due of the 2011 equity tax, for the part corresponding to the activity equity of Energy Transmission.

The value to be returned amounts to COP60.901 plus moratorium interest generated until the payment by DIAN.

The tax refund occurs by applying the tax stability contract subscribed with the Nation for the activity related to Energy Transmission, by which the equity tax norms (among others) in force in 2008 were stabilized.

In addition, on February 03, 2018, at the official newspaper, Resolution CREG 015 of 2018 was published, it establishes the methodology, tariff formulas and other provisions for the payment of the energy transmission activity at the National Transmission System –STN–. The Company is currently analyzing possible impacts of this resolution.

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TABLE OF REFERENCE FOR ACRONYMS

AOM:	Management, Operation, and Maintenance
BOB	Bolivian Peso
BRL:	Brazilian Real
TDC:	Term Deposit Certificate
CGN:	General Accounting Office
CLP:	Chilean Peso
COP:	Colombian Pesos
CREE:	Business Contribution for Equity
CREG:	Commission for the Regulation of Energy and Gas
CSM:	Supervision and Maneuvers Center
CT:	Current Transformer
DECEVAL:	Central Securities Depository
DIAN:	National Tax and Customs Office
DTF:	Fixed-Term Deposit
E.S.P:	Utility Company
EPR:	Company which owns the Grid
EUR:	Euro
FAER:	Financial Support Fund for Energizing Rural Zones
FAZNI:	Financial Support Fund for Energizing Non-Interconnected Zones
FOES:	Social Energy Fund
IASB:	International Accounting Standards Board
CPI:	Consumer Price Index
PPI:	Producer Price Index

ISS:	Social Security Institute
NCIF:	Standards of Accounting and Financial Information
NIC:	International Accounting Standards
PEN:	Peruvian Nuevo Sol
PERT:	PERT Adoption (Tax Regulation Special Program)
PLC:	Power Line Carrier
PRONE:	Standardization Plan for Grids
PT:	Power Transformer
RTU:	Remote Terminal Unit
S.A.C.:	Close Stock-held Company
SCI:	Fire Protection System
SIEPAC:	Electric Interconnection System for Central American Countries
SMLMV:	Legal Minimum Monthly Wage in Force
SSPD:	Superintendence of Household Utilities
STN:	National Transmission System
SVC:	Static Varistor Compensator
CGUs:	Cash Generating units
UPME:	Energy Mining Planning Unit
USD:	US Dollar
VQ:	Voltage Quality

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SPECIAL REPORT ON TRANSACTIONS WITH AFFILIATES AND SUBSIDIARIES

(Values expressed in million, both in pesos and in the foreign currency)

In accordance with the requirements of Law 222 of 1995, Article 29, and the existence of ISA and its companies, special report is submitted to the Regular Shareholders' Meeting on the economic relations established between ISA and its affiliates and subsidiaries during 2017, which are directed and coordinated by parent company, Interconexión Eléctrica S.A. E.S.P., –ISA–.

Trade operations executed between the affiliates and the subsidiaries of ISA during 2017, comply with the provisions of the transfer prices according to Law 1607 of 2012, Law 1819 of 2016 and Decree 1625 of 2016.

The main transactions between ISA and the subsidiaries correspond to:

- Delivery of dividends.
- Capitalization.
- Project management.
- Delivery of operation and maintenance services.
- Leasing of facilities and venues for the operation.
- Delivery of installation services and assembly of information systems.
- Money lending.

It is worth mentioning that between ISA and its companies for the same period, none of the following situations has occurred:

- Offset free services.
- Loans without interest or any consideration by the borrower.
- Loans involving an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.
- Loans with different interest rates to those normally paid or charged to third parties.
- Operations whose characteristics differ from those made with third parties.

ISA makes efforts so commercial transactions executed with its affiliates or subsidiaries will generate benefits and the achievement of the strategic objectives of the corporate group. Also, such transactions shall respect the rights of all shareholders and creditors of the group's companies.

Trade transactions will take place under conditions and at market prices, i.e., in the terms and conditions that would be carried out with unrelated third parties, honoring the principles of transparency included in this Corporate Good Governance Code and in accordance with the Corporate Bylaws and applicable accounting, tax and commercial standards.

Regarding the equity interest in affiliates and subsidiaries, ISA updates its investments in subsidiaries by applying the equity method, prior approval of accounting rules and practices and conversion of its financial statements into Colombian pesos, using the US dollar as primary currency for investments in foreign currency.

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The financial information of ISA and its companies is consolidated by the global integration method, for which all significant balances and transactions between ISA and subsidiaries are eliminated and the corresponding minority interests in equity and profit or loss for the period are recognized and disclosed in the consolidated financial statements.

Balances with affiliates and subsidiaries are included in the financial statements of ISA according to the regulations in force. See Note 9.1. Balances and transactions with Related Parties.

The following decisions taken during 2017 are highlighted, related to capitalizations and distribution of dividends:

ISA TRANSELCA

The Regular Shareholders' Meeting of ISA TRANSELCA, in session held on March 15, 2017, approved the Project for distribution of profits generated during 2016 for COP78.853. ISA was allocated the amount of COP78.851.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

At Mandatory Annual Meeting of Shareholders of ISA Perú, held on March 21, 2017, dividends were decreed for USD6 charged to retained earnings as of December 2016. ISA was allocated the amount of USD3.

RED DE ENERGÍA DEL PERÚ S.A. –ISA REP–

At Mandatory Annual Meeting of Shareholders, held on March 21, 2017, dividends were decreed for USD40 charged to retained earnings as of December 2016. ISA was allocated the amount of USD12.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

At Mandatory Annual Meeting of Shareholders, held on March 14, 2017, dividends were decreed for Bs38, charged to retained earnings as of December 2016. ISA was allocated the amount of Bs19.

ISA INTERCOLOMBIA

On March 28, 2017, at ordinary session of the Regular Shareholders' Meeting approved the distribution of profits resulting from the period January 1 and December 31, 2016 for COP21.266. ISA was allocated the amount of COP21.265.

ISA CAPITAL DO BRASIL S.A.

During 2017, 221.800 preference shares of ISA CTEEP were sold at an average price of BRL68.10/share, for a total value of BRL15,1.

ISA INVESTIMENTOS E PARTICIPAÇÕES DO BRASIL S.A.

In June 2017, ISA completed the control block shares acquisition of Transmissora Aliança de Energia Elétrica S.A., –TAESA–, through ISA Investimentos e Participações do Brasil S.A.

These shares represent 41,6% of the Control block, 26,0% of common stock and 14,9% of TAESA total share capital, for a final amount of USD309, after making amendments to the prices established in the purchase and sale agreement signed

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on December 27, 2016. This acquisition was made with capital contributions from ISA to ISA Investimentos e Participações do Brasil S.A., for USD203 and debentures in the Brazilian capital market worth USD106.

As result of this acquisition, ISA takes the position of the TAESA control block sellers, keeping their rights and obligations and joined the Share Holders Agreement with Companhia Energética de Minas Gerais S.A., –CEMIG–.

PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. –PDI–

On March 31, 2017, the Annual Mandatory Shareholders' Meeting of PDI was held, in which the distribution of dividends from the balance of earnings generated in 2014 was approved in the amount of USD1, corresponding to ISA 99,97% of this amount.

ISA INVERSIONES CHILE LTDA

On 27 December 2017, ISA held the Extraordinary Shareholder's Meeting of ISA Inversiones Chile Limitada, in which the distribution of income was authorized charged to the November 2017 accumulated results. The distribution will be conducted by a total amount of CLP563 corresponding to Interconexión Eléctrica S.A. (99,99%).

ISA INVERSIONES MAULE LTDA.

On April 2017, ISA Inversiones Maule deposited a capital to the credit it shares with ISA. The deposit amounted to USD2,39, and the remaining balance was USD65,5.

XM, COMPAÑÍA DE EXPERTOS EN MERCADOS S.A. E.S.P.

At the Ordinary Shareholders' Meeting of XM, held on March 29, 2017, distribution of 2016 dividends was decreed in the amount of COP7.075. ISA was allocated with COP7.056.

In 2017, ISA did stop making decisions to satisfy the interest or due to the influence of any of its affiliates or subsidiaries and none of them stopped making decisions to satisfy ISA's interest or due to ISA's influence. Decisions have been made in the best interest of each of the companies, part of the holding and its shareholders.

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BOARD OF DIRECTOR'S REPORT

ARTICLE 446 OF THE COMMERCE CODE

AS OF DECEMBER 31, 2017

(Amounts expressed in millions of Colombian pesos, except for foreign currency, which is expressed in thousands)

Dear Shareholders:

According to the legal and statutory provisions, we submit for consideration the 2017 report, which includes in addition to the financial statements ending 31 December 2017, compared to those of 2016, the reports referred to by Article 446 of the Commerce Code, and Article 29 of Law 222 of 1995.

I. REPORTS

1. ECONOMIC AND FINANCIAL REPORT

See the analysis of the economic and financial situation of ISA in the Management Report submitted by the CEO.

Some data to highlight:

2. REMUNERATION TO SENIOR MANAGEMENT

The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO.

The remuneration received by the key personnel of the Senior Management is the following:

	2017
Remuneration	8.290
Short-term benefits	3.714
TOTAL	**12.004**

Payments related to fees, travel expenses, and representation expenses are directly covered by the Company regarding third parties providing goods and services.

3. REMUNERATION ON BEHALF OF ADVISORS OR MANAGERS

During 2017, the following expenditures to advisors or consultants were presented as fees:

	2017
Fiscal audit office	642
External audit	435
Legal, financial, and administrative advice	3.510
Technical advice	3.406
Total	**7.993**

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4. TRANSFER OF MONEY AND OTHER GOODS

In 2017, no free transfers of money or other goods were made, nor to any other similar to this, made on behalf of natural or legal people.

5. ADVERTISING EXPENSES

Advertising expenses for the year ended on 31 December 2017, are detailed as follows:

	2017
Target advertising	55
Institutional advertising	4.822
TOTAL	**4.877**

6. NET MONETARY POSITION

On 31 December 2017, ISA held the following assets and liabilities in foreign currency expressed in thousands of USA Dollars.

	USD THOUSAND	COP MILLION
Assets		
Current assets		
Cash and cash equivalent	1.737	5.184
Financial assets	2.876	8.582
Total current assets	**4.613**	**13.766**
Non-current assets		
Financial assets	65.566	195.649
Investments in subsidiaries, associates, and jointly controlled entities	3.042.293	9.078.203
Investments in financial instruments	4.197	12.525
Total non-current assets	**3.112.057**	**9.286.377**
Total assets	**3.116.670**	**9.300.143**
Liabilities		
Current liabilities		
Accounts payable	16.672	49.749
Total current liabilities	**16.672**	**49.749**
Non-current liabilities		
Accounts payable	22	64
Total non-current liabilities	**22**	**64**
Total liabilities	**16.694**	**49.813**
Active net monetary position	**3.099.976**	**9.250.330**

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7. INVESTMENT

As of 31 December 2017, ISA had investments in the following national and foreign companies:

MAIN ACTIVITY		PLACE AND CREATION OF TRANSACTIONS	SHAREHOLDING (%) 2017	BALANCE 2017
Investments in subsidiaries and joint ventures				
ISA TRANSELCA	Energy Transmission	Colombia	99,997	863.124
INTERNEXA S.A.	Information and Telecommunications Technologies	Colombia	99,420	162.026
ISA INTERCOLOMBIA	Energy Transmission	Colombia	99,997	79.036
Compañía de Expertos en Mercados S. A. E.S.P. –XM–	Management of Real-Time Systems	Colombia	99,730	23.772
ISA INTERVIAL	Road Concessions	Colombia	100,000	1.271
Sistemas Inteligentes en Red S.A.S. –SIER–	Management of Real-Time Systems	Colombia	15,000	1.748
Consorcio Transmantaro S.A.	Energy Transmission	Peru	60,000	966.243
Red de Energía del Perú S. A. – ISA REP–	Energy Transmission	Peru	30,000	174.376
ISA Perú S. A.	Energy Transmission	Peru	45,146	52.145
Proyecto de Infraestructura Perú S. A. C. –PDI–	Infrastructure	Peru	99,967	19.318
ISA Bolivia S. A.	Energy Transmission	Bolivia	51,000	55.316
ISA Capital do Brasil S.A.	Energy Transmission	Brazil	99,990	2.986.488
ISA Investimentos e Participações LTDA.	Energy Transmission	Brazil	99,899	637.483
ISA Inversiones Chile Ltda.	Road Concessions	Chile	99,999	1.869.980
ISA Inversiones Maule Ltda.	Road Concessions	Chile	99,999	1.045.778

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MAIN ACTIVITY		PLACE AND CREATION OF TRANSACTIONS	SHAREHOLDING (%) 2017	BALANCE 2017
Investments in subsidiaries and joint ventures				
ISA INTERCHILE	Energy Transmission	Chile	82,350	787.079
CAUTIVA	Reinsurance	Bermudas	100,000	7.822
Betania	Autonomous Equity	Colombia	100,000	6.987
Total investment in subsidiaries				**9.739.992**
Investments in jointly controlled entities				
Interconexión Eléctrica Colombia Panamá S. A. –ICP–	Energy Transmission	Panama	50,000	7.845
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	Energy Transmission	Colombia	1,172	3
Total investments in jointly controlled entities				**7.848**
Investment in associates				
ATP Tower Holdings LLC	Information and Telecommunications Technologies	USA	26,500	468.330
Total investment in associates				**468.330**
Financial instruments				
Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,481	-
Empresa Propietaria de la Red –EPR–	Energy Transmission	Costa Rica	11,110	12.525
Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,000	3
Total financial instruments				**12.528**
Total investments				**10.228.698**

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II. STATEMENTS

According to Law 1314 of 2009, Decree 2784 of 2012 and its amendments, it is confirmed the information and statements related to the financial statements have been duly verified and obtained from the accounting records of the Company, which include all internal controls allowing a timely and clear clarification, without presenting relevant deficiencies affecting the Company's financial position.

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STATUTORY AUDITOR'S REPORT TO THE ISA FINANCIAL STATEMENTS

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Statutory Auditor's Report

To shareholders of
Interconexión Eléctrica S.A. E.S.P.

Financial Statements Report

I have audited the accompanying financial statements of Interconexión Eléctrica S.A. E.S.P., which comprise the statement of financial position as at December 31, 2017 and the related statements comprehensive income, changes in equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Management Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting and Financial Information Standards accepted in Colombia (NCIF) adopted by the Contaduría General de la Nación; of designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error; of selecting and applying appropriate accounting policies and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with International Auditing Standards accepted in Colombia.

Those standards require me to comply with ethical and independence requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risks assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. It also includes an assessment of the accounting policies adopted and the significant estimates made by management, as well as the presentation of the financial statements as a whole.

I believe that the audit evidence obtained provides a reasonable basis for expressing my opinion.

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Opinion

In my opinion, the accompanying financial statements, taken from the accounting books, present fairly, in all material respects, the financial position of Interconexión Eléctrica S.A. E.S.P. as of December 31, 2017, the results of its operations and its cash flows for the year then ended in accordance with Accounting and Financial Information Standards accepted in Colombia (NCIF) Adopted by Contaduría General de la Nación.

Emphasis Paragraph

As described in Note 10 of the financial statements, CTEEP, a subsidiary of Interconexión Eléctrica S.A. E.S.P. through ISA Capital do Brasil, has a net balance of accounts receivable from the Sao Paulo State of approximately $1.184.211 million, related to the impacts of Law 4,819 of 1958, which granted to the employees of companies subject to the control of the Sao Paulo State, benefits already granted to other public servers. CTEEP has undertaken legal actions before the respective State authorities to collect these accounts receivable. The accompanying financial statements do not include adjustments that could result from the outcome of the uncertainty. My opinion has not been modified by this matter.

Other issues

The financial statements under Accounting and Financial Information Standards accepted in Colombia of Interconexión Eléctrica S.A. E.S.P. as at December 31, 2016, which are part of the comparative information of the accompanying financial statements, were audited by other statutory auditor designated by Ernst & Young Audit S.A.S. on which this auditor has express an unqualified opinion on February 24, 2017.

Other Legal and Regulatory Requirements

Further, based on the scope of my audit, I am not aware of situations indicating that the Company has not complied with the following obligations: 1) kept minute books, the Shareholders' register and the accounting records in accordance with legal requirement and the accounting technique; 2) carried out its operations in accordance with the by-laws and the decisions of the Shareholders' and the Board of Directors, and the rules related with the integral social security and; 3) retained correspondence and accounting vouchers. Additionally, there is agreement between the accompanying financial statements and the accounting information included in the management report prepared by the Company´s Management, which includes management representation on the free circulation of invoices with endorsement issued by vendors or suppliers. In accordance with the requirements of Article 1.2.1.2 Decree 2420 2015, I issued separately report on February 23, 2018.

Patricia Mendoza Sierra
Statutory auditor
Professional card 78856-T
Designated by Ernst & Young Audit S.A.S. TR-530

Medellín, Colombia
February 23, 2018

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CERTIFICATION OF FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellin, February 23, 2018

To the shareholders of Interconexión Eléctrica S.A. E.S.P.

The undersigned Legal Representative and the Chief Accounting Officer for Interconexión Eléctrica S.A. E.S.P., in compliance with NCIF (Colombian Accepted Financial and Accounting Reporting Standards) adopted by the Colombia's National General Accounting Office; with the provisions of Article 37 of Law 222 of 1995, and to Article 46 of Law 964 of 2005, we certify that:

1. The separate financial statement as of December 31, 2017 and December 31, 2016 , have been faithfully taken from the books and before being made available to you and third parties, we have verified the following statements contained therein:

a. The events, transactions and operations have been recognized and performed during the years completed on those dates.

b. The economic facts are disclosed pursuant to the established by NCIF (Colombian Accepted Financial and Accounting Reporting Standards), adopted by the Colombia's National General Accounting Office.

c. The total value of assets, liabilities, equity, revenues, expenses, and costs, have been disclosed by the Company in the financial statements as of the cut-off date.

d. The assets represent a potential of future economic services and benefits, and liabilities represent past events representing outflow of resources, in the development of its activities, at the cutoff date.

2. The financial statements and other relevant reports to the public, from the period ended on December 31, 2017 and 2016, do not contain any inaccuracies, errors or omissions which prevent knowing the true financial condition or operations of ISA.

Bernardo Vargas Gibsone
Legal Representative

John Bayron Arango Vargas
Chief Accounting Officer
Professional I.D. Card 34420-T

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INTELLECTUAL PROPERTY AND COPYRIGHT CERTIFICATION

March 08, 2018

The undersigned Legal Representative and the Chief Technology and Information Officer for Interconexión Eléctrica S.A. E.S.P., pursuant to the established in Article 1st of Law 603 of 2000.

Certify:

1. That the Company complies with intellectual property and copyright laws and that the software it uses is legal and has paid for the rights to use it, whether through acquisition, licenses, or assignments. Documents are kept at the Central Archive.
2. That the Company's Chief Technology and Information Office holds inventory of the software used, and it takes control of its installation depending on the type of license held.
3. Pursuant to the Company's policies and institutional guidelines, employees are obliged to comply with the laws for intellectual property and copyrights.

Bernardo Vargas Gibsone
CEO

Olga Lucía López Marín
Chief Technology and Information Officer

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GRI INDEX for the essential option «in accordance» with GRI standards *

GENERAL BASIC CONTENTS					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
STRATEGY AND ANALYSIS					
102-14	Statement from senior decision-maker	8		→ Message from ISA's CEO	✓
COMPANY PROFILE					
102-1	Company name	17		→ Company profile	✓
102-2	Activities, brand, products, and services	17		→ Company profile	✓
102-3	Location of headquarters	17		→ Company profile	✓
102-4	Report the countries in which the company operates or that are relevant to the sustainability topics.	17		→ Company profile	✓
102-5	Nature of ownership and legal form	17		→ Company profile	✓
102-6	Markets served by the company (including their geographic location, sectors, types of clients, and beneficiaries)	23-26		→ Company profile	✓
102-7	Scale of the organization	19, 20, 21		→ Company profile	✓
102-8	Information of employees and other collaborators	20		→ Company profile	✓
102-41	Percentage of employees covered by collective employment agreements	20		→ Company profile	✓
102-9	Describe the company's supply chain	87		→ Electric Energy Transmission Business Unit	✓
102-10	Inform any significant changes to the organization's size, structure, ownership, or supply chain.	—		→ No significant changes in the period subject to report	✓
102-11	Report how the company applies the precautionary principle	98		→ Environmental dimension	✓
102-12	Elaborate a list of letters, principles, or other external economic, environmental, and social initiatives	31,32		→ Institutional Commitments	✓
102-13	Elaborate a list of associations	77,78		→ Regulatory management	✓

* This report did not have omissions

GENERAL BASIC CONTENTS					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
MATERIAL ASPECTS AND BOUNDARIES					
102-45	Elaborate a list of all entities included in the company's consolidated financial statements	38-157		→ Consult notes to consolidated financial statements	✓
102-46	Describe the process for defining the report content and the topic boundaries	72		→ Materiality analysis	✓
102-47	List of material topics	73		→ Materiality analysis	✓
102-48	Describe the effect of any restatements of information provided in prior reports and the reasons for such restatements	21		→ Relevant figures	✓
102-49	Report any significant changes from previous reporting periods in the list of material topics and topic boundaries	17		→ Report Profile	✓
PARTICIPATION OF STAKEHOLDERS					
102-40	Elaborate a list of the stakeholders related to the company	54-56		→ Stakeholders	✓
102-42	The basis for identifying and selecting stakeholders	54		→ Stakeholders	✓
102-43	Describe the company's approach to stakeholder engagement	55-56		→ Stakeholders	✓
102-44	Report the key topics and concerns raised through stakeholder engagement	54-56		→ Stakeholders	✓
REPORT PROFILE					
102-50	Reporting period	15		→ Report Profile	✓
102-51	Date of most recent report	15		→ Report profile	✓
102-52	Reporting cycle	15		→ Report profile	✓
102-53	Provide a contact point for questions regarding this report	15		→ Report profile	✓
102-56	Report the <<in compliance>> option the organization has chosen	15		→ Report profile	✓
102-56	Describe the company's policy and current practice about seeking external assurance for the report	15		→ Report profile	✓

GENERAL BASIC CONTENTS					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
MATERIAL ASPECTS AND BOUNDARIES					
102-18	Describe the governance structure of the company	64		→ Composition of the Board of Directors	✓
102-22	Describe the composition of the highest governance body and its committees	64		→ Corporate Government	✓
102-23	Report whether the Chair of the highest governance body is also an executive officer. If so, report his or her function within the organization's management and the reasons for this arrangement	64		→ Composition of the Board of Directors	✓
102-24	Report the nomination and selection processes for the highest governance body and its committees	64		→ Composition of the Board of Directors	✓
102-25	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	64		→ Composition of the Board of Directors	✓
102-30	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	64		→ Board Committees	✓
102-32	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	64		→ Report profile	✓
102-35	Report the remuneration policies for the highest governance body and senior management	6		→ Remuneration of the Board of Directors	✓
ETHICS AND INTEGRITY					
102-16	Describe the organization's values, principles, standards, and norms of behavior, such as codes of conduct and codes of ethics.	60		→ Action Framework	✓
102-17	Mechanisms for seeking advice and concerns about ethics	62		→ Ethics code	✓

SPECIFIC BASIC CONTENTS: MATERIAL ISSUES					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
IECONOMIC IMPACT					
103	DMA Management Approach	85		→ Economic Dimension	
201-1	Direct economic value generated and distributed	472		→ Economic Dimension	✓
MANAGEMENT OF IMPACTS ON BIODIVERSITY					
103	DMA Management Approach	104		→ Management of impacts on biodiversity	
304-2	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	105, 486-493		→ Management of impacts on biodiversity	✓
304-3	Habitats protected or restored	489-492		→ Management of impacts on biodiversity An additional breakdown is reported in the complement of GRI table	
MANAGEMENT OF ENVIRONMENTAL PERMITS AND LICENSES					
103	DMA Management Approach	98		→ Management of permits and environmental licenses	
307-1	Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations:	103, 104, 189		→ Management of permits and environmental licenses	✓
Own indicator	Weighted compliance with projects deadline (compared to schedule)	103		→ Management of permits and environmental licenses	
Own indicator	Investments in environmental programs for project licensing	102		→ Management of permits and environmental licenses	✓
Own indicator	Delay to obtain the environmental license (compared to schedule)	103		→ Management of permits and environmental licenses	
SOCIAL MANAGEMENT					
103	DMA Management Approach	79		→ Social management	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	80		→ Social management	

SPECIFIC BASIC CONTENTS: MATERIAL ISSUES					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
203-1	Development and impact of infrastructure investments and types of service	80, 471		➔ Social management. ➔ An additional breakdown is reported in the complement of the GRI table	
Own indicator	People benefited	80		➔ Social management	✓
Own indicator	Social investment in critical municipalities	82		➔ Social management	✓
HUMAN RIGHTS					
103	DMA Management Approach	94		➔ Human Rights	
412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	476		➔ Human Rights. ➔ An additional breakdown is reported in the complement of the GRI Table	
412-2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	94		➔ Human Rights. ➔ An additional breakdown is reported in the complement of GRI Table	
406-1	Total number of incidents of discrimination and corrective actions taken	95, 477		➔ Human Rights	
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	475		➔ Human Rights	
408-1	Operations and suppliers identified as having significant risk for incidents of child labor	476		➔ Human Rights	
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	95, 475, 476		➔ Human Rights	

SPECIFIC BASIC CONTENTS: MATERIAL ISSUES					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
410-1	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	479, 480		→ Human Rights → An additional breakdown is reported in the complement of GRI table	
411-1	Total number of incidents of violations involving rights of indigenous peoples and actions taken	480		→ No human rights violations of indigenous population were reported.	
412-1	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	480		→ Human Rights	✓
103-2	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	98		→ No grievances on human rights were reported through formal mechanisms	
Own indicator	Complaints annually addressed by Ethics Line	98		→ Human Rights	
Own indicator	Number of events related to human rights violations	98		→ Human Rights	✓
SUPPLIERS MANAGEMENT					
103	DMA Management Approach	86		→ Suppliers Management	
308-1	Percentage of new suppliers that were screened using environmental criteria	474		→ Suppliers Management → An additional breakdown is reported in the complement of the GRI table	✓
414-2	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	474		→ Suppliers Management → An additional breakdown is reported in the complement of the GRI table	
414-2	Social negative impacts in the supply chain and actions taken	475		→ Suppliers Management → An additional breakdown is reported in the complement of the GRI table	
414-1	New suppliers that were screened using social criteria	475		→ Suppliers Management → An additional breakdown is reported in the complement of the GRI table	✓

SPECIFIC BASIC CONTENTS: MATERIAL ISSUES					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
204-1	Proportion of spending on local suppliers at significant locations of operation	473		➔ Supply Chain	
Own indicator	Strategic suppliers evaluated according to corporate guidelines	93		➔ Suppliers Management	
TRAINING AND DEVELOPMENT OF HUMAN TALENT					
103	DMA Management Approach	109			
403-2	Occupational health and safety: Type of accidents and rates of accidents, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	503-506			✓
404-1	Average hours of training per year per employee by gender, and by employee category	495, 496		➔ Training and development of human talent	✓
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	497		➔ Training and development of human talent. ➔ An additional breakdown is reported in the complement of GRI table	
Own indicator	Evaluation of organizational climate	112		➔ Training and development of human talent	✓
REGULATORY MANAGEMENT					
103	DMA Management Approach	72		➔ Regulatory management	
419-1	Non-compliance with laws and regulations in the social and economic area	74		➔ Regulatory management	✓
419-1	Monetary value of significant fines and numbers of non-monetary sanctions by non-compliance of legislation and environmental regulation	202		➔ No significant fines or monetary sanctions were reported	

SPECIFIC BASIC CONTENTS: MATERIAL ISSUES					
GRI indicator and description		**Covered on Integrated Report 2017**	**Only covered in website**	**Page or response**	**External verification**
INITIATIVES IN ECO-EFFICIENCY					
302-1	Energy consumption within the organization		✓	→ Web link	
303-1	Total water withdrawal by source		✓	→ Web link	
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)		✓	→ Web link	✓
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		✓	→ Web link	✓
305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)		✓	→ Web link	✓
306-2	Waste by type and disposal method		✓	→ web link	

OWN INDICATOR								
SOCIAL MANAGEMENT								
	ISA	**ISA INTERCOLOMBIA**	**ISA TRANSELCA**	**ISA REP**	**ISA INTERCHILE**	**ISA BOLIVIA**	**ISA CTEEP**	**TOTAL**
Total social investment (Amount)	1.427.290.000	8.659.765.594	411.597.621	466.205.240	334.180.402	170.385.520	5.829.751.104	17.299.175.481
Social investment in critical municipalities (Amount)		6.163.765.594	122.727.000	385.118.024	256.224.311			
People benefited (Number)	18.803	99.326	128.080	133.344	657	5.000	8.382	393.592
Organizations benefited (Number)	335	959	114	8	5	76	10	1.507
MUNICIPALITIES WERE OPERATIONS ARE CARRIED OUT AND MUNICIPALITIES BENEFITED BY SOCIAL INVESTMENT								
Total municipalities were operations are carried out		344	33	318	22	22	404	1.143
Municipalities benefited (Number)	71	234	13	54	5	17	218	612
% of municipalities benefited		68,02%	39,39%	16,98%	22,73%	77,27%	53,96%	53,54%
INVESTMENT AMOUNT PER LINE IN COP								
Education	426.411.599		176.500.000	84.121.944		7.438.967	1.162.747.928	1.857.220.438
Institutional strengthening	40.000.000	885.000.000	29.766.150		82.835.582			1.037.601.732
Local development and peace	730.000.000			129.404.144	13.247.354	159.856.859		1.032.508.357
Community infrastructure		6.163.765.594	112.147.871	122.230.608	238.097.466			6.636.241.539
Coexistence with infrastructure		1.611.000.000	93.183.600	65.403.313		15.000.722		1.784.587.635
Health and welfare				65.045.232			1.262.875.950	1.327.921.182
Others: support to culture, sports, etc.	227.290.000					1.588.970	3.404.127.225	3.633.006.195
TOTAL	**1.427.290.000**	**8.659.765.594**	**411.597.621**	**466.205.240**	**334.180.402**	**170.385.520**	**5.829.751.104**	**17.299.175.481**

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED [GRI 201-1]
(COP MILLION)

CONCEPT	ISA ENERGY TRANSMISSION + INTERCOLOMBIA (*)	ISA CTEEP	CTM	ISA TRANSELCA	ISA BOLIVIA	ISA PERU	ISA INTERCHILE	ISA REP
Net Operating revenues	2.027.989	2.834.067	841.031	244.064	71.266	46.214	13.427	481.872
Income from financial investments	64.774	229.733	69.132	75.957	2.977	26.136	46.719	101.219
Income from sale of assets (Property, Plant and Equipment –PPYE– and intangible assets)	-	-	-	-	30	-	-	-
Direct economic value generated and distributed	**2.092.763**	**3.063.800**	**910.163**	**320.021**	**74.272**	**72.350**	**60.146**	**583.091**
Operating costs (other AOM)	118.672	422.902	500.901	40.112	7.199	5.300	11.049	111.676
Wages and benefits of employees (AOM staff costs)	121.512	216.601	138	35.794	5.685	101	4.160	63.130
Payments to capital suppliers (Dividends paid to shareholders)	434.211	438.641	-	78.853	16.676	18.502	-	122.137
Payments to capital suppliers (Payment of interests)	270.322	183.989	104.463	45.186	3.932	30.215	54.817	126.741
Payment to government	114.722	944.496	7.161	54.062	14.216	5.735	2.204	52.264
Community investments	10.087	5.975	-	412	169	-	314	461
Distributed economic value	**1.069.527**	**2.212.604**	**612.663**	**254.419**	**47.877**	**59.853**	**72.544**	**476.409**
Retained economic value	**1.023.236**	**851.196**	**297.500**	**65.602**	**26.395**	**12.498**	**(12.398)**	**106.682**
Provisions, Depreciations, and Repayments	162.030	8.901	104.111	43.420	15.100	12.068	3.600	127.016
Reserves	861.206	842.295	193.389	22.182	11.295	430	(15.997)	(20.334)

(*) ISA and INTERCOLOMBIA provide an electric energy service in Colombia through a participation account contract, by which they are presented in an integrated way.

[GRI 204-1]

PROCUREMENT PRACTICES / LOCAL CURRENCY	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).	87%	100%	99%	95%	ND	62%	91%
Local purchase value (USD)	174.245.327	28.198.726	32.446.857	18.488.605	ND	1.401.297	98.207.813
Total purchases (USD)	200.621.052	28.200.067	32.671.961	19.413.036	ND	2.263.923	108.158.384
The organization's geographical definition of "local"	Colombia	Colombia	Colombia	Peru	Chile	Bolivia	Brazil
Significant locations of operation: where was the Energy Transmission Business unit developed?	Colombia	Colombia	Colombia	Peru	Chile	Bolivia	Brazil

[GRI 308-1]

SUPPLIER ENVIRONMENTAL ASSESSMENT

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Percentage of new suppliers that were screened using environmental criteria	204: 7% 15	185: 19% 35	323: 0% 0	87: 0% 0	114: 0% 0	29: 21% 6	Suppliers are not selected based on environmental criteria

[GRI 308-2]

Number of suppliers assessed for environmental impacts	64	74	0	48	ND	24	It does not include this assessment criterion
Number of suppliers identified as having significant actual and potential negative environmental impacts	64	74	0	48	ND	24	
Significant actual and potential negative environmental impacts identified in the supply chain	→ Chemical spill → Oil spill → Hazardous solid waste generation		NA	→ Chemical spill. → Atmospheric emissions due to traffic. → Alterations in the landscape due to the use of non-vehicular access. → Hazardous solid waste generation.	ND	→ Alteration on water and soil conditions. → Destabilization of soils. → Increasing pressure on sanitary landfills. → Potential contamination of water and soil.	
Number of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon because of assessment	5	2	0	6	ND	1	
Number of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon because of assessment	31%	22%	0%	13%	ND	4%	
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated because of assessment, and why	0	0	0	0	ND	0	

[GRI 414-1]

SUPPLIERS SOCIAL ASSESSMENT

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Percentage of new suppliers that were screened using social criteria	204 / 51 / 25%	185 / 26 / 14%	323 / 0 / 0	87 / 0 / 0	114 / 0 / 0	29 / 8 / 28%	
[GRI 414-2]							
New suppliers that were screened using social criteria	131	87	0	48	ND	37	
Number of suppliers identified as having significant actual and potential negative social impacts	131	87	0	48	ND	37	
Significant actual and potential negative social impacts identified in the supply chain	➔ Electric risk ➔ Payment control to social security ➔ Fieldwork operational control	NA	➔ Fieldwork operational control. ➔ Non-compliances to SST requirements and to specifications of the AL-E-01 guide	ND	➔ Working at heights. ➔ Electric contact. Hit by and against. ➔ Falling objects		
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon because of assessment.	14%	8%	0	7%	ND	38%	
EPercentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated because of assessment, and why.	0	0	0	0	ND	0	

No new suppliers are selected from social criteria. These are reviewed after formalizing the employment relationship. The supplier shall state that it acknowledges, and is adjusted to, the RSE model, as well as the social and environmental commitments of the company. In the event of non-compliance, the supplier receives penalties

[GRI 408] [GRI 409] [GRI 412]

HUMAN RIGHTS / CHILD LABOR AND FORCED LABOR

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP*
Number of suppliers assessed from all contracts signed in 2017, to which a Human Rights clause was included	464	185	0	48	0	0	0
Number of contracts signed from all contracts signed in 2017, to which a Human Rights clause was included	268	300	0	90	0	0	
Percentage of significant investment agreements and contracts with Human Rights clauses	77%	77%	0%	69%	0%	0%	0%
Total number of contracts signed in 2017	345	391	596	131	114	29	47

Significant agreement

- All those purchases made for energy transmission management to which the clause on Human Rights, SST specifications, environment, and Social Responsibility, is applied to.
- All contracts with significant investments have a clause on respect regarding Human Rights, especially: rights of employees and environment; as well as the breach of current employment regulations (no child labor, no slaves), environment protection and counterterrorism

[GRI 406-1]

NO DISCRIMINATION	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Total number of incidents of discrimination during the reporting period	0	0	0	0	ND	0	0
Status of the incidents and actions taken with reference to the following: Incident reviewed by the organization		5					
Status of the incidents and actions taken with reference to the following: Remediation plans being implemented	No reported cases	0	No reported cases	No reported cases		No reported cases	No reported cases
Status of the incidents and actions taken with reference to the following: Remediation plans that have been implemented		0					

[GRI 408-1]

Child labor	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Operations and suppliers at significant risk for incidents of: child labor	0	185 suppliers with potential risk	0	0	ND	0	ND
Operations and suppliers at significant risk for: young workers exposed to hazardous work.	0		0	0	ND	0	ND

Operations and suppliers considered to have significant risk for incidents of child labor either in terms of type of operation (such as manufacturing plant) and supplier	As a requirement, electric energy transmission requires adult people and with the minimum training criteria according to the provisions of law, in the countries where it is present.
Operations and suppliers considered to have significant risk for incidents of child labor in countries or geographic areas with operations and suppliers considered at risk.	➔ Geographical areas of the countries of operation do not present significant child labor risk and the nature of the Energy Transmission Business Unit required adult staff that can perform the tasks related to the business. ➔ The operational centers of the company are the administrative headquarters and substations. ➔ ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, ISA REP, and ISA CTEEP have not identified risks related to child labor or forced labor during their own operations or those outsourced. There was no risk of youth exposed to hazardous work at the company or at the contractors' headquarters, in the construction and operational processes. The purchases made in different countries respect, according to their contractual minutes, the law of the country of origin of the product and the country of destination of the product. It specifies the prohibition of child labor and forced labor, and the countries must comply with the provisions of ISA's Ethics Code. ➔ ISA INTERCOLOMBIA identified potential suppliers. It has contractual clauses and follow-up mechanisms to assess its suppliers during and upon termination of the contract.

[GRI 409-1]

FORCED OR COMPULSORY LABOR	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor in terms of type of operation.	Any operation associated with energy transmission has Environment, Health and Safety (EHS) controls and follow-up to its corresponding risk matrices, allowing the control and monitoring of work situations that may include forced labor.						
Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor in terms of countries or geographic areas.							
Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	➔ ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, ISA REP, and ISA CTEEP have not identified risks related to child labor or forced labor during their own operations or those outsourced. There was no risk of forced labor at the company or at the contractors' headquarters, in the construction and operational processes. The purchases made in different countries respect, according to their contractual minutes, the law of the country of origin of the product and the country of destination of the product. It specifies the prohibition of child labor and forced labor, and the countries must comply with the provisions of ISA's Ethics Code.						

[GRI 410-1]

SECURITY PRACTICES							
Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security.	100	100	ND	100	ND	0	0
Whether training requirements also apply to third-party organizations providing security personnel.	si	si	ND	si	ND	ND	The company does not carry out trainings, so that the organizations should comply with the training provided by Brazilian law for this purpose.

[GRI 411-1]

Rights of Indigenous Peoples

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Total number of identified incidents of violations involving rights of indigenous peoples.	0	0	0	0	ND	0	0

[GRI 412-1]

Human Rights Assessment

Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.	2 100%	13 100%	17 100%	4 100%	ND	1 100%	6 100%
Total number of hours in the reporting period devoted to training on human rights policies or procedures relevant to operations.	92	0	6	175	0	0	0
Percentage of employees trained during the reporting period in human rights policies or procedures relevant to operations.	7	0	50	45	0	0	0

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	ISA INTERCOLOMBIA		ISA REP		ISA INTERCHILE		ISA TRANSELCA		ISA CTEEP	
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**
Geographic location	➔ **230 kV San Antonio 230 substation and Associated Transmission Lines:** Boyacá/ Paipa – Nobsa - Tibasosa ➔ **Costa Caribe (Caribbean Coast) connection at 500 kV:** ➔ Department of Cesar, Municipality of El Copey ➔ Department of Magdalena, Municipality of Plato ➔ Department of Bolivar, Municipality of Cordoba ➔ Department of Bolivar, Municipality of Zambrano. ➔ Department of Cordoba, Municipality of Chinu ➔ Interconnection ➔ **Interconexión Noroccidental (Norwestern Interconnection) 500/230 kv, AMA line:** Antioquia; Santa Fé de Antioquia and Ebéjico ➔ **220 kV Caracolí Substation and associated transmission line:** Barranquilla, Galapa, Malambo, Puerto Colombia, Soledad, Tubara.	➔ **230 kv San Antonio substation and Associated Transmission Lines:** natural coverages intervention due to the influence of projects ➔ **500 kV Costa Caribe (Caribbean Coast) connection:** ➔ Department of Cesar, Municipality of El Copey: ecosystems transformed and including pastures. ➔ Department of Cordoba, Municipality of Chinu: conservation areas - agrosilvopastoral systems ➔ Without affectation: • Department of Magdalena, Municipality of Plato. • Department of Bolivar, Municipality of Cordoba. • Department of Bolivar, Municipality of Zambrano. ➔ **S220 kV Caracolí substation and associated transmission line:** the affected area will be described in the construction stage	**220 kV Machu Pichu-Cotaruse:** intervention of the Machu Pichu Reserve's buffer zone		The Pampa de Tamarugal National Reserve is located at the far north of Chile, specifically in the Tarapacá Region, Province of Tamarugal.		Within the operation of transmission lines and substations of ISA TRANSELCA, there are minimal affectations, impacting only the species located in easement areas, so that habitat restoration has not been necessary. In addition, protected habitats have not been affected.		**It has 37 Transmission Lines in protected areas:** Estações Ecológica Casa Branca, Estação Ecológica Itirapina, Estação Ecológica São Simão, Estação Ecológica Assis, Horto Florestal Palmital, Estação Ecológica Pederneiras, Floresta Estadual Manduri, Parque Estadual Carlos Botelho, Parque Estadual do Juquery, Parque Estadual da Serra do Mar núcleo Picinguaba, Núcleo Curucutu, Núcleo Cubatão, Núcleo São Sebastião, Núcleo Caraguatatuba and Parque Estadual da Cantareira. It also has a telecommunications station located within the National Forest of Ipanema **500 kV Transmission Line of Interconexión Eléctrica Minas Gerais S.A.:** Minas Gerais state.. **345/138 kV Atibaia substation II of Interconexión Eléctrica Pinheiros S.A.:** municipality of Atibaia, São Paulo state.	

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	ISA INTERCOLOMBIA		ISA REP		ISA INTERCHILE		ISA TRANSELCA		ISA CTEEP	
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**
Position related to the protected area (within the area, close to the area, or with plots in the protected area), or area of high biodiversity value outside the protected area.	230 kV San Antonio substation and Associated Transmission Lines: **500 kv Costa Caribe (Caribbean Coast) connection:** 500/230 kv Interconexión Noroccidental (Norwestern Interconnection), AMA line	No se afectan áreas protegidas ni son de gran valor para la biodiversidad. **Refuerzo Costa Caribe 500 kV:** Departamento de Córdoba Municipio de Chinú: zonas de conservación-Sistemas agrosilvopastoriles.	**220 kV Machu Pichu-Cotaruse** Intervention of the Machu Pichu Reserve's buffer zone, which may affect the following species: spectacled bear and Andean condor. A biannual biological monitoring is conducted, which does not show a reduction of the aforementioned species. Moreover, it includes 10 additional flora species in relation to the 110 species of the initial inventory.		Lagunas substation site is located within the Pampa del Tamarugal National Reserve and its expansion did not affect flora and fauna species.	Within the operation of transmission lines and substations of ISA TRANSELCA, there are minimal affectations, impacting only the species located in easement areas, so that habitat restoration has not been necessary. In addition, the has not been affectation of protected habitats.		**550 kV Transmission Line of Interconexión Eléctrica de Minas Gerais S.A.:** it has a transmission line of 173,0 km in length that crosses 7 conservation units, integral protection, and sustainable use. The area covered is distributed in the following units: APAE Vargem das Flores (Betim e Contagem), APAM Santo Antônio (Itabira), APAM Córrego da Mata (Santa Maria do Itabira), APAM Hematita (Antônio Dias e Santa Maria do Itabira), APAM Serra dos Cocais (Coronel Fabriciano), APAM Ipanema (Ipatinga) and APAM Santana do Paraíso (Santana do Paraíso) **345/138 kV Atibaia II substation of Interconexión Eléctrica Pinheiros SA:** it has a total area of 125.000 square meters. Ordinary Law N° 3705 of 10 December 2000 of the Municipality of Atibaia, formalized the APA Várzea do Río Atibaia in the São Paulo State.	

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	ISA INTERCOLOMBIA		ISA REP		ISA INTERCHILE		ISA TRANSELCA		ISA CTEEP	
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**
Type of operation (office, manufacturing, production, or extraction)	**230 kV San Antonio substation and Associated Transmission Lines:** Stage --> 500 kV Costa Caribe (Caribbean Coast) connection: Stage --> EIA (Environmental Impact Assessment) **500/230 kV Conexión Noroccidental (Norwestern Connection), AMA line:** Stage --> Construction **220 kV Caracolí substation 220 kV and associated transmission line:** Stage --> Construction		**220 kV Machu Pichu-Cotaruse** Operating stage		Expansion of Lagunas substation		Within the operation of transmission lines and substations of ISA TRANSELCA, there are minimal affectations, impacting only the species located in easement areas, so that habitat restoration has not been necessary. In addition, there has not been affectation to protected habitats.		All transmission lines are within the aforementioned protected areas are in operation. They are: Bauru-Salto, Salto-Cabreuva, Embu Guaçu-Solvay, Ribeirão Preto-Santa Bárbara D´Oeste, Anhanguera-Guarulhos (Furnas), Embu Guaçu-Baixada Santista, Embu Guaçu-Sul, Baixada Santista-Sul, Baixada Santista-Tijuco Preto C1/C2, Assis-Chavantes, Henry Borden-Carbocloro, Henry Borden-Cubatão, Cubatão-Baixada Santista, Carbocloro-Baixada Santista, Henry Borden-Piratininga, Bertioga Ii-São Sebastião, Bertioga Ii-Vicente De Carvalho(G), Bertioga Ii-Vicente De Carvalho(B), Baixada Santista-Vicente Carvalho, Caraguatatuba-Ubatuba, Cabreúva-Mairiporã, Capão Bonito-Registro, Embu Guaçu-Peruíbe, Variante C2, São Luiz-Limoeiro, Ferrari-Limoeiro, Ribeirão Preto-Porto Ferreira, Rio Pardo-São Sebastião, Santo Ângelo-Bertioga Ii, Variante C2, Santo Ângelo-Rio Pardo, Rio Claro I-São Carlos Até Torre 138, São Sebastião-Caraguatatuba, Chavantes-Botucatu, Paraíbuna-Caraguatatuba, Variante C2, Presidente Prudente-Assis.	

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	ISA INTERCOLOMBIA		ISA REP		ISA INTERCHILE		ISA TRANSELCA		ISA CTEEP	
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**
Surface of affected areas	**San Antonio 230 kV substation and Associated Transmission Lines:** 0,38 ha **500 kV Costa Caribe (Caribbean Coast) connection:** 142,75 ha **500/230 kV Conexión Noroccidental (Norwestern Connection), AMA line:** 0,31 ha **220 kV Caracolí Substation and associated transmission line:** 12,91 ha In total, 25,253 ha of easement areas located in strategic relevant zones for biodiversity are estimated: **Easement of 500kv Transmission Lines in km2:** 6,28 **Easement of 230 kv Transmission Lines in km2:** 18,96		**220 kV Machu Pichu-Cotaruse:** 6 ha		0,72 ha	They correspond to the expansion surface of Lagunas substation; the intervention of this area did not generate significant impacts on environmental components.	Within the operation of transmission lines and substations of ISA TRANSELCA, there are minimal affectations, impacting only the species located in easement areas, so that habitat restoration has not been necessary. In addition, there has not been affectation to protected habitats.		In total, they are approximately 642 hectares.	

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	ISA INTERCOLOMBIA		ISA REP		ISA INTERCHILE		ISA TRANSELCA		ISA CTEEP	
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**	**Data**	**Positive / negative aspects. Actions implemented for management**
Biodiversity value, characterized by appearing protected lists (such as categories of the UICN's protected areas management, the Ramsar Convention, and national laws).	**230 kV San Antonio 230 substation and Associated Transmission Lines:** Lago Sochagota IMD (Integrated Management District) (without regulations) and PGOF (General Forest Management and Regulation Plan) **500 kV Costa Caribe (Caribbean Coast) connection:** Sierra Nevada de Santa Marta Biosphere Reserve, Zárate-Malibú Veladero IMD, tropical dry forest (IAvH), POMCA del Río Sinú 500/230 kV Conexión Noroccidental (Norwestern Connection), AMA line: Natural resources reserve of the Cauca River Coastal Zone ➔ 220 kV Caracolí substation and associated transmission line: POMCA - Cienaga de Mallorquin, Conservation Priority - Colombian National Nature Parks.	**220 kV Machu Pichu-Cotaruse:** Biannual biological monitoring and follow-up of the reforestation plan related to the deforestation permit.	4	Controlled disruption. Rescue and species relocation. Intervention of areas prior approval.	Within the operation of transmission lines and substations of ISA TRANSELCA, there are minimal affectations, impacting only the species located in easement areas, so that habitat restoration has not been necessary. In addition, the has not been affectation of protected habitats.	Ecological Stations: area aiming at nature conservation and execution of scientific research, which may be visited only according to educational purposes. Forest: area with forest cover where native species are found, to enable a sustainable use and diversify forest resources, as well as scientific research. The permanence of traditional populations dwelling there since its creation is accepted. Park: area aiming at natural ecosystem conservation and places of great scenic beauty. Park is the category that enables a greater interaction between visitors and nature, since it allows to develop recreational and educational activities, as well as activities related to environmental awareness, in addition to allow the execution of scientific research.

[GRI 304-2] Significant impacts of activities, products, and services on biodiversity

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
The nature of significant direct and indirect impacts on biodiversity in relation to one or more of the following aspects:							
Reduction of species	NA	Due to the construction of substations, maintenance of easements and installation of towers, there is an impact on the reduction of species, especially because of logging and pruning activities.	No se considera significativo el impacto de la tala de árboles que se realiza por el mantenimiento de servidumbres y nuevos poryectos, dado que en la planeación del proyecto se tiene en cuenta la mínima afectación de individuos vegetales en el hábitat.	Due to the construction of substations, maintenance of easements and installation of towers, there is an impact on the reduction of flora and fauna species, according to the location of projects. Impacts present a decrease, and all are included in ARA and EIA (Environmental Impact Assessment)	NA	NA	NA
Habitat transformation	NA	NA	NA	NA	NA	NA	Operation and maintenance activities do not cause us significant impacts on biodiversity, but specific impacts on protected areas with pruning and individual trees. The impact on vegetation is focused on the implementation, improvement, and reconstruction of transmission lines. For implementation activities, ISA CTEEP had no significant direct or indirect impacts on biodiversity of protected areas. For maintenance activities, ISA CTEEP carried out pruning. Pruning is selective (as per the provisions of NBR 5422/1985), on specific points, only to allow the functioning of the transmission line, so that there is a lesser impact on environment. All conservation and cleaning activities of strips are authorized by the environmental entity.
Changes in the ecological processes outside the natural variation range (such as salinity or changes in phreatic level)	NA	NA	NA	NA	NA	NA	NA

[GRI 304-2] Significant impacts of activities, products, and services on biodiversity

ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Significant direct and indirect positive and negative impacts in relation to the following:						
Species affected	NA	**230 kV Montería – Urabá Transmission Line:** 26 species affected, such as: Gliricidia sepium, Sabal mauritiiformis and Guazuma ulmifolia. **Porce III substation expansion:** 10 species affected, such as: Colombian Ochoterenaea, Myrsine guianensis and Clethra fagifolia. **500/230 kV Conexión Noroccidental (Norwestern Connection), AMA line:** 24 species affected, such as: Ochroma pyramydale, Byrsonima carssifolia and Guazuma ulmifoloia **Transmission Lines associated with 500 kV Antioquia-Cerromatoso connection:** 13 species affected, such as: Bellucia grossularioides, Hevea brasiliensis and Miconia cf. Trinervia. **230 kV Chinu – Montería Transmission Line:** 18 species affected, such as: Enterolobium cyclocarpum, Tectona grandis and Spondias mombin **220 kV Caracolí substation and associated transmission line:** 23 species affected, such as: Acacia farnesiana, Gliricidia sepium and Prosopis juliflora.	It is not significant the impact of logging made by the maintenance of easements and new projects, given that project planning considers the minimal affectation of individual plants in the habitat.	**220 kV Machu Pichu-Cotaruse:** no significant impacts were reported. Spectacled bear and Andean condor are monitored.	Loss of specimens	NA	In the Bauru substation expansion, the following specimens were logged: 35 Chrysophyllum gonocarpum, 1 Psidium guajava, 4 Handroanthus impetiginosus and 1 specimen could not be identified (dead individual).

[GRI 304-2] Significant impacts of activities, products, and services on biodiversity

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Expansion of areas that have suffered impacts	NA	**230 kV Montería – Urabá Transmission Line:** 0,54 ha **Porce III substation expansion:** 5,36 ha **Interconexión Noroccidental 500/230 kV, línea AMA:** 3,52 ha **Transmission Lines associated with 500 kV Antioquia-Cerromatoso connection:** 1,32 ha **230 kV Chinu – Montería Transmission Line:** 6,46 ha 220 kV Caracolí substation 220 kV and associated transmission line: 52,5 ha	TRANSELCA, during its activities, has not significantly impacted the transformation of the habitat.	NA	NA	NA	NA
Duration of impacts	NA	All impacts on biodiversity are permanent during the useful life of assets because they are caused by easement maintenance activities or by the construction of substations.	TRANSELCA, during its activities, has not significantly impacted the transformation of the habitat.	NA	NA	NA	NA
The reversibility or irreversibility of impacts	NA	Impacts on biodiversity are irreversible during the useful life of assets.		NA	NA	NA	Reversible pruning activities were carried out

[GRI 304-3] Habitats protected or restored

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Habitat name	**Habitat 1:** Restoration of foothill at the Paramillos' National Nature Parko **Habitat 2:** Restoration of degraded lands by using native species **Habitat 3:** Ecological restoration of areas degraded by livestock and agricultural activities in the Municipality of Vegachí, Antioquia..	**LConnection of 220 kV Bosque substation to Transmission Line (O&M):** Municipality of San Juan Nepomuceno: dry forest ecosystem. **Municipality of Cartagena de Indias: mangrove ecosystems of La Reforma substation (O&M):** wetlands (Chucua Negra and Zulia pipes). **OOkv Bacatá - Primavera Transmission Line:** properties of strategic importance for water protection. **Network in O&M:** by purchasing bonds, the restoration of areas degraded by mining in the Municipality of Cáceres, Antioquia, was supported.	There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority.	As part of the social and environmental commitment by REP, recovery activities of degraded areas are executed by illegal loggers and coca farmers. This will be executed in the buffer zone of the Cordillera Azul natural reserve, located in the Huánuco and San Martín zone.	NA	NA	Because of the vegetation affected due to intervention activities, compensatory plantations were made. Works during the period did not affect vegetation. Also, maintenance activities were related to plantations started in 2016
Geographic location:	**Habitat 1:** Department of Cordoba, Municipality of Tierralta **Habitat 2:** Department of Santander, municipality of Cimitarra **Habitat 3:** Department of Antioquia, municipality of Vegachí	**Connection of 220 kV Bosque substation to Transmission Line (O&M):** department of Bolivar, municipalities of San Juan Nepomuceno and Cartagena de IndiasSE. **La Reforma substation (O&M):** department of Meta, municipality of Villavicencio. **500 kV Bacatá - Primavera Transmission Line:** department of Cundinamarca, municipality of Yacopí. **Network in O&M:** department of Antioquia, municipality of Cáceres.		Buffer zone of Cordillera Azul Natural Reserve, located between the Huánuco and San Martín departments.	NA	NA	

[GRI 304-3] Habitats protected or restored

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Área del hábitat restaurado o protegido	**Habitat 1:** RIllegal extraction of native wood and livestock expansion caused deforestation and degradation in Tierralta. It is intended the restoration of 422 hectares with endangered native species, such as Pachira quinata and Magnolia. **Habitat 2:** Project activities consist in restoring 2.500 ha of areas degraded by livestock. 1.000 ha are intended to implement agroforestry systems with cocoa, and 1.500 will be intended to reforestation with native species. **Habitat 3:** The project includes around 800 hectares.	**Connection of 220 kV Bosque substation to Transmission Line (O&M):** 29,6 ha in the municipality of San Juan Nepomuceno and 7 in Cartagena de Indias **La Reforma substation (O&M):** 2 ha **500 kV Bacatá - Primavera Transmission Line:** 158 ha **Network in O&M:** 1116 ha	There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority.	4 ha	NA	NA	Because of the vegetation affected due to intervention activities, compensatory plantations were made. Works during the period did not affect vegetation. Also, maintenance activities were related to plantations started in 2016

[GRI 304-3] Habitats protected or restored

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Estado del área al final del período (comparado con línea base)	**Habitat 1:** Significant improvement of regional conditions of soils and water. Creation of a new habitat for endangered species **Habitat 2:** Implementation of agroforestry and reforestation systems with native species in areas degraded by livestock. **Habitat 3:** A new agroforestry culture is being developed around the potential of sustainable forestry management. Activities for reforestation, such as establishment, fertilization, and thinning have created employment for local communities, which reduces unemployment and improves life conditions. Of these 800 ha, some points have already been planted with native species such as cedar, walnut, Pacó and Guacayán; subsequently adding endangered species of the Manoliaceae family such as Magnolia hernandezii and Magnolia polyhypsophylla, during a joint activity made with The Medellin Botanical Garden.	**Connection of 220 kV Bosque substation to Transmission Line (O&M):** ➔ In the municipality of San Juan Nepomuceno: Restoration of the dry forest ecosystem's native species, thus enriching the area intervened. The plantation was established at the end of 2015, including maintenances carried out during 2016 and 2017, ensuring its normal development. ➔ In the municipality of Cartagena de Indias: Restoration of the mangrove ecosystem's native species. The plantation was established at the end of 2014, including maintenances carried out during 2016 and 2017, ensuring its normal development. **La Reforma substation (O&M):** Restoration of native species in wetlands (Chucua Negra and Zulia pipes), enriching the area intervened. During 2017, maintenance to plantation were carried out. **500 kV Bacatá - Primavera Transmission Line:** Acquisition of properties of strategic importance for water protection. The properties were given to the municipality of Yacopí. **Network in O&M:** ISA and INTERCOLOMBIA voluntarily invest in this project to offset GHG emissions and to contribute to its objectives regarding biodiversity and social investment.	There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority.	Still being assessed	NA	NA	Because of the vegetation affected due to intervention activities, compensatory plantations were made. Works during the period did not affect vegetation. Also, maintenance activities were related to plantations started in 2016 en 2016

[GRI 304-3] Habitats protected or restored

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Verification by third parties	**Habitat 1:** To be carried out in 2018 **Habitat 2:** To be carried out in 2018 **Habitat 3:** SouthPole Group conducts the project. ISA contributed to its execution by purchasing bonds. It is verified by Gold Standard.	**LT Conexión SE Bosque 220 kV (O&M):** verificada por ANLA y CARDIQUE. **La Reforma substation (O&M):** verified by Corporation for Sustainable Development of the La Macarena Special Management Area (CORMACARENA) **500 kV Bacatá - Primavera Transmission Line:** verified by CUNDINAMARCA Regional Autonomous Corporation **Network in O&M:** certified by Climate, Community and Biodiversity Alliance – CCBA– standards (it evaluates biodiversity, climate, and local community integration to the project) and by the Verified Carbon Standard –VCS– (a more stringent certificate for forestry projects).	There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority	NA	NA	NA	Because of the vegetation affected due to intervention activities, compensatory plantations were made. Works during the period did not affect vegetation. Also, maintenance activities were related to plantations started in 2016
Type of action	**Habitat 1:** Reforestation - Voluntary nature **Habitat 2**: Conservation and restoration - Voluntary nature **Hábitat 3**: Bond purchase for GHG compensation - Voluntary nature	**Connection of 220 kV Bosque substation to Transmission Line (O&M):** compulsory nature **La Reforma substation (O&M):** compulsory nature **OO kV Bacatá - Primavera Transmission Line:** compulsory nature **Network in O&M:** voluntary nature		Avoided deforestation and change of crop change	NA	NA	
There is collaboration with third parties	**Habitat 1:** South Pole Group and Panthera **Habitat 2:** South Pole Group and Panthera **Habitat 3:** SouthPole Group			Center for Conservation, Research and Management of Natural Areas CIMA	NA	NA	

[GRI 304-4] Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the Company operations, by level of extinction risk.							
Critically endangered		0			0		
Endangered		15			0		
Vulnerable	NA	8	115 trees of Guayacán, Corazón Fino and Puy species.	0	4	0	0
Near threatened		11			0		
Least concern		51			2		

[GRI 307-1]

ENVIRONMENTAL COMPLIANCE

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Significant fines and monetary sanctions by non-compliance of laws and regulations in terms of environment and indicate: the total monetary value of significant fines.		0	0	0	0	0	USD 455
Significant fines and monetary sanctions by non-compliance of laws and regulations in terms of environment and indicate the total number of non-monetary sanctions.		0	0	0	0	0	0
Significant non-monetary fines and sanctions by non-compliance of laws and regulations in terms of environment and indicate the cases subject to dispute resolution mechanisms.	NA	→ Chivor Torca Transmission Line: punitive proceedings against ISA due to improper waste disposal. → SE Porce: Opening of investigation in the substation for not obtaining a dumping permit during construction → Bosque substation: EPA brings charges due to logging during constructions without permits. → Bucaramanga – Arauca Transmission Line: sanctioning processes to execute the logging of 11 palm trees (Palma de Ceje - oenucarpus bataua) for cleaning the electric grid without permits. → Bucaramanga – Arauca (Banadía – Samoré) Transmission Line: Charges are brought within the environmental sanctioning process due to execution of works without permit of watercourse occupation. → Primavera substation and connections: written preventive warning measure by no submission of the Investment Plan (1%). → All processes are under notification stage and ISA INTERCOLOMBIA is currently executing release processes	0	0	A lawsuit of the Environment Superintendence by amendment of a working location.	0	→ A legal action, whose purpose is damage remediation related to ground clearing: R $ 937,00. The process is under resource stage. → 25 notices of infraction / administrative procedures: BRL7.835.903,40. The Company presented defense. There are ongoing procedures. → A notice of infraction related to noise in the Sierra de Japi substation. The company presented defense. There are ongoing administrative procedures. → Topics involve ground clearing, conservation of the safety strip, intervention of vegetation, emission of diesel motor smoke.

[GRI 404-1]

FORMACIÓN Y ENSEÑANZA

		ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
		Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average
Average hours of training that the organization's employees have undertaken during the reporting period, by gender	Total number of training hours provided to female employees	3.362	17	7.181	36	2.825	14	2.245	11	176	1	474	2	4.130	21
	Total number of training hours provided to male employees	3.558	18	17.678	89	7.245	37	14.199	72	936	5	2.467	12	75.006	379
Average hours of training that the organization's employees have undertaken during the reporting period, by employee category	Total training hours of Level 1 staff: CEOs, managers, chief officers	548	61	311	52	8	8	355	51	0	0	24	24	67	13
	Total training hours of Level 2 staff: directors and chiefs	449	37	1.503	84	974	65	718	48	58	29	222	111	8.118	89
	Total training hours of Level 3 staff: specialists, analysts, technicians, and assistants	5.923	33	23.044	44	9.089	64	15.372	44	1.054	32	2.695	108	70.951	54
	Total Level 1 staff: CEOs, managers, chief officers	9		6		1		7		2		1		5	
	Total Level 2 staff: directors and chiefs	12		18		15		15		2		2		91	
	Total Level 3 staff: specialists, analysts, technicians, and assistants	177		524		142		346		33		25		1.303	

[GRI 404-1]

TRAINING AND EDUCATION

	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average
Type and scope of programs implemented and assistance provided to upgrade employee skills	1.Development of technical skills. 2.Leadership 3.Language program Sponsorship to employees in master's degrees of: Power, Energy, and Business Systems.		1. Technical line. 2. Leadership. 3. Management line. 4. JUNTOS program: strategies for the development of family dynamics, the generation of healthy lifestyles and living conditions. Sponsorship of specialization programs and master's degree		1. Technical skills: Asset management, real-time system operation, analysis of events and protections, SST, isolation washingo 2. Leadership 3. Language program		1. Leadership. 2. Coaching program for Directors 3. Technical skills 4. SIG program. 5. Authorization for working at heights. 6. Authorization for Control Center Operator. 7. Tools (Office 365 and SAP) 8. Sponsorship of professionalization and specialization		1.Technical skills: SAP electric risks, finances, and sustainability. .		1. Leadership 2. Technical skills: oil treatment plant, labor directors, and work at heights.		1. Technical skills. 2. Incentives programs for education 3. Language program	
Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	➔ Knowledge transfer program to ensure permanence of knowledge ➔ Critical program by generational replacement ➔ "Saberes de Vida" program, where topics such as financial health, family and couple's relationship, healthy habits, prospects for employment after career ending, are addressed. In addition, it is a guide ➔ for pension procedures. ➔ Integral support to employees in their transition to pension from legal, financial, and personal approaches		Be prepare for the future: prepare employees that are about to reach their retirement age Topics: ➔ Building your future ➔ *Life plan ➔ *Personal resilience ➔ *Communication, barriers, and skills ➔ *Welfare ➔ *Financial planning ➔ *Labor freedom		Programa continuo de preparación para la jubilación. Temas: ➔ Financiero ➔ Social ➔ Familia y amigos ➔ Vivienda ➔ Salud ➔ Legal		N/A		ND		Program under design, for transition and knowledge management, which should serve a population over 300 employees about to be retired.	

Performance management

		ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
		Total	Percentage	Total	Average	Total	Average	Total	Average	Total	Avera-ge	Total	Average	Total	Average
Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	Total number of females with performance assessment	82	96%	137	95%	47	96%	58	97%	N/A		6	100%	162	99%
	Total number of males with performance assessment	105	93%	392	97%	135	98%	301	95%			22	100%	1.223	99%
	Total number of employees with Level 1 and Level 2 performance assessment: CEOs, managers, chief officers, and directors	19	90%	24	100%	16	100%	7	33%			3	100%	96	100%
	Total number of employees with Level 3 performance assessment	168	95%	505	96%	166	97%	352	99%			25	100%	1.290	99%

COMPLEMENTARY INDICATORS

[GRI 405]

DIVERSITY AND EQUAL OPPORTUNITY

		ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
		Total	Percentage	Total	Average	Total	Average	Total	Average	Total	Average	Total	Average	Total	Average
Percentage of individuals within the organization's governance bodies in each of the following diversity categories: per gender	Total Level 1 female: CEOs, Managers, and Chief Officers	3		1		0		1		0		0		0	
	Total Level 1 males: CEOs, managers and Chief Officers	6	5	1		6		2		1		5			
Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.	Level 1 (CEO is not included)	0,81	1,53	N/A		0,81		N/A				N/A			
	Level 2	0,84	1,05	0,84		0,94		N/A		0,84		0,97			
	Level 3	0,82	1,08	1,25		0,82		0,92		0,9		1,07			

The definition used for "significant locations of operation". It refers to administrative headquarters and transmission centers

[GRI 407-1]

LIBERTAD DE ASOCIACIÓN Y NEGOCIACIÓN COLECTIVA							
	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Operations in which employees' rights to exercise freedom of association or collective bargaining may be violated or at significant risk.	There are not operations posing any risk to employees to exercise union freedom of association. The companies protect and respect freedom of association and collective bargaining.				N/A	N/A	
Operations in which employees' rights to exercise freedom of association or collective bargaining may be violated or at significant risk in terms of: countries or geographic areas with operations and suppliers considered at risk.	There are not operations posing any risk to employees to exercise union freedom of association. The companies protect and respect freedom of association and collective bargaining. The companies respect current laws in the countries where ISA is present. In addition, ISA and its companies have a Declaration of Human Rights. The potential risks regarding rights of association and collective bargaining are covered by this Declaration.						The company is guarantor of the effective right to union association of its employees; and of the participation in the collective bargaining. This behavior reaches suppliers so that you foster the freedom of association of its employees.
Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	**1.** Subscription of the Collective Pact from 01 January 2017 to 31 December 2019, signed by 111 employees. **2.** A joint negotiation workshop between ISA, ISA INTERCOLOMBIA, and the trade union -SINTRAISA- was conducted in order to reach a rapprochement with the trade union. **3.** SINTRAISA was invited to present a list of petitions in ISA INTERCOLOMBIA (current employer of employees affiliated to such trade union) in order to improve the conditions enshrined in the Labor's Collective Bargaining.	In 2017, the creation of the industry trade union ORGANISA was notified, which is totally composed of employees linked to ISA INTERCOLOMBIA, with 238 employees affiliated to the company. This new trade union joins the other 3 trade unions: SINTRAISA, SINTRAE, and SINTRAENERGÍA	Employee-Management Committees, follow-up committees with the Trade Union	There are two trade unions: SINTREP and SUTREP	N/A	N/A	

[GRI 401-1]

EMPLOYMENT: NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Total number of new employee hires during the reporting period, by age group, gender and region.	14	36	6	40	16	0	124
Total number of new male employee hires during the reporting period, under 30 years old	2	6	5	26	6	0	31
Total number of new male employee hires during the reporting period, 30-50 years old	7	13	0	10	9	0	47
Total number of new male employee hires during the reporting period, over 50 years old	2	0	0	0	0	0	0
Total number of new female employee hires during the reporting period, under 30 years old	1	8	1	2	0	0	16
Total number of new female employee hires during the reporting period, 30-50 years old	2	9	0	2	1	0	30
Total number of new female employee hires during the reporting period, over 50 years old	0	0	0	0	0	0	0
Rate of new employee hires during the reporting period, by age group, gender and region.	7,2%	6,6%	3,2%	11,0%	51,6%	0,0%	9,0%
Rate of new male employee hires during the reporting period, under 30 years old	1,0%	1,1%	2,7%	7,1%	19,4%	0,0%	2,2%
Rate of new male employee hires during the reporting period, 30-50 years old	3,6%	2,4%	0,0%	2,7%	29,0%	0,0%	3,4%
Rate of new male employee hires during the reporting period, over 50 years old	1,0%	0,00%	0,0%	0,0%	0,0%	0,0%	0,0%

[GRI 401-1]

EMPLOYMENT: NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Rate of new female employee hires during the reporting period, under 30 years old	0,5%	1,47%	0,5%	0,5%	0,0%	0,0%	1,2%
Rate of new female employee hires during the reporting period, 30-50 years old	1,0%	1,66%	0,0%	0,5%	3,2%	0,0%	2,2%
Rate of new female employee hires during the reporting period, over 50 years old	0,0%	0,00%	0,0%	0,0%	0,0%	0,0%	0,0%
Total number of employee withdrawal during the reporting period, by age and gender	16	29	4	31	5	1	115
Total number of male withdrawals during the reporting period, under 30 years old	0	3	0	6	1	0	4
Total number of male withdrawals during the reporting period, 30-50 years old	5	4	4	2	2	1	25
Total number of male withdrawals during the reporting period, over 50 years old	1	7	0	19	0	0	52
Total number of female withdrawals during the reporting period, under 30 years old	0	1	0	1	0	0	7
Total number of female withdrawals during the reporting period, 30-50 years old	8	5	0	3	2	0	23
Total number of female withdrawals during the reporting period, over 50 years old	2	9	0	0	0	0	4
Rate of employee turnover during the reporting period, by age and gender	7,7%	6,0%	2,7%	9,7%	34,1%	1,7%	8,6%

[GRI 401-1]

EMPLOYMENT: NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Rate of male turnover during the reporting period, under 30 years old	0,5%	0,8%	1,3%	4,4%	11,4%	0,0%	1,3%
Rate of male turnover during the reporting period, 30-50 years old	3,1%	1,6%	1,1%	1,6%	17,9%	1,7%	2,6%
Rate of male turnover during the reporting period, over 50 years old	0,8%	0,6%	0,0%	2,6%	0,0%	0,0%	1,9%
Rate of female turnover during the reporting period, under 30 years old	0,3%	0,8%	0,3%	0,4%	0,0%	0,0%	0,8%
Rate of female turnover during the reporting period, 30-50 years old	2,6%	1,3%	0,0%	0,7%	4,9%	0,0%	1,9%
Rate of female turnover during the reporting period, over 50 years old	0,5%	0,8%	0,0%	0,0%	0,0%	0,0%	0,1%

[GRI 403-2]

Occupational health and safety: Type of accidents and rates of accidents, occupational diseases, lost days, and absenteeism; and total number of work-related fatalities or occupational diseases

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Accident Frequency Rate (TFA)	TFA =0	TFA= 2,37% Medellín, TFA = 0,55% Northwestern CTE (Energy Transmission Center), TFA= 1,09% Southwestern CTE (Energy Transmission Center), TFA= 0,55% Central CTE, TFA = 0,18% Western CTE, TFA = 0%	TFA = 1.07	TFA = 0%	TFA = 0%	TFA = 0%	TFA Sao Pablo, TFA = 0,44% Bauru, TFA = 0% Taubaté, TFA = 1,05% Cabreuva, TFA = 0% EO/TM, TFA = 0%
Incidence Rate of Occupational Diseases (TIEP)	TIEP = 0	TIEP = 0,18% Medellin, TIEP = 0% Northwestern CTE (Energy Transmission Center), TIEP= 0% Southwestern CTE, TIEP = 0% Central CTE, TIEP = 2,38% Eastern CTE, TIEP = 0%	TIEP = 0	TIEP = 0%	TIEP = 0%	TIEP = 0%	TTIEP = 0,18% Sao Pablo, TIEP = 0% Bauru, TIEP = 0% Taubaté, TIEP = 0% Cabreuva, TIEP = 0% EO/TM, TIEP = 0%
Lost Day Rate (TDP)	TDP = 1.51	TDP= 3,6% Medellin headquarter, TDP = 4,3% Northwestern CTE, TDP= 2,2% Southwestern CTE, TDP= 2,0% Central CTE, TDP = 2,3% Eastern CTE, TDP = 2,3%	TDP = 6.95	TDP = 0%	TDP = 0%	TDP = 0%	TDP = 3,6% Sao Pablo, TDP = 6,66% Bauru, TDP = 0% Taubaté, TDP = 21,03% Cabreuva, TDP = 0%
Absentee Rate (TAL)	TAL= 3.1	TAL= 1,21% Medellin headquarters, TAL = 1,68% Northwestern CTE, TAL = 0,61% Southwestern CTE, TAL = 0,57% Central CTE, TAL = 0,61% Eastern CTE, TAL = 0,62% These calculations do not include maternity or paternity leaves	TAL= 3.96	TAL= 0%	TAL= 0%	TAL= 0%	TAL= 1,21% Sao Pablo, TAL = 0% Bauru, TAL = 0% Taubaté, TAL = 0% Cabreuva, TAL = 0% EO/TM, TAL = 0%

[GRI 403-2]

Occupational health and safety: Type of accidents and rates of accidents, occupational diseases, lost days, and absenteeism; and total number of work-related fatalities or occupational diseases

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Work-related fatalities, for all employees, with a breakdown by region	0	0	0	0	0	0	0
Types of accidents, injury rate (TFA), occupational disease rate (TIEP), lost day rate (TDP), absentee rate (TAL), and work-related fatalities, for all employees, with a breakdown by gender	TFA Female, TFA = 0% Male, TFA = 0% TIEP Female, TIEP = 0% Male, TIEP = 0% TDP Female, TDP =1,25% Male, TDP= 1,01% TAL Female, TAL = 4,6% Male, TAL = 6,6% Work-related fatalities: 0	TFA Female, TFA = 0,18% Male, TFA = 2,19% TIEP Female, TIEP = 0% Male, TIEP = 0,25% TDP Female, TDP = 6.1% Male, TDP = 2,7% TAL Female, TAL = 2,06% Male, TAL = 0,91% Work-related fatalities: 0	TFA Female, TFA = 0,53% Male, TFA = 0,53% TIEP Female, TIEP = 0% Male, TIEP = 0% TDP Female, TDP = 4,27% Male, TDP = 2,67% TAL Female, TAL = 4,0% Male, TAL = 3,94% Work-related	TFA Female, TFA = 0% Male, TFA = 0% TIEP Female, TIEP = 0% Male, TIEP = 0% TDP Female, TDP = 0% Male, TDP = 0% TAL Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0	TFA Female, TFA = 0% Male, TFA = 0% TIEP Female, TIEP = 0% Male, TIEP = 0% TDP Female, TDP = 0% Male, TDP = 0% TAL Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0	TFA Female, TFA = 0% Male, TFA = 0% TIEP Female, TIEP = 0% Male, TIEP = 0% TDP Female, TDP = 0% Male, TDP = 0% TAL Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0	Data by gender is not collected Índice de severidade/ gravidade de acidentes: 3,72 Taxa de lesões/frequência (CAF): 0,2 Taxa de doenças ocupacionais: 0 Taxa de dias perdidos/ gravidade (TDP): 3,72 Taxa de absentismo (TA): 0,52% Number of deaths: 0

[GRI 403-2]

Occupational health and safety: Type of accidents and rates of accidents, occupational diseases, lost days, and absenteeism; and total number of work-related fatalities or occupational diseases

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Types of accidents, injury rate (TFA), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by region	NA	Accident Frequency Rate per employee is equivalent to: 12,16% ((275 AT 2262 employees)*100%) or 78% of occupational accidents occurred in the north-western region or 11% occurred in the Medellin's headquarters or 5% of occupational accidents occurred in the eastern region or 4% occurred in the south-western region or 2% occurred in the central region Work- and disease-related fatalities included 2 occupational accidents that caused the death of 2 employees of contracting companies. Occupational accidents were caused by contact with electricity. No deaths of employees of contracting companies were caused by occupational diseases	Types of accidents: TFA= 4,28 Sample of occupational accidents or occupational diseases for all employees= 0	No indicators per region are recorded	0	0	NA
Types of accidents, injury rate (TFA), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by gender	NA	Accident Frequency Rate per employee is equivalent to: 12,16% ((275 AT 2262 employees)*100%) Male: 93% Female: 7% Work- and disease-related fatalities included 2 occupational accidents that caused the death of 2 employees of contracting companies. Occupational accidents were caused by contact with electricity. No deaths of employees of contracting companies were caused by occupational diseases .	TTypes of accidents Female, TFA= 0% Male, TFA= 4,28% Work- and disease-related fatalities, for all employees = 0	Own staff (male): Type of accident: Fall to ground level TFA: 0,30 TIEP: 0 TDP: 40,44% WORK-RELATED FATALITIES: 0 Indicators for Women= 0	Types of accidents: Female, TFA= 0% Male, TFA= 0% Work- and disease-related fatalities, for all employees = 0	Types of accidents: Female, TFA= 0% Male, TFA= 0% Work- and disease-related fatalities, for all employees = 0	N/A

[GRI 403-2]

Occupational health and safety: Type of accidents and rates of accidents, occupational diseases, lost days, and absenteeism; and total number of work-related fatalities or occupational diseases

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
The system of rules applied in recording and reporting accident statistics.	In the event of an occupational accident, an Excel document is registered and data is uploaded to the App of the Occupational Accident Insurance Coverage -ARL-.	For data included in paragraphs a and b, calculation methods and presentation of information are described to each of them. In addition, the data logging is saved in the occupational accident database both of contractors and direct staff, including the calculation of three indices requested by the Colombian law: Accident Frequency Rate IFAT (N° AT * 240.000 / HHT), Accident Severity Index ISAT (N° of Disability Days caused by Occupational Accident * 240.000 / HHT) and Disabling Injury Rate ILI (IFAT*ISAT/1000). 240.000 correspond to the constant of 100 employees during a full working day for one year.	Accidents are saved in Excel files. High-level accidents are registered in the dashboard. It is socialized to the committee (COPASST), management committee, and employees in general.	Statistics are calculated based on Colombian regulations.	A monthly report is submitted	Informe trimestral a la gerencia	Frequency and severity rates has the NBR as reference, except for the constant 1.000.000 we use according to the provisions of ISA Group = 240.000 (a constant used by ISA Group, which considers 100 persons x 50 weeks (year) x 48 hours (week).) Typical accidents with absenteeism and WAC opening.

[GRI 419-1]

Valor monetario de las multas significativas por incumplimiento de la normativa en relación con el suministro de productos y servicios

	ISA	ISA INTERCOLOMBIA	ISA CTEEP	ISA REP	ISA TRANSELCA	ISA BOLIVIA	ISA INTERCHILE
Monetary value (USD)	0	0	54.753	50.606 (1) 39.565 (2) 59.105 (3)	0	0	0
Description	No fines were presented		Non-compliance of work schedule and conditions for proper provision of public services with verification of: (i) Operating conditions; (ii) performance of systems and installation equipment;(iii) organization, availability, and training of human resources; (iv) availability of technical and material resources; (v) operation/maintenance methods and procedures.	**1.** Administrative fine on behalf of OSINERGMIN generated by an infringement in charge of REP **2.** Non-compliance fine of Rule 233.C.2.a and Table 233-1 of CNE-Supply 2011 **3.** Non-compliance of the "Procedure for supervision of the NTCSE and its methodological basis."	No fines were presented		

Independent Review Report

Deloitte.

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Independent Review Report
Independent Review of the ISA's Integrated Management Report 2017.

Scope of our work
We have reviewed the adaptation of contents of ISA's Integrated Management Report 2017 to the guide for the elaboration of sustainability reports of the Global Reporting Initiative (GRI), Standard GRI version.

Standards and verification processes
We have done our work according to the ISAE 3000 standard - International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accounts (IFAC).

Our review work has involved the formulation of questions to Management and to several ISA's departments that have participated in the elaboration of the Report, and during implementation of certain analytical procedures and sample review tests as described below:

- Interviews with ISA's staff to know principles, systems, and approaches of management applied to elaborate the report.
- Analysis of how contents, structure, and reporting indicators are defined from the materiality exercise, according to the recommendations by GRI standard methodology.
- Evaluation of processes to collect and validate data submitted in the report.
- Verification, by means of tests based on sample selection and review of evidences of the quantitative and qualitative information corresponding to GRI indicators, and own indicators, included in the Integrated Management Report, and their proper compilation from data provided by ISA's information sources.

Confirmation that the Integrated Report has been elaborated according to the GRI Standard methodology ("Core" version.)

General aspects
It is confirmed that the report is adjusted to the requirements of the essential option of general aspects of the GRI Standard version.

Specific aspects
We review the management approach and GRI indicators, as well as own indicators, of relevant aspects (See Annex 1).

Responsibilities of ISA and Deloitte's Board

ISA is responsible for preparing the 2017 Report and its content. Likewise, ISA is responsible for defining, adapting, and maintaining internal management and control systems from which information is obtained.

We are responsible for issuing an independent report based on procedures applied in our review.

This Report has been elaborated exclusively in the interest of the company in accordance with the terms of our service proposal. We assume no responsibility of third parties other than the responsibility of the Company's management.

We have done our work as per the independence standards required by the Ethics Code of the International Federation of Accountants (IFAC).

The scope of a limited review is basically less than the scope of an audit. Therefore, we do not provide an audit opinion about the 2017 Report.

DELOITTE & TOUCHE LTDA
Jorge Enrique Múnera D.
Partner

Medellin, March 2018

A member signature of Deloitte Touche Tohmatsu

DELOITTE & TOUCHE LTDA.
Jorge Enrique Múnera D.
Socio

Medellín, Marzo 2018

Audit.Tax.Consulting.Financial.Advisory

Una firma miembro de
Deloitte Touche Tohmatsu

Conclusions
As a result of our review, it is not evident any aspect which makes us believe that ISA's Integrated Management Report 2017 contains significant errors or has not been elaborated according to the global Reporting Initiative (GRI) methodology for the elaboration of reports (Standard version, Essential Version.)

Recommendations
Additionally, we have submitted to ISA our recommendations related to improvement areas for consolidating processes, programs and systems related to sustainability management. The most relevant recommendations refer to:

Continuing strengthening the standardization process of reporting protocols in different countries where ISA operates.

ANNEX 1

Relevant aspects	GRI indicator and/or ISA's indicator
Regulatory management	419-1
Human Rights	ISA's indicator. Number of events related to human rights violations 412-1
Social management	IISA's indicator. People benefited ISA's indicator. Social investment in critical municipalities
Development of human talent	404-1 403-2 ISA's indicator. Organizational environment survey results
Suppliers management	308-1 414-1 ISA's indicator. Suppliers assessed regarding quality, opportunity, HSE, ethics, and antifraud
Management of permits and environmental licenses	307-1
Management of impacts on biodiversity	304-2
Economic impact	201-1

ANNEX 2 Declaration of Independence
Deloitte is one of the most important companies in the provision of professional services in audit, taxes, consultancy, as well as financial and sustainability advice to public and private companies of different industries. With a global network of member companies in more than 185 countries, Deloitte provides its worldwide and service capacities to its clients. Around 250,000 professionals are committed to be a standard of excellence.

We confirm our independence from ISA. All our employees make annual updates to the Ethics Policy where we promptly declare that we have no conflicts of interests with ISA, its subsidiaries, and its stakeholders.

2017 Integrated Management Report

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We are convinced that if there is

connection,

there is life. Let's celebrate!

isa