annual report ISA

2006

volume II

ISA

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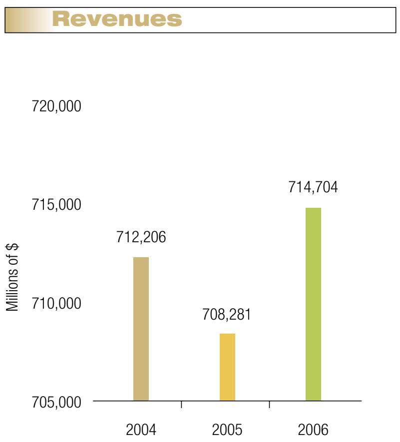
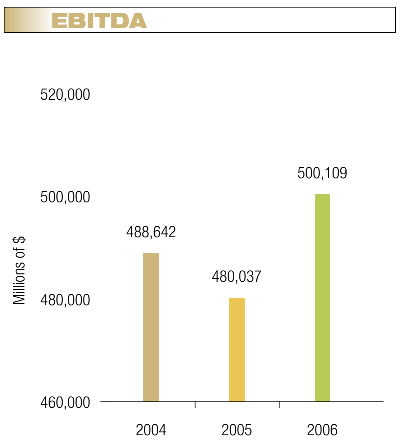
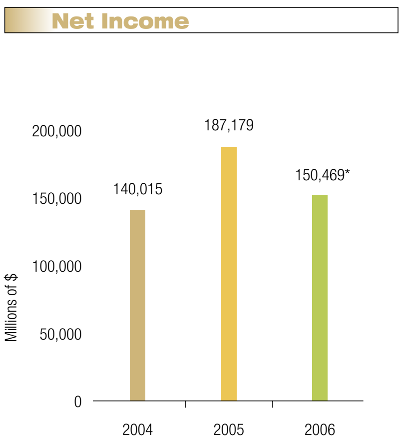
relevant figures

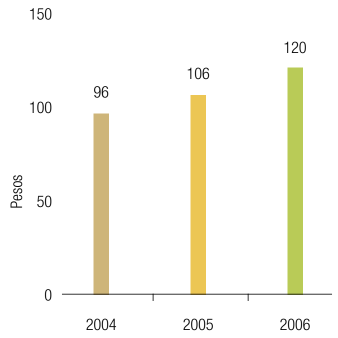




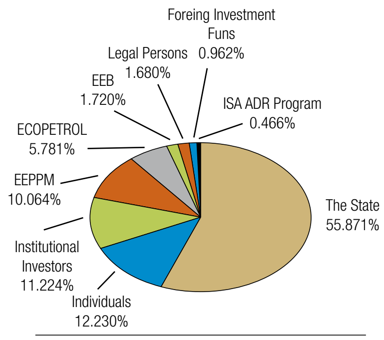


* Decrease explained by CTEEP's early retirement plan and increased financial expenses incurred to acquire this company.

Dividends per share



Shareholding



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management results Interconexión Eléctrica S.A. E.S.P.



management results
Interconexión Eléctrica S.A. E.S.P.

1.1. RESULTS AND COMMITMENTS REGARDING THE PROVISION OF SERVICES

1.1.1. Energy transmission services.

ISA is the largest energy transmission company in Colombia and the only one with nation-wide coverage. It has a transmission grid which it makes available to market agents for the trading of electric energy and the interconnection with regional electricity systems. Its infrastructure comprises 9,247 kilometers of transmission lines with voltages above 110kV, 49 substations, 11,142 MVA of transformation and 3,537 MVAR of compensation.

In December, ISA commissioned the project UPME 01 of 2003: the 500kV Primavera line (Cimitarra, Santander Province) - Bacatá (Tenjo, Cundinamarca Province) and related works, thus finishing the first of two phases of an ambitious high voltage electric corridor of approximately 1,000 kilometers uniting the center of the country with the Atlantic coast. This work cost approximately USD102 million and includes 307 kilometers of cables and two substations.

This project not only enabled ISA to expand its 500kV network by 21% and its energy transformation capacity by 20%, but also to have a 71.34% participation in the As-new Cost of Replacement of the grid, calculated on the unit cost of construction units, according to Resolution 026 of 1999 of the Energy and Gas Regulatory Commission -CREG-. The remaining 28.66% belongs to the other 10 owners of the transmission network.

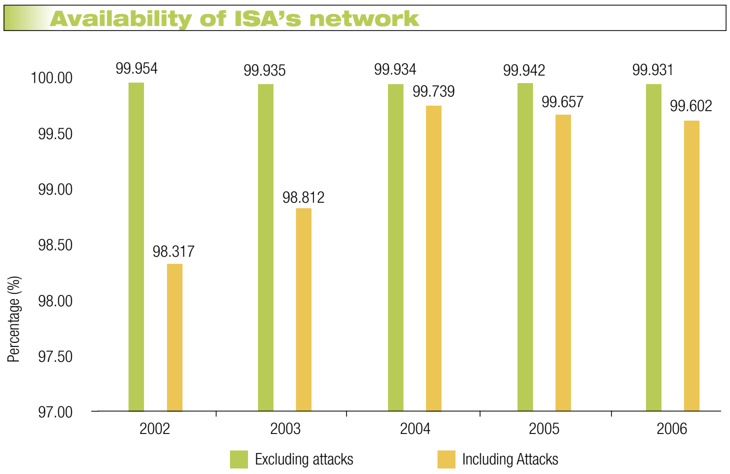


Chart 1

From the Supervision and Maneuver Center -CSM- and under the scheme of centralized remote operation, ISA carried out more than 15,800 maneuvers on the assets with the quality and opportunity required by the National Interconnected System –SIN–.

Availability of ISA's transmission network:

The total average availability of all ISA's assets was 99.931% (see Chart 1) or 0.28% more than the goal of 99.651% established by the CREG.

- 96% of the assets fulfilled the goal for availability established by the CREG; that is, 20 assets from a total of 501 were below the goal mentioned and only 8 paid compensation for a total value of $15 million.

- The Instituto Colombiano de Normas Técnicas y Certificación -Icontec- renewed the Quality Assurance Certification under ISO9001/2000 standard for the quality management systems related to the electric energy transport services.

Attacks against ISA's transmission network.

Since its transmission network extends over the entire country, ISA is particularly exposed to attacks on its infrastructure: from 2001 to 2006, 1,688 attacks were perpetrated against the SIN, of which 1,010 were directed against ISA; and of the 241 towers in the SIN affected by attacks during 2006, 147 belong to ISA (see Chart 2).

Total SIN's affected towers 2001-2005

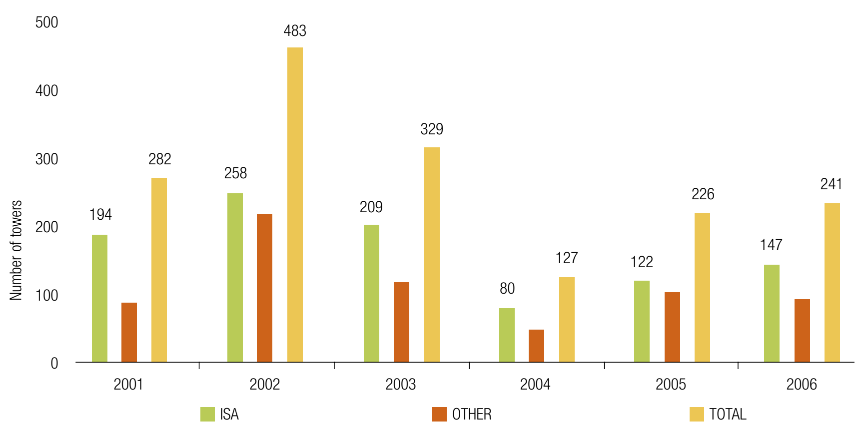


Chart 2

Year	Nº of towers	Towers 500 kV affected	Towers 230 kV affected	Towers 138 kV affected	Total towers affected	Total towers repaired	Pending repair atentadas	% on affected towers
2001	13,244	73	121	0	194	179	75	1.46
2002	13,436	117	141	0	258	196	135	1.96
2003	13,433	85	122	2	209	329	13	1.61
2004	13,433	43	37	0	80	87	6	0.59
2005	13,433	48	74	0	122	117	12	0.96
2006	13,433	28	119	0	147	158	0	1.11
Total		**394**	**614**	**2**	**1,010**	**1,066**		

Table 1

In spite of the attacks against its electric infrastructure, the Company has continued to pursue the actions necessary to guarantee the availability. Thus, as of December 31, all circuits were operating and all towers that had been affected by attacks had been repaired.

Of the Company's 147 towers affected by attacks, 19% correspond to 500kV lines and 81% to 230kV lines. During this period, the number of attacks on ISA's infrastructure increased by 20.49% compared to the year 2005 (see table 1).

In the past few years, ISA has been improving its methods for rapid recovery of towers, brought down by attacks, through the optimization of the operations that comprise this process: use of special emergency structures for this type of work, transportation of all the necessary repair teams and materials, and the use of tools for the recuperation and reassembly of the structure, thus achieving an average time of 6.64 days per tower; that is, 3.86 days less than in 2005.

Losses to the Company, related to the repair of infrastructure since the year 2001, amount to $107,939 million. In 2006, the losses represented 2.96% of operating revenues of the Company.

The demand not met for reasons attributable to ISA was 1.56 GWh (0.003% of the total SIN demand) and due mainly to the scheduled maintenance on the Los Palos-Caño Limón line.

The following highlights in ISA's management of its network are worth mentioning:

- The assets of the National Transmission System -STN- remained available
- The value of Energy Not Supplied -ENS- was reduced.
- The number of interruptions in service was reduced.
- The efficiency of reclosers increased
- The number of unnecessary and non-selective outages was reduced.
- The number of subsystems with a probable failure was decreased.
- The percentage of correctly executed maneuvers was increased.
- The punctuality in response to requirements was increased.

Maintenance.

It guarantees the operational availability of the equipment at minimum cost while fulfilling the conditions of punctuality, quality and reliability agreed upon with the customers and laid out in the Business Plan. In order to meet this goal, the maintenance schedule was established and carried out as programmed, evaluating the results and defining actions to improve the life cycle of the assets.

Maintenance and operation of ISA's transmission network is distributed over four Energy Transmission Centers –CTE–: Central, seated in Bogotá; Northwest, seated in Medellín; Southwest, seated in Cali; and East, with its seat in Bucaramanga. The responsibilities of the CTE North (Barranquilla) were taken over by the subsidiary company Transelca and the CTE Northewest.

In order to optimize the maintenance processes, the Company has undertaken the following actions:

- It has implemented live maintenance on the lines and substations.
- It has carried out the Maintenance Optimization Plan.
- It has improved the emergency response times.
- It has recovered deteriorated material and equipment.
- It has improved procedures for safety in operations and maintenance.

Social and environmental management.

In order to establish the operating results in the area of social and environmental management, indicators were defined which depend upon the relationship with the community and environmental conditions around lines and substations.

Two variables are considered from the point of view of the community: 1) In 195 of the 289 municipalities (67.4%) in which ISA has infrastructure, community actions were carried out either directly or indirectly; and 2) The existence of conflicts with the communities.

ISA invested $2,788.5 million in the four programs that make up the Social Management Model.

In all of the programs an increase compared to 2005 was achieved, with the exception of Educational Support and Technological Research and Development due to difficulties in awarding contracts in the framework of the Agreement with Colciencias, which prevented us from fulfilling the budget.

With respect to the environmental situation of substations, the Company has indicators related to the cleanup and management of hydrocarbon fuels; and, as far as the environmental situation of the transmission lines is concerned, the indicators are related to the forest compensation program and the response to complaints and claims related to constructions and rights of way.

The evaluation of the environmental situation of all the lines and substations, during the reporting period, was shown to be acceptable (a 4 on a scale of 5) corresponding to a level at which the risks related to the environment and operations are being managed without objections on the part of the authorities. Investment in environmental management was $1,856.9 million in 2006.

1.1.2. Connection Service to STN.

The connection service allows customers to receive or deliver power and electric energy required or generated by them. To offer this service, ISA has 71 kilometers at 230kV and 114 kilometers at lower voltages, an operating transforming capacity of 3,272 MVA and 1,305MVA in reserve, distributed over 66 connection points to the STN and by which 21 customers are served: 4 generators, 13 distributors, 3 large consumers and 1 transportation firm. Among the connection assets there are also two points associated with international interconnections.

Revenues from connection

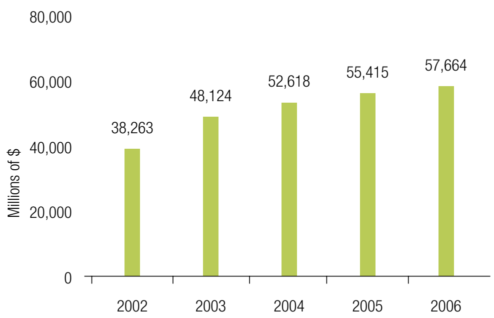


Chart 3

Revenues from ancillary services

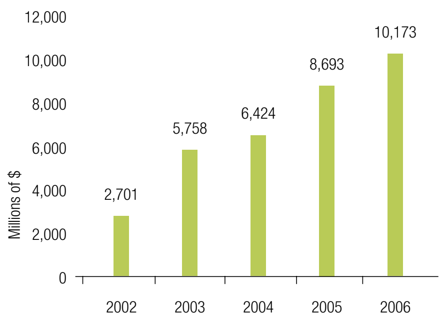


Chart 4

The revenues for connections reached $57,664 million (or 3.9% more than the previous year) for the period from January to December (see Chart 3).

In this regard, it is important to emphasize that new contracts for connections have been negotiated with OXY (Caño Limón substation), with Electrificadora del Meta S. A. -EMSA- (La Reforma substation) and with Empresa de Energía del Pacífico S. A. -EPSA- (San Marcos substation).

1.1.3. Energy-transport ancillary services.

- Electricity and energy studies: These include the viability of investment projects in activities concerning the connection of generation or load with electric energy transmission and distribution systems.
- Integral Development of Projects in Infrastructure: This includes all the activities of planning, coordination, follow-up and integral control necessary to assure an adequate management and implementation of a Project.
- Integral Maintenance of the Electric Infrastructure: This integrates the planning of activities based on the practice of Reliability Centered Maintenance –MCC–; the evaluation of substations and equipment; the performance of activities on energized lines; and, in the long term, a Plan for the Optimization of Assets –POA–.

The operating revenues derived from ancillary services amounted to $10,173 million, thus showing an increase of 14.55% compared to the revenues in 2005 (see Chart 4).

An increase in revenues from ancillary services related to the promotion and sale of electricity studies was seen during the reporting period, mainly in the international arena, as well as from maintenance services for electric equipment to both market agents and to other industries.

1.1.3.1. Fiber optics.

Dark fiber.

Revenues for dark fiber amounted to $9,536 million for the period from January to December (87.67% more than for the previous period), which corresponds to 1.35% of the operating revenues. This increase was due to the conditions agreed upon with Internexa in the contract on the availability of fiber-optic capacity. The arrangement with Transnexa in Ecuador for lease and maintenance of fiber optics continues.

Infrastructure usage rights.

Participation of infrastructure usage rights in energy-transport ancillary revenues was 28.42%, which amounted to $2,990 million. The revenues received from firms that make up the La Alianza for usage rights for installation of the fiber-optic cable on ISA transmission lines showed an increase of $490 million, which correspond to a 19.6% increase in revenues.

Other highlights:

- ISA maintained its participation of 29.17% in the fiber-optic network of La Alianza which, in turn, facilitates its commercial exploitation by Internexa. At the same time, and as a result of its opportune management, ISA negotiated and renewed contracts for the amount of $1,100 million to provide services related to the fiber-optic cable and the infrastructure belonging to La Alianza.

- A business transaction for leasing infrastructure to the companies Colombia Móvil and Colombia Telecomunicaciones was drawn up and made viable which will represent significant, additional revenues for ISA in 2007.

- An agreement between ISA and Internexa was worked out for the expansion of the ISA's network in Colombia. For this, the implementation of two fiber-optic projects for approximately 1,600 kilometers was begun.

1.1.3.2. Infrastructure construction projects.

As to construction projects for third parties, ISA completed the expansion of the Substation San Marcos and the improvement of the substations belonging to the firm Distribuidora del Pacífico -DISPAC- thus complying with commitments made to this company and to EPSA.

Proyect	Benefits	% Advance 31-dic-06	Date of Commissioning	Date of Commercial Operation	Total Value of the Project
Customer: EPSA S.A. E.S.P.					
Project: Expansion Substation San Marcos.	Increase in transformation capacity.	100	January 10 2007	January 11 2007	USD973,122
Customer: DISPAC					
Project: Improvement DISPAC Substations.	Improvement of energy delivery service to the power system in Chocó province at DISPAC substations.	100	August 10 2006	August 10 de 2006	USD6,905,000

ISA obtained operating revenues from this activity for $6,075 million and continues with the construction of the following projects:

Proyect	Benefits	% Advance 31-dec-06	Date of Commissioning	Date of Commercial Operation	Total Value of the Project
Customer: REP S.A. E.S.P.					
Project: Interconnection San Juan–Chilca at 220 kV.	Capacity expansion for transmission lines from Chilca to San Juan.	43.72		June 30 2007	USD43,034,703
Customer: REP S.A. E.S.P.					
Project: Second Circuit Zapallal–Paramonga-Chimbote.	Abolish current operating congestion problems for power exchanges between Central and Northern regions. This circuit will additionally boost the system's safety, which adds to the need of improving reliability of substations.	16.5		December 17 2007	USD40,552,141
Customer: Ministry of Mines and Energy					
Project: FAER 010 - ISA 4000657.	Expand coverage and satisfy energy demand in interconnected and non-interconnected rural areas, through construction and installation of new electric infrastructure and replacement or repair of existing one.	15	July 31 2007		$4,386,839,153
Customer: Ministry of Mines and Energy					
Project: Puerto Concordia–San José del Guaviare.	Construction of mid-voltage line at 13.2 kV, from San José del Guaviare in the Province of Meta to Puerto Concodia.	63	May 16 2007		$2,021,996,532
Customer: Ministry of Mines and Energy					
Project: Engineering Works San Andrés Isla-Caquetá.	Construction and putting into service the El Paujil -Cartagena del Chairá 34.5 kV interconnection line and associated Cartagena del Chairá substation, 3 MVA 34.5/13.8 kV. Expand, modernize and improve medium and low power grids.	20	July 10 2007		$879,305,961

1.1.4. Evaluation of services.

The evaluation of customer satisfaction with the objective of knowing and measuring the degree of loyalty and satisfaction of customers with respect to the services provided by the Company, identifying their needs and expectations, and determining the factors that have most impact, resulted in a rating of 85% for General Quality, which corresponds to superior performance ("excellent" and "very good" scores).

Based on the results of this study, ISA worked out an improvement plan to be implemented during 2007, which will allow drawing up, implementing and monitoring continuous improvement actions to guarantee the competitiveness of the Company.

1.1.5. Plan for exporting ancillary services.

In order to venture into the Central American markets, an action plan, which includes commitments resulting from the El Salvador Commercial Agenda, has been implemented on the part of ISA and XM, Compañía de Expertos en Mercados (a subsidiary of the ISA Group) together with the 12 companies visited in that country in December 2005. In addition, new opportunities were identified in Central America.

In a continuation of its strategy to open international markets, ISA, Transelca and XM, Compañía de Expertos en Mercados developed and implemented together a Business Agenda in Venezuela to visit 15 firms in the electric, power and industrial sectors in the cities of Caracas, Cuidad Bolívar and Maracaibo.

In the framework of a joint business strategy with the companies of the Group, ISA, Transelca and XM, Compañía de Expertos en Mercados have a portfolio of related and integrated services.

1.2. PARTICIPATION AND PROGRESS IN THE IMPLEMENTATION OF PROJECTS

1.2.1. Empresa Propietaria de la Red –EPR–.

It is responsible for the regional transmission that will interconnect the electric systems of Central America: Central American Nations' Power Interconnection System -SIEPAC-. This system will have a 230kV line with a length of 1,790 kilometers and its respective modules both in new substations as well as in the existing ones.

The EPR has partner companies responsible for the transmission of electric energy in each of the member countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama) and two additional companies (Endesa Internacional S. A. from Spain and Interconexión Eléctrica S. A. E. S. P. from Colombia) participating with a share of 12.5% each.

The authorized and subscribed capital of the company is USD40 million, of which 2% remains outstanding and corresponds to Empresa Nacional de Energía Eléctrica S. A. -ENEE- in Honduras which is capitalizing services of administration of rights of way that it expects to conclude in 2007.

Up to December 2006, the EPR has effected investments for USD63 million. The startup of commercial operations is foreseen for the first half of 2009.

1.2.2. The electric interconnection Colombia–Panama.

Since 2001, ISA and Empresa de Transmisión Eléctrica S. A. -ETESA- in Panama acting as promoters of the energy market, have undertaken studies on the technical viability of the electric interconnection project between Colombia and Panama, which constitutes a fundamental step in the consolidation of an interregional market that benefits from the advantages and potential of both regions. This initiative is in line with the interests of the Governments in the region, which have declared their firm resolution to further a sustainable economic development and the integration of the Central American region, consolidating the projects of electric interconnection and the regional market in the framework of the Plan Puebla Panama.

In the course of the XI Meeting of the Neighborhood Committee (Panama, February 6 – 7, 2006), ISA and ETESA drew up an action plan, which was approved by the regulatory organisms of both countries with the intention of assuring the harmonization of the necessary regulation and the definition of a scheme for energy transactions. Similarly, they established activities related to the carrying out of basic engineering studies and the continuation of environmental analysis.

In order to carry out the viability studies required for the project on electric interconnection Colombia – Panama, the Inter-American Development Bank (IDB) granted ISA, ETESA and the regulatory entities of both countries technical cooperation, free of charge, for the development of initiatives to integrate regional infrastructure.

To this date, agreements between the Bank and the co-executive entities have been established and the processes of awarding contracts to consultants who will carry out different studies on the viability of projects are advancing.

1.2.3. Investment projects concerning the construction of infrastructure.

During the reporting period, ISA participated in the following bids for contracts in Brazil organized by the National Electrical Energy Agency -ANEEL- for the concession to provide electric energy transmission services:

- ANEEL 05 of 2006. ISA was the successful bidder in this process for the Group D, which corresponds to the line Neves 1-Mesquita with 500kV and 172 kilometers, located in the State of Minas Gerais. The concession, which has a duration of 30 years including 18 months for construction, will be carried out by the company Interligação Elétrica de Minas Gerais S. A.

- ANEEL 03 de 2006. ISA was not the successful bidder in this process.

ISA concluded the UPME 01-2003 project Primavera-Bacatá Line in Colombia and the UPME 02- 2003 Primavera-Bolívar, expansion of the substation La Reforma, Static Bar Compensator in Caño Limón and Fiber Optics El Copey – Venezuelan Border. These projects are presented in detail below:

Project	Benefits	% Advance 31-dec-06	Date of Energizing	Date of Commissioning	Date of Commercial Operation	Total Value of the Project
Customer: Ministry of Mines and Energy						
Project: 500kV Primavera –Bacatá UPME 02-2003.	EASTERN REGION Reduces security generation. Improves transformation capacity between Central and Northern regions. Improves voltage levels. Represents another restoration alternative. Increases reliability.	100 Diciembre 28 de 2006, Diciembre 31 de 2006,	Dec. 20 2006, Primavera–Bacatá line no-loan energizing. Dec. 21 2006, ATR Bacatá energizing.	Dec. 5 and 6 2006, Northwestern–Bacatá–Torca 230 kV lines Dec. 29 2006, San Carlos-Primavera Cerro 500 kV.	Dec. 14 2006, a 230 KV lines. Dec. 28 2006, Primavera-Bacatá Line. Dec. 31 2006, 500 kV. connections.	USD102,667,968
Project: 500 kV Primavera–Bolívar UPME 02-2003.	Savings from decreased security generation. Increases the system's reliability. Increases transfer capacity between the Atlantic Coast and Central regions. Decreases rationing probability.	91.38		March 31 2007	March 31 2007	USD170,748,880
Customer: Electrificadora del Meta S.A.						
Project: Expansion of the Reforma Substation.	Second transformation bay to interconnect ISA's 230kV substation and EMSA's 115kV substation. Equipment for a new diameter to complete a breaker-and-a-half configuration for the 230kV substation.	8		September 15 2007		USD1,998,312
Customer: OXYCOL						
Project: Static Bar Compensator Caño Limón 34,5 kV Substation.	Installation of an SVC at Caño Limón permitting regulating voltage of 34.5 kV busbar, allows imports up to 100 MW from STN to OXYCOL (including losses in its power system).	4		October 24 2007		USD10,754,622
Customer: ISA Energy Transport Division						
Project: Fiber Optics Copey–Venezuela Border. Group I: Copey-Valledupar Group II: Venezuela Border	Guarantee increased assets use in the region's different countries. Increase value of telecommunications option through Internexa.	Group I: 10 Group II: 99		March 30 2007 January 20 2007		USD1,615,000

1.3. RESULTS AND COMMITMENTS REGARDING CORPORATE MANAGEMENT

1.3.1. Corporate management.

Management results.

As its management practice, the company has chosen the integral development of human, organizational and technological capital as the starting point for the creation of dynamics of adaptation in which the business needs are continually integrated with the available resources.

As far as the **organizational capital** is concerned, the Economic Group seeks to introduce practices in the companies with the aim of forming an adaptable and effective organization, which has the capacity to successfully implement the business strategy. To achieve this, the Company has assumed the task of reviewing the existing models and establishing guidelines for the subsidiaries, starting with the performance management model.

This model is directed toward the evaluation and follow-up of integral personal management according to the achievement of results and the development and improvement of behavior and abilities. Now, every employee is proficient in the use of a technological tool, which allows him/her to manage his/her performance. Likewise, we have shared and homologated the methodology of organizational design among the companies of the Group.

During the reporting period, the executives of the Company were submitted to a survey to measure the effectiveness of the actions undertaken on the subject of Organizational Capital. The most important results are reported below:

- The goal set for the indicator “Degree of organizational preparedness”, defined in the Integral Management Chart, was surpassed (goal: 70%, results: 76.6%)

- The efforts to align the strategic choices with the process practices are recognized.

Concerning the management of **technological capital**, due to the high degree of dependence of ISA and its subsidiaries on technology, an online information back-up service was designed and installed, which increased the reliability and expediency of this process and improved the operating efficiency of the Group’s companies.

Along these same lines, ISA obtained the Certification of the Center for SAP Training -CCS-, an interdisciplinary team that has the mission to achieve greater efficiency in the Economic Group’s processes by optimizing and up-dating the mySAP solution and guaranteeing its availability in the framework of an adequate safety system. This team provides consulting services, support and training to the system’s users. With this certification, ISA has advanced access to trials of new business functionalities; can obtain better conditions to access specialized knowledge; achieve a higher priority with respect to the support that SAP as manufacturer provides; and provide the Group’s subsidiaries world-class support.

Regarding the practices of corporate governance, the Corporate Governance Information Systems Model was implemented and the Technological Plan for the ISA Group prepared, which created synergies among subsidiaries and economies of scale with common technological basis.

A study was carried out to identify and incorporate the best practices and to create synergies between the companies in subjects concerning operation and maintenance; in addition, tools such as the Information System for Operational Management -SIGO- were homologated to support the operation of the transport network. It is particularly important to note, that the installation of this system in CTEEP allows the administration of operating process information, the evaluation of the performance of the grid and the identification of actions for improvement that are congruent with the Group’s practices. At the same time, it increments significantly the productivity of the process and creates the operating information base that supports the business intelligence system.

Another important technological development was the installation of the aerial photogrammetry information system to support the process of designing electrical transmission lines, which allows remote proceedings with reduction of costs and optimization of the analysis of construction project alternatives.

The management of **human resources**, as one of the intangible assets with greatest capacity to generate value, has become one of the most critical and strategic subjects for the Company.

At year’s end, ISA had a team of 653 highly qualified employees, of which 64.47% had completed a level of higher education (bachelor’s, specialization and master’s degrees).

This achievement was mainly the result of the Integral Formation Plan -PFI-, designed and implemented by the Company with two objectives: 1) Develop the aptitudes required by the employees in order to execute the processes efficiently; and 2) Permit the process of cultural transformation in the Organization.

During the reporting period, 583 employees (89% of the total) participated in formation processes with an average of 63 hours per person and a total investment of $896 million.

On the other hand, the survey on organizational climate continued to show a positive perception of the level of satisfaction with the work environment. 86% of the population answered the annual survey and rated the work environment with an average of 4.18 compared to the goal of between 4.0 and 4.5, which puts the Company within the defined standards (see Chart 5).

Evaluation of climate vs. survey participation

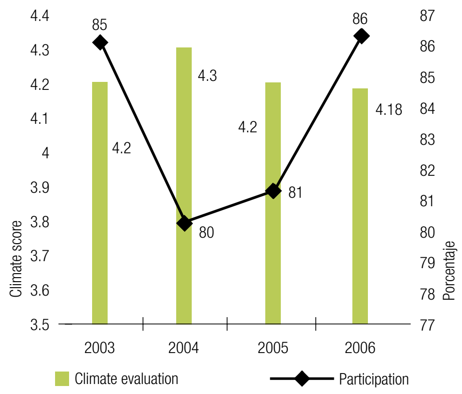


Chart 5

By negotiating collective contracts, ISA favors the right of its employees to form associations. At year's end, 571 workers were affiliated with the Collective Labor Pact and 46 with the Collective Labor Agreement. It is important to emphasize that during the reporting period, the negotiation of the Collective Labor Pact took place and that a complete and definitive agreement was achieved with validity until the March 31, 2011.

In order to protect the life and well-being of its employees in the working environment through health promotion and prevention plans, $4,825 million were invested in coverage of supplementary health plans, aid for health expenses (extended to the employees' families) and aid for the education of their children.

Educational campaigns were carried out with emphasis on high risk factors: sedentary life-style, fat imbalance in the bloodstream (dyslipidemia), unhealthy eating habits, among others.

Emphasis was placed on the management of workplace risks in operation and maintenance of the National Transmission System -STN-. There were 26 work accidents representing 480 lost workdays. The accident frequency index was 1.45 accidents resulting in sickness leave per 240,000 hours worked.

Control Management.

The Company has an internal auditing system according to the Sponsoring Organizations Committee of the Treadway Commission -COSO-, which involves various levels of hierarchy.

In meetings of the Corporate Audit Committee the working program was approved; the performance of the area was monitored; and reports were presented on compliance with the Good Governance Code, on Integral Risk Management, and on the Financial Statements. Additionally, the Committee received information on the performance the Statutory Auditor, among other things.

The Corporate Auditor submitted 90 recommendations for improvements to the Internal Control System. The overall fulfillment of the improvement plans was 99.44%.

Legal Affairs Management.

ISA was not affected by any administrative action, litigation or contingency that might undermine its stability

The judicial and administrative actions that were filed against ISA, were promptly and adequately countered in defense of the interests of the Company, thus fulfilling its duties and responsibilities. On the other hand, the Company undertook the legal and administrative actions, in its own name, necessary to further its corporate purpose and interests, while respecting binding regulations and the equality of the opposed parties and their right to contradiction.

Here it is worth noting, that the additional information on litigation required by the Article 446 of the Code of Commerce, is available to the shareholders in the notes to the Financial Statements.

Risk Management.

ISA continuously manages its risk map in order to fulfill the Group's Integrated Risk Management Policy.

During the reporting period, the implementation of the cycles for the Integrated Risk Management in the subsidiaries was coordinated and progress was made in the consolidation of main risks that affect the financial status of the Company. Mathematical models were set up which represent the exposure to risk and calculate the Income under Risk and Cash Flow under Risk.

Relevant aspects on the management of the main risks during the reporting period:

Risk of Volatility of Macroeconomic Variables. In order to mitigate appropriately the effects produced by uncertainty in the variation of exchange rates and rates of interest on its financial results, the Company systematically applies its strategy of risk hedging, by which it reduces the variability in cash flow associated with debt service.

There is a natural coverage between debt contracted in U.S. dollars and investment abroad, which allows reducing significantly the effect of the variation in the rate of exchange peso/dollar. With respect to the impact of the PPI, the Company issues CPI-indexed debt (bonds), thus obtaining an important coverage in its income statement.

During the reporting period, the Management of Assets and Receivables Project -GAP- for the companies of the Grupo ISA progressed allowing to identify, over the space of next three years, the Income under Risk -EaR- and the Cash Flow under Risk -CfaR-, resulting from the changes in macroeconomic variables to which the companies are exposed in the different countries where they operate. This management tool minimizes the exposure of ISA and its subsidiaries to risks related to the volatility of the macroeconomic variables.

Risks related to armed conflict. With respect to the repair of infrastructure damaged in the conflict and with the goal of rapidly reestablishing the provision of services, improvements have been made in the past few years in processes, in the qualification of technical personnel and in the required logistics to repair the towers damaged by attacks. The results obtained have been a reduction in the time to repair the infrastructure. This has allowed the achievement of a rate of 100% efficiency in the repair of 147 damaged towers during the past year.

On the other hand, ISA continues to develop its Strategy of Viability Amid the Conflict, by monitoring and analyzing the same, by covering and protecting its most critical installations and by strengthening the inter-institutional coordination including the Police and Armed Forces.

Risk of Legal Uncertainty and Instability. Based on the observation and analysis of the legislative processes, in particular those with respect to taxation and referring to the model of provision of public services, ISA has established management mechanisms through inter-institutional relationships, consultation and expert opinions, the active participation in committees of the power sector as well as industry-wide, and carrying out a forum on the legal nature of the Mixed-Ownership Public Utilities Companies -E. S. P.-.

On the other hand, we participated in the discussions put forward by the National Association of Domiciliary Public Utilities and Ancillary Activities Companies -Andesco- and the National Association of Industries with respect to the Bill proposed which in the end was approved as the Tax Reform Bill, Law 1111 of 2006.

Risk of Regulatory Instability. ISA has interacted with the CREG, providing it with information for the studies of the AOM and Unit Cost of Construction Units to help this organism in its revision of the schemes for remuneration and quality of transportation service proposed in the regulatory agenda of the CREG for 2007.

In the same way, and permanently, the Company reviews the evolution of the elements that make up the revenues and works out exercises and special analysis for each of them as well as monitors the evolution of the subject through efforts undertaken in the Energy Chamber of Andesco and in the National Operation Council –CON–.

Risks related to the Growth of the Economic Group. – Inadequate decisions in new business ventures and inadequate practice of Corporate Governance. As the parent company of the Economic Group, ISA' developed the management of risks associated with the administration of the portfolio of investment of the Economic Group and with structuring of new business ventures within the framework of the guidelines of the corporate growth strategy and following the criteria set up in the Investment Policy.

1.3.2. Management of Corporate Social Responsibility –RSE–.

The RSE was based on the commitments agreed upon with interest groups and validated in the Economic Group and its corresponding alignment with the practices and indicators set up in 2005.

ISA's Commitments to its interest groups in 2006

To strengthen the Corporate Social Responsibility in the Organization, the Board of Directors confirmed its significance: "It is the balanced framework of relationships between the companies of the Grupo ISA and its interested parties, made up of a sum of values, practices and commitments with the goal of adding value, generating confidence, and contributing to the sustainable development of the communities where they are present."

The goals agreed upon with each of the interest groups were achieved and progress was made towards increased commitment with respect to building together a solid relationship for mutual benefit.

Teamworkers. ISA recognizes the individual as the main strength in the implementation of the business goals, since it is the individual's contribution that puts the dynamics into the achievement of the objectives set.

The rating of 4.18 for organizational climate remained at a level very similar to that of the previous year, with values above 4.0 during the past years.

During the reporting period, ISA subscribed 2,294 contracts with 1,098 suppliers for the sum of $126,964 million. The perception of ISA by this group, which includes technical, commercial and communication aspects remained at a rating of 91%. This evaluation shows that the suppliers perceive an atmosphere of confidence to do business with ISA according to the terms defined by the commitments made.

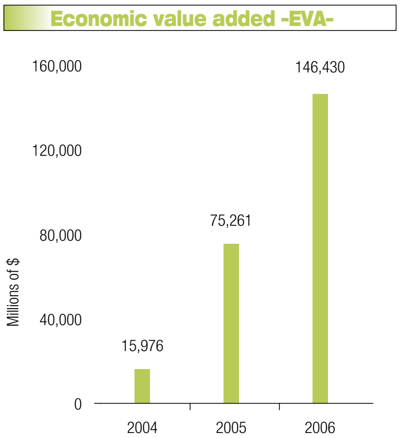


Chart 6

The relationship of ISA with the society, as seen through its social and environmental policies, establishes different levels which run from the international dimension, determined by the commitment to human rights and sustainable development, through the national scale which corresponds to the prompt furnishing of information of public interest and to the quality and efficiency of the services provided, down to the local and regional level which finds its expression in the environmental responsibilities and the objective to contribute to development and peace as well as to the well-being of the communities.

ISA has fulfilled all of its tax obligations with the State, has not been charged by any national judge for violation of fundamental rights, the information requested was submitted to the different control organisms in the proper form, and has continuously supported the institutions, authorities and State organisms.

The relationship of ISA to its customers manifests itself by making the transmission network and the interconnection of the regional electrical systems available to market agents with quality service and at competitive prices.

With its shareholders, ISA fulfilled its commitment to add value by reaching an EBITDA of $500,109 million, which represents an increase of 4.2%.

The Economic Value Added -EVA- of the Company, on the other hand, reached $146,430 million, surpassing the budget by $38,919 million and fulfilling the commitment to generate value for the shareholders (see Chart 6).

1.3.3. Global pact.

The fulfillment of the commitments made in the Global Pact was satisfactory as shown by the rating given in the Report as (Notable COP) by the United Nations and which was presented in the communication of advancement for the first year of subscription to this Pact. As to the principles, a qualitative follow-up was made and progress was made in the setting up of effective, internal mechanisms that allow the fine-tuning of specific day-to-day activities.

The specific results of efforts with interest groups can be found in the 2006 RSE Report and at www.isa.com.co.

1.3.4. Results of management tools.

The consolidated results of the Integral Management Chart demonstrate an achievement of 82.56%. The achievements according to perspective are presented below.

Top-level integral management chart and development plan.

In the **Financial Perspective**, the achievement was 82.80%. Of the other eight indicators agreed upon, the goal set was achieved in six. Indicators for Total Return and Share Appreciation versus the Colombian Stock Exchange Index Appreciation -IGBC- did not reach the lower goal set for improvement.

The reduction in the results for Total Return compared to the initial expectations can be explained by the negative impact of the Tax Reform on the value of the Company, which was partially offset by the behavior of the Producer Price Index -PPI- which had a positive effect on the revenues in 2006.

Indicator	Unit	Periodicity	Management goal		2006 Results
			Lower Limit	Upper Limit	
Strategic goal: Ensuring value generation.					
ISA's EBITDA	Million	Monthly	477,803	497,305	500,108.89
Increase in EVA	Million	Semiannually	101,514	113,508	146,429.79
Total return	%	Semiannually	< 12.1%	>= 12.1%	10.68%
Dividends and loans	Million	Semiannually	49,872	56,521	205,882.16
Debt balance + guarantees/EBITDA	Times	Monthly	2.5	< 4.5	4.02
Compliance with investment plan UPME 01 Primavera-Bacatá.	%	Monthly	90%	100%	99.86%
Compliance with investment plan UPME 02 Primavera-Bolívar.	%	Monthly	90%	100%	102.19%
Strategic goal: Achieve Company recognition in the capital market.					
Share appreciation / IGBC appreciation.	Times	Monthly	1	> 1	0.87

As to the **Customer and Market Perspective**, the fulfillment was 100%. The results of the four goals agreed upon surpassed the maximum values set.

Indicator	Unit	Periodicity	Management goal		2006 Results
			Lower Limit	Upper Limit	
Strategic goal: Increase participation in target market.					
Annual increase of future revenues managed by the Company.	USD Million	Quarterly	15	30	145.70
Strategic goal: Provide outstanding quality services.					
Non-supplied energy (500 kV y 230 kV).	MWh	Monthly	4,800	2,500	1,565.26
Failure rate (500 kV y 230 kV) / 100 km.	Failures / 100 Km	Monthly	0.40	0.31	0.20
Evaluation of external customer satisfaction.	%	Annually	80%	83%	85%

With respect to the **Perspective of Productivity and Efficiency**, the fulfillment was 65.10%. The results of AOM Costs of the STE versus Revenues recognized by AOM did not reach the minimum expected goal, while the other four results did reach their goal.

The failure to fulfill the goal of AOM costs can be explained by the increase in AOM expenses exceeding the planned value, due to the following factors:

- To comply with the Resolution 00513000333635 of 2005 of the Superintendency of Public Utilities concerning the changes in the model of activities based cost, and which establishes that the item of taxes had to be included in the AOM expenses. This meant that there was an excess of $3,053 million with respect to the amount budgeted.

- The higher value of the levy on financial transactions corresponding to the bill from the Settling and Clearing of Accounts –LAC–, of the National Transmission System that meant an excess of $2,300 million compared to the amount budgeted.

Indicator	Unit	Periodicity	Management goal		2006 Results
			Lower Limit	Upper Limit	
Strategic goal: Govern costs to become efficient.					
STE Effective AOM Costs / revenues recognized for AOM.	%	Monthly	105%	101%	106.19%
Strategic goal: Quality assurance.					
Maneuvers and maintenance errors causing unattended demand.	Nº	Monthly	0	0	0
Number of minor non-conformities in ISO certification audit.	Nº	Annually	5	0	2
Actions implemented as result of internal, external audits, Statutory Auditor and National General Auditing Office.	%	Monthly	95%	100%	99.14%
Strategic goal: Develop a model for relations with the environment.					
Social investment	Million	Monthly	2,578	2,714	2,788.5

In the **Perspective of Organizational learning and human talent development** the achievement was 77.24%. Five of the eight indicators agreed upon over-fulfilled the goal set and the remaining ones are within the goals set.

Indicator	Unit	Periodicity	Management goal Lower Limit	Management goal Upper Limit	2006 Results
Strategic goal: Develop organizational capital.					
Preparedness degree of organizational capital.	%	Annually	65%	70%	77.55%
Organizational climate appreciation.	Rating	Annually	4.0	4.5	4.18
Accident index (frequency).	Accidents / 240,000 h-h	Quarterly	2.00	1.00	1.45
Strategic goal: Implement human capital preparedness.					
Human capital preparedness degree: Deviation of technical competencies in work teams.	%	Annually	40%	20%	-0.26%
Human capital preparedness degree: Deviation of personal competencies in work teams.	%	Annually	40%	20%	-0.02%
Human capital preparedness degree: Deviation of technical competencies in senior management.	%	Annually	40%	20%	-0.10%
Human capital preparedness degree: Deviation of personal competencies in senior management.	%	Annually	40%	20%	0%
Strategic goal: Implement technological preparedness.					
Technological preparedness degree: Compliance with ISA technological information plan.	%	Annually	95%	100%	98.50%

The overall fulfillment of the Plan was 96.62%. Six of the nine relevant actions planned for ISA achieved 100%, two achieved 97% achievement and one had less than 90% fulfillment.

1.4. FINANCIAL RESULTS OF INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

1.4.1. Relevant Facts.

A number of relevant facts had an impact on the financial results of the Company:

- The acquisition of 50.1% of the common stock of the Companhia de Transmissão de Energia Elétrica Paulista (CTEEP) in Brazil, corresponding to 21% of the total capital of the company, through its special purpose entity, ISA Capital do Brazil,

- The acquisition of 60% of the Consorcio TransManta in Peru.

- The startup of operations of the UPME 01 of 2003 Primavera-Bacatá project and progress in the construction of the UPME 02 of 2003 Primavera-Bolívar project.

- The exchange of shares with Ecopetrol: ISA increased its participation in Transelca to 99.996% and the State petroleum company acquired shares of ISA corresponding to a participation of 5.781%.

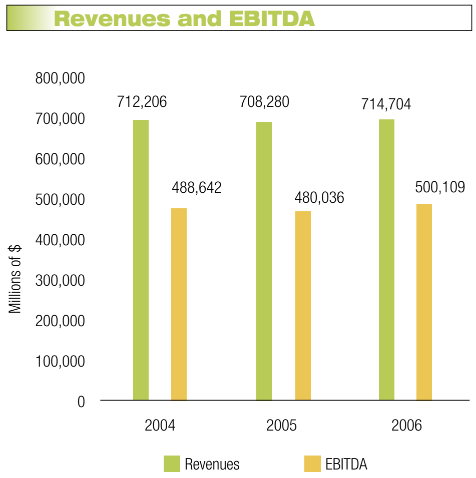


Chart 7

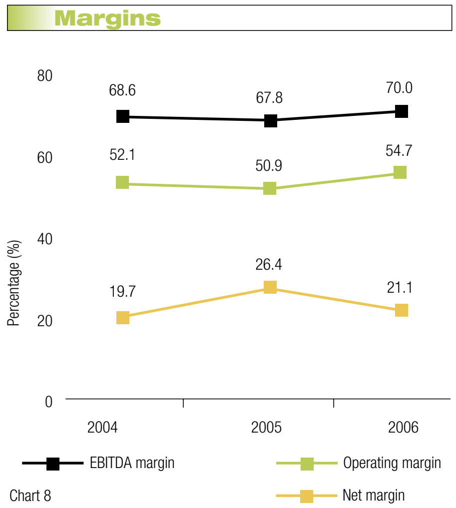


Chart 8

$ Million	2006	2005	Variation	% Variation
Operating Results				
Revenues	714,704	708,281	6,423	0.9
Costs and expenses	(323,646)	(347,515)	23,869	(6.9)
EBITDA	500,109	480,037	20,072	4.2
Operating income	391,058	360,766	30,292	8.4
Non-operating income	(226,919)	(120,310)	(106,609)	88.6
Tax provision	13,670	53,277	(39,607)	(74.3)
Net income	150,469	187,179	(36,710)	(19.6)
Balance Sheet				
Assets	5,875,833	4,529,459	1,346,374	29.7
Liabilities	2,562,766	1,742,757	820,009	47.1
Equity	3,313,067	2,786,702	526,365	18.9

1.4.2. Financial Results for the Reporting Period.

The operating revenues amounted to $714,704 million (0.9% more than in 2005). This variation was affected by the exit of CND-MEM and the creation of XM as an affiliate starting October 2005. For this reason, ISA did not show revenues in its 2006 financial statements from operation and administration of markets that, on the contrary, were included in 2005. Among the lines of activities, the results obtained in ancillary services stand out, services which increased by 37.9% due to higher revenues in dark fiber and projects administration, followed by connection services and energy transport, whose increases were 4.1% and 3.8% respectively (see Chart 7).

As a result of the revenues obtained and the reduction of 6.9% in operating expenses, the Company improved its operating results for the reporting period: EBITDA reached $500,109 million (4.2% more than in 2005); EBITDA margin increased from 67.8% to 70% and operating income increased by 8.4% compared to 2005 (see Charts 7 and 8).

Non-operating income went from -$120,310 to -$226,919 million, which is explained by higher financial expenses from indebtedness for the financing of the investment in CTEEP and, to a lesser extent, by the behavior of the exchange difference.

Non-operating results were affected by the equity method, by which ISA consolidates the results of its affiliates.

Two important facts should be highlighted:

- Most of its affiliates showed very satisfactory budget execution, and in some cases surpassing it, as shown in the results (via the equity method and not including ISA Capital do Brasil) which amounts to $29,095 million with an increase of 41.2% compared to 2005.

- The loss of $85,739 million by ISA Capital do Brasil meant that ISA must post the amount of -$56,644 million by the equity method.

The results of ISA Capital do Brasil can be explained by the following issues, in order of their importance:

- Financial expenses due to the debt for the acquisition of CTEEP: $31,179 million.

- Amortization of the goodwill that arose from the difference between the purchase price and the book value of CTEEP: $26,977 million.

- The equity method that consolidates 21% of the net results for CTEEP from the second half of the year: $16,693 million.

It is important to note, that CTEEP posted earnings of $133,060: $192,546 million in the first two quarters and a loss of $79,485 million in the second two quarters. The latter was due to the implementation of the early retirement plan for employees at an estimated cost of USD222.8 million, which was undertaken to improve the level of efficiency and competitiveness of the Company compared to other companies in the industry.

Although it is true that this situation had a moderate impact on the short-term results, both for ISA as well as for ISA Capital do Brasil, these results will allow reducing the cost of personnel at CTEEP by 50% by the end of 2007. This will improve substantially the EBITDA margin, its earnings and consequently those of the ISA Parent Company and the Group.

Results from equity method

$ Million	2006	2005
Power sector		
TRANSELCA	17,294	24,230
REP	7,752	7,774
ISA Perú	1,670	1,041
ISA Bolivia	(2,960)	159
XM	1,266	28
FEN	816	3,166
Telecommunications sector		
INTERNEXA	17,661	(5,889)
FLYCOM COMUNICACIONES	(14,404)	(9,903)
Total without ISA Capital do Brasil	29,095	20,606
ISA Capital do Brasil	(85,739)*	
Total net results from equity method.	(56,644)	20,606

* Includes 21% of CTEEP's results for the third and fourth quarters of 2006.

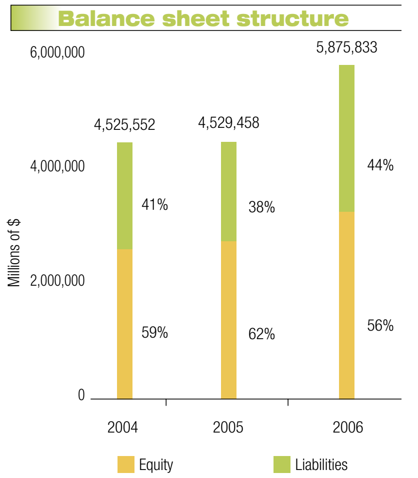


Chart 9

The income tax provision showed a reduction of 74.3%, from $53,277 million to $13,670 explicable by the special deduction of 30% due to the investment in fixed assets. Net income totaled $150,469 million (19.6% less than in 2005) as a result of the behavior of the non-operating income already mentioned.

1.4.3. Balance sheet.

As far as investments are concerned, a number of significant events lead to the fact that the Company's assets increased by 29.7% to $5,875,833 million (see Chart 9):

- New investments in corporations: ISA Capital do Brasil and Consorcio TransMantaro contributed to the fact that the Group became the major international transporter of electric energy in Latin America, consolidating its leadership in Peru and entering into a market with great growth potential as is the case of Brazil.

- The construction of the electric energy corridor between the center of Colombia and its Atlantic Coast: start of operations of the UPME 01 of 2003 and progress made in the construction of UPME 02 of 2003 with an accumulated investment up to 2006 of $580,514 million.

These investments, which increased the level of indebtedness of the Company (from 38% to 44%) were financed as follows:

- **Primavera-Bacatá (UPME 01) and Primavera-Bolívar (UPME 02) of 2003.**

These projects were accomplished by carrying out the following actions:

– Two issues of domestic debt bonds: one, worth $118,500 million, with a 20-year term, and indexed to IPC + 4.58%; and the other, worth $110,000 million, with a 7-year term, and indexed to IPC + 4.84%. Additionally, it hired short-term credits with local banks worth $336,637 million for construction of those projects, and to meet cash flow needs.

– Disbursement of funds from Germany and Brazil in March of 2006 to finance materials and supplies for the substations. This loan, contracted for the amount of USD37.8 million at a rate of Libor + 0.345% for ten years, has political and commercial risk coverage from ECA Euler Hermes in Germany. During the reporting period, drawdowns totaled USD32.8 million.

Total disbursements along 2006 were USD3,272.8 million.

Breakdown of debt by financing source

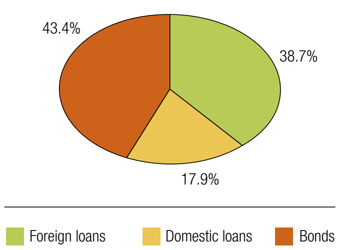


Chart 10

Breakdown by currency including hedging operations

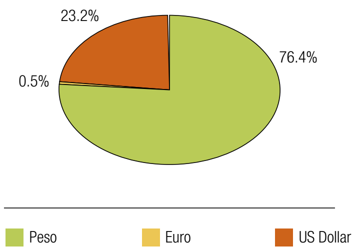


Chart 11

- Acquisition of CTEEP.

On July 17, ISA subscribed a loan agreement for USD550 million with the Banks ABN AMRO and JP Morgan to acquire 50.1% of the common shares of CTEEP through ISA Capital do Brasil, by way of a tender offer on the São Paulo Stock Exchange (BOVESPA).

On December 28, the Company prepaid a tranche of the afore-mentioned loan: USD350 million thus complying with the commitments accorded with the rating agencies and the lending banks.

The second tranche of the afore-mentioned loan for USD200 million was syndicated with 10 local and international banks by ABN Amro and JP Morgan, which confirms the credibility awarded to ISA by all of the participating entities.

As a result of these transactions, as of December 31 total liabilities amounted to $2,562,765 million, representing an increase of 47.05%. Financial liabilities reached $1,880,708 million, excluding hedging operations, with a component in local currency amounting to $1,152,290 million and in foreign currency of $728,418 million, corresponding to 61.3% and 38.7% respectively. The participation of bonds in the total debt portfolio was 43.4%, equaling $815,652 million (see Charts 10 and 11).

At the end of 2006, ISA had USD50 million in hedging operations (34.2% less than in 2005 - USD76 million). The reduction was due to the repayment of obligations along with one of them reaching maturity.

Equity showed an increase of 18.9% (from $2,786,702 million to $3,313,068 million); the main factors influencing these results were as follows:

- Issue of 58,925,480 registered common capital-stock shares, without preemptive rights, exclusively for Ecopetrol S.A., as approved by the Special Stockholders' Meeting held on November 24, 2006. The transaction is part of an exchange operation under which, Ecopetrol S.A. delivered to ISA 633,387,729 shares it held in Transelca S.A. E.S.P. that had been subscribed in December 2006; ISA in turn, transferred to the State oil company 5.781% stock participation in the Company. This operation increased the capital surplus (additional paid-in capital) by 89.7%, due to the difference between ISA's stock par value and its quote price.

- Increase of 14.6% in revaluation surplus which corresponds to the annual up-dating of the value of property, plant and equipment according to technical appraisal methods stipulated by applicable regulations.

- The approval of an increase of $10,000 million in the Company's authorized capital by the Stockholders' Meeting held on March 27, 2006.

1.4.4. Credit risk ratings.

ISA's three bond issues and the domestic debt bond underwriting program have been rated AAA with negative outlook by Duff & Phelps de Colombia S.A.; such a rating means issues of the highest credit quality with virtually non-existent risk factors.

Standard and Poor's ratified its BB rating for foreign-currency long-term corporate credit (equal to the State's sovereign ceiling) and rated BBB- the local-currency credit rating, showing the indebtedness required for acquisition of CTEEP.

1.4.5. Cash Flow.

During the year 2006, the Company had cash revenues of $4,379,254 million. The initial cash holdings totaled $137,297 million, the current revenues $739,073 million and the capital revenues $3,502,884 million.

These resources were earmarked in the following manner:

- $1,740,557 million: debt service (including the prepayment of the tranche B of the USD350 million loan to finance the acquisition of CTEEP.
- $1,244,432 million: investment (includes the acquisition of CTEEP and Consorcio TransMantaro).
- $315,933 million: operating expenses (personal services, general expenses, taxes, insurance, damaged towers, among other things).
- $111,880 million: payment of dividends.
- $843,095 million: loans to subsidiaries.
- $29,323 million: execution of third party's projects (delegated management).
- $24,491 million: VAT on capital goods.

The ending cash availability was $69,544 million, of which $40,899 million were left as resources available to ISA after subtracting the specific-purpose resources: delegated administration, $8,786 million; UPMES trust estate, $8,371 million; and, the risk withholding fund, $11,489 million.

Budget was complied with in the following percentages: 95% for revenues, 94% for expenditures and 96% for investment.

1.4.6. Financial Soundness.

Financial Goals.

Recognized for its good performance and for the fulfillment of its financial commitments with the national and international banking community, ISA complied with the indicators agreed upon in the loan agreement with ABN Amro Bank N. V. and JP Morgan Chase Bank N. V. by a wide margin as can be seen in the following table:

Net debt /EBITDA	Goal	Results
ISA	<= 5.5 times	3.8
CONSOLIDATED	<= 4.3 times	2.4

EBITDA / Interest	Goal	Results
ISA	>=2.0 times	2.8
CONSOLIDATED	>=2.0 times	4.3

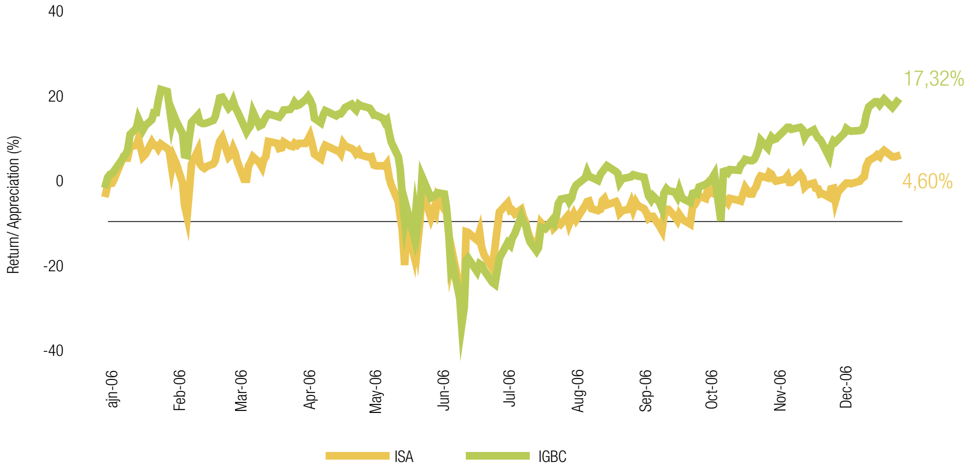


Chart 12

1.4.7. Behavior of ISA's stock in the capital markets.

The Company's growth has permitted recognition of ISA's stock as one of the most stable in the Colombian stock market.

Along the period, its Stock Market Capitalization Index (IBA) occupied ninth place as reported by the Colombian Financial Superintendency. Its year-end quote was $5,910, equivalent to 4.60% appreciation (see Chart 12). The average price during the year was $5,474, while the maximum price was $6,180 (April 5).

26.6% of the Company's shares free floated in the Colombian Stock Exchange in 2006.

Main stockmarket indicators

		2006
Number of shareholders		65,215
Number of outstanding shares		1,019,267,163
Share par value		32.80
Share appreciation		4.60%
Dividend Yield		2.03%
Intrinsic value		3,444
Quote ($)		
	Maximum	$6,180.00
	Minimum	$3,805.00
	Average	$5,474.00
	Year-end	$5,910.00
Number of rounds		242
Number of shares		139,599,125
Total ADRs traded (Mar 2004 - Dec 2006)		190,094
Market Capitalization at Dec 31/2006 (USD Mill)		USD 2,690.68
Market Capitalization at Dec 31/2006 31/2006 ($Mill)		$6,023,869

Since their initial deposit in 2004 and until the end of 2006, a total of 190,094 ADRs (American Depositary Receipts Level I), traded in NASDAQ's OTC market, have been issued equivalent to 4,752,350 common shares.

Chart 13

Growing dividends policy.

The Shareholders' Meeting of March 27, 2006, approved proposed appropriation and distribution of earnings of fiscal year 2005. The proposition consists of distributing earnings and reserves amounting to $115,241 million to pay a $120-dividend per share to 960,341,683 outstanding common shares. Payment was made in four equal quarterly installments, of $30 per share, on April 19th, July 19th, October 19th of 2006, and January 19th of 2007 (see Chart 13).

Dividends declared on March 27, 2006, with charge to earnings of 2005, are not taxable for income- taxpaying shareholders.

For further in information please see the Notes to the Financial Statements of ISA.

certification of financial statements and other relevant reports

Medellín, February 14, 2007

To the shareholders of Interconexión Eléctrica S.A. E.S.P.

In connection with the 2006 annual report of ISA, the undersigned Legal Agent and Chief Accountant of Interconexión Eléctrica S.A. E.S.P., hereby certify that:

1. As provided in Article 37 of Law 222 of 1995, before disclosing to you and to third parties the financial statements of the Company as of December 31, 2006 and 2005, they have previously verified the assertions therein contained, and that they have been faithfully taken from the books.

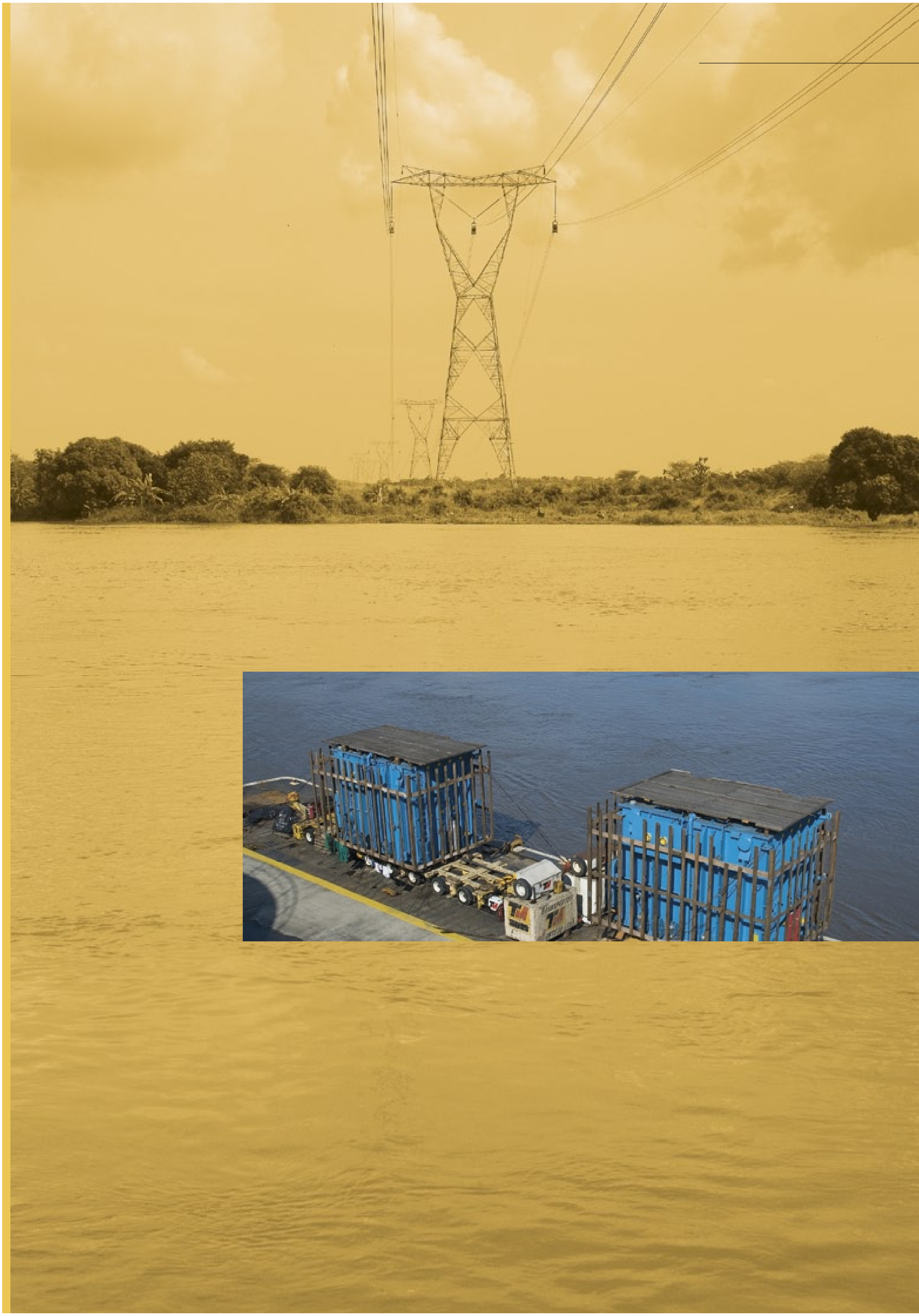
2. That in compliance with article 46 of Law 964 of 2005, the financial statements and other reports relevant to the public related to the fiscal years ended December 31, 2006 and 2005, do not contain defects, inaccuracies or errors that prevent ascertaining the true financial position and operations of the Company.

Luis Fernando Alarcón Mantilla
General Manager

Jairo A. Alzate Pino
Chief Accountant
T.P. 8671-T

2

future Perspectives and Commitments



perspectives and commitments for the future

The budget of $1,944,720 million approved to carry out the Company's operations in 2007, consists of the following components:

- The initial cash balance is $69,051 million. Of this sum, $28,646 million correspond to specific-purpose resources (delegated administration, stock liquidity fund, risk withholding fund, and UPMEs fund) and $40,405 million corresponding to available resources.
- Current revenues of $778,554 million: $737,846 million from operations, $31,329 million from ancillary activities and the remainder from other current revenues.
- Capital revenues of $1,079,566 million: $529,423 million from loan drawdowns and $550,143 from loans and recovery of loans to affiliates, dividends, stock issues and financial returns.
- Resources of $17,548 million for delegated administration.

With these resources the following commitments will be met:

- Debt service: $859,378 million
- Investment: $551,524 million
- Operating expenses: $331,704 million
- Dividends: $132,988 million
- Delegated administration: $23,488 million

- Loans to affiliates: $8,855 million
- VAT on capital goods: $3,017 million

At the end of the reporting period, there was a cash balance of $33,767 million: available cash $18,446 million; specific-purpose resources $15,321 million.

The resources generated by the operation of the Company in 2007 plus the sources of financing mentioned above, will allow maintaining the cash flow necessary to meet its obligations, maintain financial solidity and comply with the indicators set down in contracts with the lending institutions.

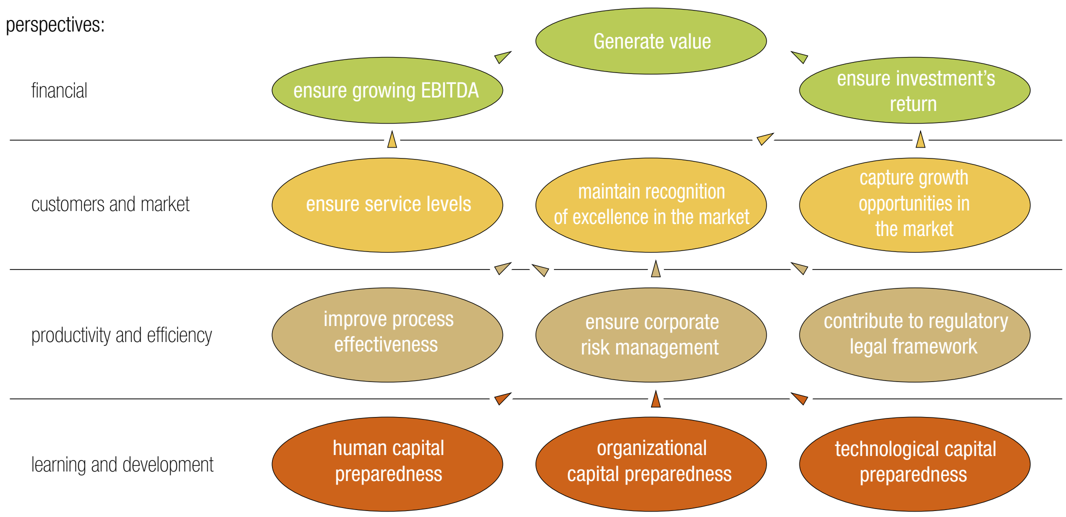
In addition, ISA will continue to work on the following aspects:

- Increase the revenues and rationalize costs and expenses with the aim of achieving operating excellence.
- Maximize cash flow.
- Fulfill its commitment of attractive remuneration to its shareholders.
- Continue with the expansion of the business, maintaining the balance and solid financial indicators.
- Mitigate the risks associated with the macro-economic variables by implementing the management of assets and debits project.

ISA's integral management charts and development plan.

According to the guidelines of the Company at the corporate level, ISA draws up the map, the objectives and goals for the achievement of its competitive strategy, which aims to *Generate Value* in order to fulfill its commitments to all interest groups and, in particular, to its shareholders.

Top-level strategic map - ISA (2007)



The related resources must be directed toward investments that **Ensure Returns** and generate enough cash flow to leverage new investment opportunities, repayment of debt and payment of dividends.

Indicator	Unit	Periodicity	Observation Lower Limit	Observation Upper Limit
Objetivo: Generar valor.				
EVA	Million $	Semiannually	29,870	37,238
Increase in EVA	Million $	Semiannually	-75,126	-67,758
Stock Appreciation / IGBC Appreciation.	%	Monthly	1	> 1
Debt balance + guarantees / EBITDA		Monthly	>5	<=5
EBITDA/interest.		Monthly	<2.25	>= 2.25
Objective: Ensuring investment's return.				
Total return	%	Semiannually	<11.73	>=11.73

Maintain an operating management that **Ensures Growing EBITDA** through the continual management of revenues, costs and expenses of the Company.

Indicator	Unit	Periodicity	Observation Lower Limit	Observation Upper Limit
Objective: Ensuring growing EBITDA.				
ISA's EBITDA	Million $	Monthly	552,577	563,740

ISA keeps its promise of providing efficient customer service through quality and timeliness criteria to **Ensure Service Levels**.

Indicator	Unit	Periodicity	Observation	
			Lower Limit	Upper Limit
Objective: Ensuring service levels.				
Non-supplied energy (500 kV y 230 kV)	MWh	Monthly	3,900	3,300
Interruption rate	Nº Interruptions /100km	Monthly	0.2813	0.2110
Weighted project progress	%	Monthly	95	100
Compliance with projects' total value	%	Monthly	100	<=98

These levels allow **Maintaining the Recognition of Excellence in the Market**, improving the satisfaction of customers and achieving recognition of ISA as a world-class corporation.

Indicator	Unit	Periodicity	Observation	
			Lower Limit	Upper Limit
Objective: Maintaining recognition of excellence in the market.				
Evaluation of satisfaction external customers – overall quality.	%	Annually	80	86
General reputation (T3B).	%	Biannually	75	80

In its corporate strategy, ISA sets its objective of **Capturing Growth Opportunities in the Market** to generate new revenues, by actively participating in markets where it is already present, venturing into other Latin American countries, developing markets through energy integration and exploring the participation in the transportation of gas.

ISA will continue to make progress in the viability of the Colombia-Panama electric interconnection, which is necessary to assure the formation of a supra-regional market that benefits from the potential of the Andean and Central American markets with direct advantages for the customers in the member countries.

Indicator	Unit	Periodicity	Observation	
			Lower Limit	Upper Limit
Objective: Capturing growth opportunities in the market.				
Annual increase in future revenues managed by the Company.	USD Million	Quarterly	25	30 *

* Provisional figures.

In order to achieve the objectives set, it is indispensable to **Improve the Effectiveness of the Processes** through operating excellence according to international standards, best practices and minimization of the risks to which the Company is exposed. This is the way to **Ensure the Corporate Risk Management**.

ISA has obtained the certification according to ISO 9001 standard for its energy transmission services and has initiated the tasks necessary to obtain the certification according to ISO 14001 and OHSAS 18001, which have become factors necessary for competitiveness in international markets.

Indicator	Unit	Periodicity	Observation	
			Lower Limit	Upper Limit
Objective: Improving process effectiveness.				
STE Effective AOM Costs / revenues recognized for AOM.	%	Monthly	100.05%	98.07%
Maneuvers and maintenance errors causing unattended demand.	Number of errors	Monthly	> 0	0
Objective: Ensuring corporate risk management.				
Degree of preparedness for business continuity.	%	Annually	49	53

The specific characteristics of its services make it necessary to contribute to the **Regulatory Legal Framework** so as to guarantee the continuity of provision of services. This requires that the Company interacts directly with the CREG and other participants in the process of revision of the remuneration scheme for the transmission (undertaken by the regulatory body since 2005), which insures revenues adjusted to the reality of the situation in which the transmission takes place.

The three pillars of the Company (the employee, the organizational structure and the technology) support the strategic map of the Company and are fundamental in achieving the objectives.

Along this same line, the **Preparedness of the Human Capital** is sought by developing its existing competencies (abilities, knowledge, attitudes and skills) and its capabilities to learn and innovate.
technological capital preparedness.

The Preparedness of the **Organizational Resources** defines the structure that supports the achievement of goals and the capacity of the Organization to mobilize and sustain the process of change necessary to implement the strategy. On the other hand, it furnishes the capacity for integration so that the intangible assets of human and technological capital as well as tangible physical and financial assets are not only in line with the strategy, but also integrated, and in continuous operation, in the effort to achieve the strategic objectives of the Organization.

The Preparedness of the **Technological Resources** makes available to the Organization the information and knowledge through systems, data bases, libraries and information networks that support the process to achieve the goals set by the Company.

Indicator	Unit	Periodicity	Observation	
			Lower Limit	Upper Limit
Objective: Human capital preparedness.				
Gap in human capital preparedness at ISA.	%	Annually	20	5
Objective: Organizational capital preparedness.				
Degree of preparedness of organizational development.	%	Annually	78	85
Appreciation of organizational climate	Score	Annually	4.0	4.5
Accident rate (frequency)	Accidents / 240.000 h-h	Quarterly	2	1
Objective: Technological capital preparedness.				
Degree of technological preparedness: Compliance with ISA's technological information plan.	Number of projects completed	Annually	3 projects completed	4 projects completed

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ISA's financial statements


0.8942
0.9018
0.9085
0.9157
0.9225
0.9291
0.9354
0.9026
0.9092
0.9164
0.9232
0.9298
0.9361
0.9100
0.9171
0.9421
0.9478
0.9532
0.9583
0.9632
0.9636
0.9677
0.9681

ISA's **financial statements**

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEET
AT DECEMBER 31, 2006 AND 2005

(In millions of Colombian pesos)

	Notes	2006	2005
ASSETS			
CURRENT ASSETS:			
Cash	(5)	23,869	56,294
Marketable investments	(5)	36,308	62,049
Accounts receivable – Net	(7)	160,906	169,809
Inventories	(8)	2,124	1,381
Deferred charges and other assets, net	(10)	14,038	15,991
Total current assets		237,245	305,524
NON-CURRENT ASSETS:			
Long-term investments	(6)	1,354,130	721,456
Long-term accounts receivable – Net	(7)	44,134	56,326
Inventories	(8)	56,287	30,117
Property, plant and equipment – Net	(9)	2,475,152	2,138,565
Deferred charges and other assets	(10)	409,882	143,510
Reappraisal of assets	(11)	1,299,003	1,133,961
Total non-current assets		5,638,588	4,223,935
Total assets		5,875,833	4,529,459
Memorandum accounts:			
Debit	(20)	2,566,229	1,411,011
Credit	(20)	1,131,804	1,062,629

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements

Luis Fernando Alarcón M.
General Manager

Jairo A. Alzate P.
Chief Accountant
T.P. 8671-T

Carlos E. Gordillo B.
Statutory Auditor E.S.P.
No. 33537-T
PricewaterhouseCoopers
(See my opinion of February 23, 2007)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEET
AT DECEMBER 31, 2006 AND 2005

(In millions of Colombian pesos)

	Notes	2006	2005
LIABILITIES AND SHAREHOLDERS´ EQUITY			
CURRENT LIABILITIES :			
Outstanding bonds	(12)	-	142.434
Financial liabilities	(13)	192.447	88.525
Accounts payable	(15)	116.312	149.087
Labor liabilities	(16)	4.931	4.821
Accrued liabilities and estimated provisions	(17)	13.077	49.881
Other liabilities	(18)	13.790	34.698
Total current liabilities		340.557	469.446
LONG-TERM LIABILITIES:			
Outstanding bonds	(12)	815.652	585.627
Financial liabilities	(13)	872.609	221.977
Hedging Operations	(14)	50.212	82.588
Accounts payable	(15)	203.293	110.397
Labor liabilities	(16)	995	764
Accrued liabilities and estimated provisions	(17)	111.961	105.320
Other liabilities	(18)	167.487	166.638
Total long-term liabilities		2.222.209	1.273.311
Total liabilities		2.562.766	1.742.757
SHAREHOLDERS' EQUITY:	(19)		
Paid-in capital		34.016	32.084
Additional paid-in-capital		665.164	350.545
Retained earnings		338.246	266.308
Net income		150.469	187.179
Equity revaluation		652.539	652.539
Surplus from equity method		173.630	164.086
Surplus from assets reappraisals	(11)	1.299.003	1.133.961
Total shareholders' equity		3.313.067	2.786.702
Total liabilities and shareholders' equity		5.875.833	4.529.459
Memorandum accounts:			
Credit	(20)	1.131.804	1.062.629
Debit	(20)	2.566.229	1.411.011

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(In millions of Colombian pesos)

	Notas	2006	2005
OPERATING REVENUES:	(21)		
Energy transmission services		624,128	600,957
Connection charges		57,664	55,415
Dispatch and CND (National Dispatch Center) coordination		-	17,893
MEM Services (STN, SIC, SDI)		-	11,922
FOC availability and rental		9,536	5,082
Other operating revenues		23,376	17,012
Total operating revenues		714,704	708,281
OPERATING COSTS AND EXPENSES:			
Operating costs	(22)	243,673	260,994
Administration expenses	(23)	79,973	86,521
Total operating costs and expenses		323,646	347,515
Operating income		391,058	360,766
NON-OPERATING REVENUES (EXPENSES):	(24)		
Non-operating revenues		328,582	150,906
Non-operating expenses		(555,501)	(271,216)
Non-operating loss		(226,919)	(120,310)
Income before provision for income taxes		164,139	240,456
Income tax provision	(17)	13,670	53,277
NET INCOME		150,469	187,179
Net income per share (expressed in Colombian pesos)		156	195

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INTERCONEXIÓN ELECTRICA S.A. E.S.P.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31 2006 AND 2005

(In millions of Colombian pesos)

	Capital surplus				Reservas											
	Subscribed and Paid share capital	Additional paid-in capital	Received for Works	Total	Legal	For tax purposes mandatory	Repurchase of shares	Reinforcement of equity	Rehabilitation and replacement of assets STN assets	To pay dividends	Total	Net income	Equity revaluation	Surplus from equity method	Surplus from Revaluation	Total
Balance at December 31 2004	32,084	333,159	17,381	350,540	16,042	53,227	46,600	74,784	37,435	0	228,088	140,015	652,539	107,658	1,144,975	2,655,899
Transfers approved by the Shareholders' Meeting						86,673		(48,453)		48,453	86,673	(86,673)				-
Dividend payment on 960,341,683 common shares: $106 per share payable in four quarterly installments on April, July and October 2005, and January 2006.										(48,453)	(48,453)	(53,342)				(101,795)
Collection of additional paid-in capital receivable		5		5												5
Increase in surplus from equity method											-			56,428		56,428
Decrease in re-appraisals of the year															(11,014)	(11,014)
Net income												187,179				187,179
Balance at December 31 2005	32,084	333,164	17,381	350,545	16,042	139,900	46,600	26,331	37,435	0	266,308	187,179	652,539	164,086	1,133,961	2,786,702
Transfers approved by the Shareholders' Meeting						52,904		19,034		(19,034)	52,904	(52,904)				-
Stock issue toa Ecopetrol S.A. for purchasing shares of Transelca S.A. E.S.P.	1,932	314,619		314,619												316,551
Dividend payment on 960,341,683 common shares: $120 per share, payable in four quarterly installments on April, July and October 2006, and January 2007.										19,034	19,034	(134,275)				(115,241)
Collection of additional paid-in capital receivable				-												-
Increase in surplus from equity method														9,554		9,554
Decrease in re-appraisals of the year										-					165,042	165,042
Net income												150,469				150,469
Balance at December de 2006	34,016	647,783	17,381	665,164	16,042	192,804	46,600	45,365	37,435	0	388,246	150,469	652,539	173,630	1,299.003	3,313067

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements.

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

(In Colombian pesos)

	Notas	2006	2005
Financial resources generated by year's operations:			
Net income		150,469	187,179
Expenses (revenues) not affecting working capital:			
Depreciation of property, plant and equipment		82,615	88,570
Amortization of deferred charges and other assets		6,545	2,692
Amortization of retirement pensions		10,781	18,327
(Revenue) expense from exchange difference of long-term assets and liabilities		(77,910)	15,595
(Gain) loss on sale and retirement of property, plant and equipment		(283)	16
Provision for long-term investments		13	-
Recovery of provisions		(813)	(568)
Income from subsidiaries - equity method		56,644	(20,462)
Total financial resources generated by year's operations:		228,061	291,349
Financial resources generated by other sources:			
Increase in long-term financial liabilities		1,639,379	-
Bond issues		228,502	-
Capitalized interest on long-term outstanding bonds		1,523	3,459
Equity variations		-	5
Increase in accounts payable		92,896	88,389
Increase in other liabilities		849	25,092
Product on the sale of property, plant and equipment		3,008	1,428
Decrease in long-term accounts receivable		12,192	27,134
Decrease in inventories		-	1,129
Total financial resources generated by other sources:		1,978,349	146,636
Total financial resources generated		2,206,410	437,985

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CHANGES IN FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

(In Colombian pesos)

	Notas	2006	2005
Financial resources used:			
Acquisition of property, plant and equipment		462,387	144,472
Acquisition of long-term investments		566,230	(10,791)
Acquisition of inventories		491	-
Transfer of financial liabilities to short-term		821,683	62,406
Transfer of outstanding bonds to short-term		-	142,434
Decrease in hedging operations		41,685	18,327
Increase in deferred charges and other assets		134,174	3,854
Cash dividends		115,241	101,795
Decrease in long-term labor liabilities and retirement pensions		3,909	6,079
Total financial resources used		**2,145,800**	**468,576**
Increase (decrease) in working capital		**60,610**	**(30,591)**
Breakdown of working capital variation			
Increase (decrease) in current assets			
Cash		(32,425)	(95,574)
Marketable investments		(25,741)	17,571
Accounts receivable - Net		(8,903)	(958)
Inventories		743	644
Deferred charges and other assets		(1,953)	6,449
		(68,279)	**(71,868)**
Increase (decrease) in current liabilities			
Outstanding bonds		(142,434)	142,434
Financial liabilities		103,922	(55,346)
Accounts payable		(32,775)	(14,620)
Labor liabilities		110	(1,476)
Accrued liabilities and estimated provisions		(36,804)	(17,813)
Other liabilities		(20,908)	(94,456)
		(128,889)	(41,277)
Increase (decrease) in working capital		**60,610**	**(30,591)**

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements

Luis Fernando Alarcón M. General Manager	Jairo A. Alzate P. Chief Accountant T.P. 8671-T	Carlos E. Gordillo B. Statutory Auditor E.S.P. No. 33537-T PricewaterhouseCoopers (See my opinion of February 23, 2007)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(In millions of Colombian pesos)

	Notas	2006	2005
Cash flow from operating activities:			
Net income		150,469	187,179
Add (less) – Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation of property, plant and equipment		82,615	88,570
Amortization of deferred charges and other assets		6,545	8,478
Amortization of retirement pensions		10,781	18,327
Allowance for doubtful accounts		214	601
Provision for inventory protection		348	750
Provision for other assets		-	1,299
Provision for investment		13	-
Provision for income tax		13,670	53,277
Gain (loss) on sale and retirement of property, plant and equipment		(283)	16
Exchange difference expense		27,934	17,643
(Income) loss from subsidiaries - equity method		56,644	(20,462)
Recovery of provisions		(5,578)	(3,899)
Interest and commissions accrued		61,053	95,498
		404,425	447,277
Changes in operating assets and liabilities:			
Accounts receivable		(81,018)	31,530
Inventories		(1,582)	(265)
Deferred charges and other assets		2,003	(15,228)
Accounts payable		67,100	114,768
Labor liabilities		6,981	(7,914)
Accrued liabilities and estimated provisions		(50,474)	(55,179)
Other liabilities		(20,059)	(69,364)
Cash flow from other operations:			
Payment of retirement pensions		(10,780)	(10,581)
Payment of taxes		(17,770)	(57,301)
Net cash (used in) provided by operating activities		298,826	377,743
Cash flow from investment activities:			
Acquisition of long-term investments		(566,230)	-
(Increase) Decrease in long-term investments		-	9,684
Product on the sale of property, plant and equipment		3,008	1,428
Acquisition of property, plant and equipment		(462,387)	(141,422)
Additions to deferred charges and other assets		(134,174)	(9,640)
Net cash used in investment activities		(1.159,783)	(139,950)
Cash flow from financing activities:			
Interest paid in cash		(51,537)	(80,279)
Dividends paid		(111,880)	(99,395)
Increase in financial liabilities		1.789,038	48,995
Bond issues		228,502	-
Payment of financial liabilities		(867,420)	(166,747)
Payment of bonds		(142,434)	-
Decrease in hedging operations		(41,478)	(18,375)
Equity variations		-	5
Net cash provided by (used in) financing activities		802,791	(315,796)
Increase (decrease) in cash and cash equivalents - Net		(58,166)	(78,003)
Cash and cash equivalents at the beginning of the year		118,343	196,346
Cash and cash equivalents at the end of the year		60,177	118,343

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements

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T.P. 8671-T

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Statutory Auditor E.S.P.
No. 33537-T
PricewaterhouseCoopers
(See my opinion of February 23, 2007)

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Notes to ISA's financial statements

notes to the ISA's financial statements

AT DECEMBER 31, 2006 AND 2005
(Amounts expressed in millions of Colombian pesos and original currencies)

I. GENERAL NOTES

NOTE 1: CORPORATE PURPOSE

Interconexión Eléctrica S.A. E.S.P. -ISA-, was incorporated by public deed No. 3057 of the Notary Public Office No. 8 of Bogotá on September 14, 1967.

The Company was split-off by Public Deed No. 230 of the Single Notary Public Office of Sabaneta, dated April 4, 1995.

On December 1, 1995, by public deed No. 808 of the Single Notary Public Office of Sabaneta, the Company changed its legal nature to conform to the provisions of Law 142 of 1994 and became a state public utility corporation constituted by state institutions, of national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by the Domiciliary Public Utilities Law (Law 142 of 1994). Based on Law 142 of 1994, the Company changed its name to Interconexión Eléctrica S.A. E.S.P.; it can also use the initials ISA S.A. E.S.P.

On November 22, 1996, by Public Deed No. 746, of the Single Notary Public Office of Sabaneta, ISA changed its legal nature from a state public utility corporation to a mixed-ownership public utility company. This process was completed on January 15, 1997, with the arrival of private investment.

To date, and as a consequence of changes made to its articles of incorporation, Interconexión Eléctrica S.A. E.S.P. has become a mixed-ownership public utility company, established as business corporation of the national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by the Domiciliary Public Utilities Law (Law 142 of 1994).

ISA's main corporate purpose is: 1) operation and maintenance of its own transmission network, 2) expansion of the national interconnection network, 3) planning and operation coordination of the resources of the Sistema Interconectado Nacional (National Interconnected System), 4) administration of the financial settlement system and commercialization of energy on the wholesale energy market, 5) development of telecommunications systems, activities and services, 6) direct and indirect participation in activities and services related to the transport of other energy sources, except for those restricted by law, 7) provision of technical services in activities related to its corporate purpose and provision of professional services required by the Group's companies, 8) development for third parties of any other activity related to the provision of electric power and telecommunications services within the regulation in force.

XM, Compañia de Expertos en Mercados S.A. E.S.P., incorporated on October 1, 2005 with 99.73% participation of ISA, took up planning and operation coordination of the resources of the national interconnected system, as well as administration of the settlement system and commercialization of electric power in the wholesale energy market, activities formerly developed directly by ISA.

NEW INVESTMENTS

On June 28 2006, through public bidding at Sao Paulo's Stock Exchange,-BOVESPA-, the state government of Sao Paulo awarded ISA 50.1% of common shares (21.0% of total capital) of Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, Sao Paulo's main power transmission sector corporation, so allowing ISA control of this corporation, through its affiliate ISA Capital do Brasil.

ISA, with 60% direct participation, and Empresa de Energía de Bogotá -EEB-, with 40%, and through private process with Hidro Québec Internacional, FSTQ (Fonds De Solidarité Des Travailleurs Du Québec) and ETECEN, a Peruvian Government entity, purchased stock ownership of Peruvian power carrier Consorcio TransMantaro S.A., which interconnects the Peruvian North-Central and Southern regions.

In December 2006, ISA purchased 34.999% of Transelca shares owned by Ecopetrol. Payment was made with shares issued by ISA, an operation approved by the Special Shareholders' Meeting of November 24, 2006 (See Notes 6 and 19).

INCORPORATION OF COMPANIES IN BRAZIL

In November 2006, ISA continued to strengthen its presence in the Brazilian market after being awarded one of the groups of the 005/2006-ANEEL auction for construction and operation of a 172-km 500kV energy transmission line in the Brazilian state of Minas Gerais. For such purpose, ISA incorporated the following affiliates in Brazil:

1. Interligação Elétrica de Minas Gerais S.A. –IEMG– : Closed corporation incorporated on December 13, 2006, for exploitation of concessions and public transmission services delivered through development, construction, operation and maintenance of transmission facilities, including support and administration services, supply of equipment and reserve materials, programming, measuring, and all other ancillary power transmission services. According to the concession contract terms, legislation, and all applicable rulings, its purpose is participation in the capital stock of Brazil's power sector corporations. Subscribed capital is BRL1,000.00, divided into 1,000 common shares worth BRL1.00 each, of which 99.99% are the property of ISA.

2. Infra-Estruturas Do Brasil Ltda: Limited company whose purpose is delivery of civil engineering services such as development of studies, engineering projects, consulting, management, supervision, and execution of industrial projects, public and urban works, including or excluding supply of equipment and materials, direct development of civil works, cartography, construction and set-up of electric equipment, representation, manufacture, set-up, purchase and sale of engineering equipment and materials, as well as participation in the capital stock of other corporations in Brazil and abroad, acting as partner or shareholder. Its capital stock totals BRL1,000 divided into 1,000 fractions, with value of BRL1.00 each, of which ISA owns 99.99%.

NOTE 2: BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 INDIVIDUAL FINANCIAL STATEMENTS

The individual financial statements of ISA are the basis for dividend distributions and other appropriations. Therefore, the assets, liabilities, equity and results of the subordinated companies are not consolidated, even though for legal reasons the Company is required to present separate consolidated financial statements at the annual stockholders' meeting for approval.

2.2 CLASSIFICATION OF ASSETS AND LIABILITIES

Assets and liabilities are classified according to their use or degree of realization, demand or liquidation, in terms of time and value.
Accordingly, current assets and liabilities (short-term) are understood as such amounts that will be realizable or demandable , respectively, within a term not longer than one year.

2.3 ADJUSTMENTS FOR INFLATION

Until December 31, 2000, non-monetary assets and liabilities and shareholders' equity, except for the surplus from revaluation of assets and Income Statement accounts, were monetarily updated on a prospective basis, using general consumer-price index (or Porcentajes de Ajuste del Año Gravable - PAAG). The respective adjustments were recorded in the income statement's monetary correction account. As of January 1, 2001 the Colombian General Accounting Office, through Resolution No. 364 of November 29, 2001, suspended the system of integral inflation adjustments for accounting effects, without reverting the inflation adjustments accounted until December 31, 2000.

According to Resolution No. 041 of 2004 and to External Circular Letter No. 056 of 2004, issued by the Colombian General Accounting Office, inflation adjustment accounts were eliminated from the General Plan of Public Accounting as part of the cost, thereby obligating to incorporate accumulated amounts for adjustments until 2000. In order to comply with regulations in force, since 2001, integral inflation adjustments continue to be applied for tax effects, giving rise to differences that are recorded in the tax memorandum accounts. Law 1111 of 2006 derogated integral inflation adjustments for tax effects beginning in fiscal year 2007. (See Note 17.2.).

2.4 MATERIALITY

Recognition and presentation of economic facts are made according to their relative importance.

An economic fact is material when due to its nature or amount, knowing or not knowing it, considering the circumstances, could significantly change the economic decisions of the users of that information.

In preparing the financial statements, it was determined for presentation purposes that an event would be material if it represented 5% of total assets, current assets, total liabilities, current liabilities, working capital, equity, or income.

NOTE 3: SUMMARY OF MAIN ACCOUNTING POLICIES AND PRACTICES

For the preparation and presentation of its financial statements, the Parent Company, as required by law, observes accounting principles generally accepted in Colombia, as defined by Contaduría General de la Nación -CGN-, accounting regulations issued by the Superintendency of Domiciliary Public Utilities (Superintendencia de Servicios Públicos Domiciliarios -SSPD-), and other applicable regulations.

For the identification, classification, recording, valuation, preparation and disclosure of its financial statements, the Company applies the accounting principles established by CGN in Resolution 400 of December 1, 2000, under which the Plan General de Contabilidad (General Plan of Public Accounting) was implemented. In the year 2006, CGN, in coordination with SSPD, issued Resolution No. 056, modifying the Resolution No. 400. As indicated in Note 27, this ruling is to be derogated and incorporate criteria congruent with International Public Accounting Regulation applicable to the public sector, as of the year 2007.

Following is a description of the main accounting policies and practices adopted by the Company:

3.1 FOREIGN CURRENCY TRANSLATION AND BALANCES

Transactions in foreign currency are recorded at the applicable exchange rates in force on the date of the transaction. At the close of each year, balances of assets and liabilities accounts are adjusted to current exchange rates (See Note 4). Exchange differences resulting from asset balances are recorded in the Income Statement as financial revenues. With regard to liability accounts, only exchange differences that are not imputable to costs of acquisition of assets are recorded in the Income Statement as financial expenses. Exchange differences imputable to the acquisition cost of assets include exchange differences while such assets are under construction or installation, and until they become operational.

3.2 CASH EQUIVALENTS

For purposes of preparing the statement of cash flows, cash on hand and in banks and high-liquidity short-term (marketable) investment securities in less than ninety (90) days are deemed to be cash equivalents.

3.3 INVESTMENTS

Investments are recorded at cost and are updated in accordance with the intention of realization, the availability of market information, and the degree of control held over the issuing entity by applying methodologies suitable to their economic reality. Methodologies to update their value include stock exchange quotes, net present value to determine market price or the security's internal rate of return, the equity method, and the cost method.

Marketable investments (Short –term investments)

Marketable investments are initially recorded at cost and are monthly adjusted to the Internal Rate of Return (IRR), recorded in the Income Statement in accordance with parameters established by the CGN.

Long- term investments

Long-term investments in subsidiaries in which 50% or more of the capital is directly or indirectly held, and control is exercised, are recorded under the equity method.

Under the equity method long-term investments are recorded at cost and subsequently adjusted, with credit or charge to income, to recognize the participation in profits and losses in the subordinated companies and charging the equity account surplus from equity method, in the event of all other equity variations. The investment is credited for the amount of dividends received from the subsidiary that correspond to periods during which the Company applied the equity method.

If the difference between market value and book value of the investment recorded on equity basis is:

a) Positive, re-appraisal of assets is increased, and the revaluation surplus included in the equity accounts is credited.

b) Negative, re-appraisal of assets is reduced with a charge to the revaluation surplus up to the amount available; any difference is recorded as a charge to equity surplus, until exhaustion. Any additional deficit is recognized in the Income Statement as a loss.

Investments in subordinated companies abroad are recorded on the basis of their financial statements at December 31 of each year, translated into Colombian pesos, using the United States dollar as functional currency, applying the provisions of International Accounting Standard 21 and abiding by SIC-19 interpretation. Translation of financial statements into Colombian pesos was conducted in compliance with the following principles:

- Monetary items are calculated using the exchange rate for the closing year.
- Non-monetary items used the exchange rate for the date of the transaction concerned
- Income Statement items are calculated using the average rate of exchange for each period reported.

All other long-term, variable-income investments in companies where ISA has no control and that are not listed in the stock exchange, are recorded at cost plus any stock dividend received. If at year's end, the investment's intrinsic value is greater than the carrying value, credits are recorded in re-appraisals affecting revaluation surplus in equity. If the investment's intrinsic value is lower than the carrying value, an allowance is charged to the Income Statement.

Financial derivative instruments

In order to reduce exposure to exchange rate and interest rate fluctuations of financial liabilities with local and international commercial banks and multilateral agencies and of bond issues, the Company obtain coverage through derivative instruments such as swaps, forwards and options.

Although Colombian accounting regulations do not define accounting rules for these transactions, the Company records the rights and obligations that result from such contracts in the balance sheet; rights refer to the amount Company will receive to compensate the effect of the exchange rate on the financial liability, and obligations are the commitment acquired by ISA in local currency, for the hedging operations.

During valuation, derivative contracts obtained for hedging liabilities are adjusted to their market value using the exchange rate at the end of the period; any resulting adjustment is gradually recorded to income statement accounts during the term of the contract, offseting revenues , costs or expenses resulting from variations of exchange rates an interest.

3.4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

On each quarter's closing date, the associated credit risk of the accounts receivable from customers and other debtors is examined in order to determine the respective provisions, which include percentages between 10% and 100%, according to aging analysis and evaluations of the collection of individual accounts in accordance with the following criteria:

Type	Description	Maturity	% Provision
A	Low-risk account receivable	90 – 180 days	10
		181 – 360 days	40
		>= 360 days	100
B	Doubtful account	31 – 90 days	20
		91 – 180 days	50
		>= 180 days	100

3.5 INVENTORIES

Inventories are recorded at cost, and at end of the year, through a provision charged to the Income Statement, their value is reduced to the market value if it is lower. Spare parts, materials and other consumables are valued by the weighted average method.

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, which, where relevant, may include (a) financing costs and exchange differences on foreign-currency liabilities, direct operating costs and administration costs; capitalization of exchange differences is effected until assets are in a condition to be used, and (b) until year 2000, inflation adjustments on costs, excluding exchange differences capitalized and the portion of capitalized interest corresponding to inflation.

Sales and retirements of such assets are discharged at their respective net adjusted cost and differences between sale price and net adjusted cost are recorded to the income statement.

Depreciation is calculated over the asset's cost by the straight-line method, based on the estimated useful life of assets. For the purpose of depreciation calculations, following is a list with the assets' estimated useful life:

Assets	Useful life
Buildings	50
Transmission lines	40
Substations	30
Optic fiber	25
Machinery and equipment	15
Telecommunications equipment	15
Furniture, office equipment, laboratory equipment	10
Communication equipment	10
Transport, traction and lifting equipment	10
National Dispatch Center equipment (average)	8
Computer equipment and accessories	5

Maintenance of these assets is charged to the income statement, while betterment and additions are added to their cost.

Repairs required because of attacks to the electric infrastructure are recorded as extraordinary expenses in the period when the attacks occur and do not increase the useful life originally assigned to the assets. Although the perception of international insurance companies have improved as a result of the security policy implemented by Government, the Company continues having difficulties to obtain insurance for the aforementioned assets continue with insurance companies; accordingly, these damages are accrued in the financial statements as they occur and are not recorded on estimate basis. The administration, in accordance with their historical experience of losses by attacks and the country's political and security circumstances, includes in the annual budget the resources considered enough to cover these losses..

3.7 DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets include prepaid expenses, deferred charges and other assets. Prepaid expenses include mainly monetary items such as insurance premiums and interest, which are amortized as they accrue.

Deferred charges and other assets include goodwill from acquisition of long-term investments, cost of acquisition of software, rights of way, cost of preliminary studies and research, tax to preserve democratic security, bond placement commissions, and licenses and rights, from which future economic benefits are expected to be obtained. It also includes deferred taxes resulting from temporary differences between net income and tax income.

Software is amortized on a straight-line basis over a maximum of 3 years, except for the SAP R3 Integrated System, which is being amortized over 10 years. Charges for studies and research are transferred to Constructions in Progress when a project is determined to be viable; otherwise they are fully amortized in that year. Goodwill, rights of way, bond placement commissions and licenses and rights are amortized on a straight-line basis during the periods over which their benefits are expected to be received, in accordance with feasibility studies for recovery. The Tax to Preserve Democratic Security is amortized over 5 years, the maximum term allowed by the CGN in accordance with Circular 038 of 2003.

3.8 RE-APPRAISALS

Re-appraisals that are part of equity include:

3.8.1 The excess of the valuation (appraisals) of the main components of property, plant and equipment over per-books net cost. Such appraisals were performed by independent appraisers for real-estate property and transport equipment; for other assets it is based on technical studies developed by employees of the Company. These valuations are made at least every 3 years, or when market conditions indicate that such amounts have materially changed. (See Note 11).

3.8.2 The excess of intrinsic value (equity value) of long-term investments over net cost.

3.9 INCOME TAX AND DEFERRED TAX

La provisión del impuesto sobre la renta se determina realizando las depuraciones necesarias para calcular la renta The provision for income tax is determined on the basis of estimates of net taxable income, by making the necessary adjustments to net income inconformity.

The credit deferred tax is the lesser current tax calculated as. results from the excess of tax depreciation and amortization over per-books depreciation and amortization when useful life, depreciation and amortization methods for tax purposes differ from accounting ones.

The debit deferred tax represents the temporary differences that have generated a higher amount of current income tax. Basically, this includes inflation adjustments on non-monetary depreciable and amortizable assets, balances of provisions for doubtful accounts receivable, retirement payments to pensioners, and health, education and other benefits, among others, for which the difference is expected to be reverted in the future.

According to opinion No. 20061-57086 of CGN of January 31, 2006, every company has autonomy in defining the accounting principles regarding deferred tax. Accordingly, ISA has considered inflation adjustments recognized only for tax effects of depreciable fixed assets, as temporary differences that result in the accrual of deferred tax, since these generate a greater monetary correction income tax, increasing the income tax payable, and are subsequently recovered during the following years as the fixed assets are depreciated. (See Notes 10 and 17.2).

The rates used for calculation of deferred taxes are the same as those at which temporary differences are expected to be reverted.

3.10 LABOR LIABILITIES

Labor liabilities are adjusted at the end of each period on the basis of legal provisions and labor agreements in force. An actuarial study is conducted every year to determine pension liability, future health and education benefits and retirement payments to pensioners. Pension payments are charged directly to the Income Statement.

3.11 NET INCOME PER SHARE

Net income per share is calculated on the weighted average number of outstanding shares - 961,956,080 in 2006 and 960,341,683 in 2005.

3.12 3.12 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the financial statements at December 31, 2005 were reclassified to conform to the presentation of the financial statements at December 31, 2006.

3.13 MEMORANDUM ACCOUNTS

Memorandum accounts include loans contracted but not disbursed, contingencies resulting from claims and lawsuits, and guarantees granted under loan agreements. They also include temporary and permanent differences between accounting and tax amounts, , which will be reasonably reverted in time, and allow preparing reports with specific purposes reports respectively.

Non-monetary memorandum accounts were adjusted for inflation until December 31, 2000.

3.14 RECOGNITION OF INCOME, COSTS AND EXPENSES

Income, costs and expenses are recorded on an accrual basis. Income resulting from service provision is recognized during the contractual period or when services are rendered.

For ASIC and LAC, revenues regulated by the Energy and Gas Regulatory Commission -CREG-; their remuneration considers, among other aspects, costs incurred by the Company to render services, determined on the annual budgets approved by the control entity. According to the above, and in order to achieve an adequate association between income and expenses for the period, income amounts equivalent to unexecuted costs and expenses are recorded as deferred income and are amortized during the following year, once costs are incurred.

As of October 1, 2005, income and expenses associated with operation coordination and dispatch of the National Interconnected System, ASIC and LAC, correspond to the new affiliate XM Compañía de Expertos en Mercados S.A. E.S.P., as mentioned in Note 1 to the financial statements.

3.15 USE OF ESTIMATES

The preparation of financial statements according to accounting principles generally accepted in Colombia requires some estimates that affect the values of assets, liabilities, revenues and expenses reported for such periods. The actual result of certain items may differ from such estimates.

3.16 OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2005 and 2006 no operating or administrative limitations or deficiencies were found that would significantly affect the normal accounting processes, or the consistency and reliability of the accounting figures.

3.17 ACCOUNTING CLEARANCE

As formalized in letter sent to Congress, in 2005, ISA concluded the accounting clearance process in accordance with guidelines of Law 716 of 2001, Law 901 of 2004, and other regulations.

II. SPECIFIC NOTES

NOTE 4: VALUATION OF ACCOUNTING INFORMATION

FOREIGN-CURRENCY OPERATIONS

Current regulations permit free negotiation of foreign currencies through banks and other financial intermediaries, at exchange rates that fluctuate in accordance with offer and demand. Debts, indebtedness transactions and debt management operations in foreign and domestic currency require the approval of the Ministry of Finance and Public Credit.

Operations and balances in foreign currency are converted at the exchange rates in force, as certified by the Financial Superintendency, previously known as Banking Superintendency, and the Inter American Development Bank -BID-, and used for the preparation of the financial statements at December 31, 2005 and 2006. The exchange rates used, expressed in Colombian Pesos, were as follows:

Currency	Code	2006	2005
US Dollar	USD	2,238.79	2,284.22
Euro	EUR	2,954.08	2,693.55
Unit of account *	UAV	3,589.02	3,586.82
Nuevo Sol	PEN	700.5	664.21
Brazilian Real	BRL	1,048.12	980.77

* Unit of Account: Variation index in value of total currency basket generated by market fluctuations in the different currencies' exchange rates with respect to the US dollar.

At December 31, ISA had the following foreign-currency assets and liabilities, expressed in thousands of equivalent US Dollars:

	2006	2005
Assets		
Current assets		
Cash	1,022	4,038
Fixed-yield investment	5,119	7,223
Accounts receivable	12,182	15,590
Total current assets	18,323	26,851
Non-current assets		
Foreign currency investments	291,147	62,821
Total non-current assets	291,147	62,821
Total assets	309,470	89,672
Liabilities		
Current liabilities		
Current portion of financial liabilities	20,339	28,250
Accounts payable	34,508	22,688
Total current liabilities	54,847	50,938
Long-term liabilities	305,024	100,678
Total non-current liabilities	305,024	100,678
Total liabilities	359,870	151,616
Net liability monetary position	(50,400)	(61,944)

Regarding financial liabilities denominated in foreign currency, ISA has contracted hedging operations for USD49,984,669 (2005: USD77,045,152.40).

The application of accounting regulations regarding exchange differences gave rise to the following exchange rate differences in Colombian Pesos, which were accounted as shown below:

	2006	2005
Financial income	221,208	56,650
Financial expenses	(247,408)	(75,107)
Total net exchange difference generated	(26,200)	(18,457)

NOTE 5: : CASH AND MARKETABLE INVESTMENTS

Cash and marketable (short-term) investments on December 31 included:

Account	2006	005	Dec. 2006 rate
Cash			
Cash and deposits in banks	3,366	15,211	5.0 (COP)
Common and special trust funds	20,503	41,083	5.5 (COP)
Total cash	23,869	56,294	
Marketable investments			
Short-term funding	24,849	45,533	6.0 (COP)
Other investments	11,459	16,516	5.3 (USD)
Total Marketable investments	36,308	62,049	
Total cash and Marketable investments	60,177	118,343	

Cash held in trust at December 31, 2006, includes resources for $7,624 (2005: $33,487) that may only be used for the delegated administration of the IPSE, DISPAC, Caucheras, FAER and FAZNI projects.

NOTE 6: LONG-TERM INVESTMENTS – NET

Below is the detail of long-term investments, net, at December 31:

	2006	2005
Equity Investments		
TRANSELCA S.A. E.S.P.	531,680	413,578
ISA Capital Do Brasil (1)	430,467	-
REP S.A.	106,646	100,996
INTERNEXA S.A. E.S.P.	99,496	98,613
Consorcio TransMantaro S.A. (2)	63,867	-
FLYCOM Comunicaciones S.A. E.S.P. (3)	32,849	5,550
ISA Bolivia S.A.	23,698	27,201
XM, Compañía de Expertos en Mercados S.A. E.S.P.	16,084	14,818
ISA Perú S.A.	15,945	18,493
EPR S.A. (4)	11,194	10,284
FEN S.A. (5)	6,676	9,045
Electrocaribe	9,766	-
Electrocosta	2,348	-
Total equity investments	1,350,716	698,578
Other yield equity investments		
In trust rights (6)	8,226	22,878
Total long-term investments	1,358,942	721,456
Long-term investment allowance	(4,812)	-
Total long-term investments	1,354,130	721,456

(1) Corresponds to 99.99% participation in ISA Capital Do Brasil, the special-purpose entity through which investment in CTEEP was made.

(2) Corresponds to 60% participation in Consorcio TransMantaro S.A., to be updated through the equity method in the year 2007.

(3) In the year 2006, ISA capitalized receivable accounts in Flycom Comunicaciones S.A. E.S.P. totaling $40,614 million, thus increasing its participation from 75.04% to 97.18%.

(4) In February of 2005, ISA was accepted as partner of Empresa Propietaria de la Red –EPR–, incorporated in Panama City in 1998. ISA's stake in it is 12.5%. EPR is ruled by private law, and has the endorsement of the "Parent Treaty of Central America's Power Market", as well as a protocol, through which each government grants the corresponding permission, authorization or concession, for construction and exploitation of the first regional electric interconnection system that will link Honduras, El Salvador, Nicaragua, Costa Rica, and Panama; the investment is represented in the form of 5,000 common shares, equivalent to 12.5% participation in this partnership.

(5) The investment is represented in 33,160 shares equivalent to a participation of 0.7884% in the corporation. FEN is a national-order financial entity incorporated by Law 11 of 1982 as a State-owned stock corporation of the Ministry of Mines and Energy, whose principal business is to act as the financial and credit arm of the Colombian energy sector.

(6 Balance of $8,226 corresponds to trust estate to guarantee payment of engineering of UPME projects 1 and 2 of 2003 (2005: $8,993). Year 2005 included, among others, $8,481 of trust estate to enhance market capitalization of preferred shares issued by the Corporation; such balance was liquidated in the year 2006.

The following table includes financial information of the affiliates and ISA's participation in each of them:

2005						
Company	ISA Participation		Financial information			
	Shares	%	Assets	Liabilities	Equity	Income (Loss)
TRANSELCA S.A. E.S.P.	1,956,265,582	64.9978	984,873	348,578	636,295	37,278
ISA Perú S.A.	18,586,446	28.0700	144,077	78,255	65,822	3,708
REP S.A.	21,648,000	30.0000	716,363	380,027	336,335	25,915
INTERNEXA S.A. E.S.P.	25,647,620	99.9998	131,033	32,420	98,613	(12,714)
FLYCOM Comunicaciones S.A. E.S.P.	32,280,066,573	75.0400	55,464	48,070	7,394	(13,197)
ISA Bolivia S.A.	95,638	51.0000	193,020	139,700	53,320	312
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99.7300	160,477	145,619	14,858	29

2006						
Company	ISA Participation		Financial information			
	Shares	%	Assets	Liabilities	Equity	Income (Loss)
TRANSELCA S.A. E.S.P. (1)	2,589,653,311	99.9967	943,219	411,522	531,697	26,606
ISA Perú S.A.	18,586,446	28.0700	129,321	72,576	56,745	5,947
REP S.A.	21,648,000	30.0000	707,514	352,285	355,229	25,840
INTERNEXA S.A. E.S.P.	25,647,620	99.9998	178,950	79,454	99,497	17,661
FLYCOM Comunicaciones S.A. E.S.P.	370,733,604,842	97.1783	49,101	15,298	33,803	(14,821)
ISA Bolivia S.A.	95,638	51.0000	190,570	144,054	46,516	(5,802)
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99.7300	241,119	224,992	16,127	1,269
ISA Capital do Brasil S.A. (2)	506,200,999	99.9999	1,452,757	1,021,435	431,322	(85,738)

(1) On December 20th 2006, Ecopetrol delivered as payment of contributions to ISA 633,387,729 shares it owned in Transelca S.A. E.S.P., thus leaving ISA with a total 1,809,679,227 shares, representing 99.99% of Transelca's total capital. The effect of this increase starts showing on ISA's financial statements, as well as on its consolidated statements, as of January 1, 2007.

The corporate purpose and other information regarding the affiliate companies that are recorded under the equity method and other significant investments are as follows:

(2) On the date of the acquisition of CTEEP, ISA Capital do Brasil posted liabilities of BRL186,018 thousand (equivalent to $189,694), corresponding to its participation in the estimated value of contingency for beneficiaries of the supplementing plan of retirement ruled by law 4.819/58. The subsidiary's management and its legal counsels do not consider it necessary to record additional provisions for contingencies associated to the retirement plan mentioned and/or eventual claims.

According to the concession contract, every four years after its subscription, ANEEL will revise the Permitted Annual Income -RAP- related to energy transmission for authorized project's facilities that started commercial operation after December 31, 1999, as a measure to promote efficiency and tariff changes in accordance with specific ruling to be issued by ANEEL. For tariff cycles July of 2005 - June of 2006, and July of 2006 - June of 2007, through Homologating Resolutions 149/05 and 355/06, respectively, ANEEL authorized, readjustments to RAP based on the variations of IGP-M for such periods until the periodic revision process is concluded. The effects of the revision, foreseen for July of 2007, must be retroactively applied starting July 1, 2005.

INVESTMENTS IN THE POWER SECTOR

TRANSELCA S.A. E.S.P.

In 1998, the Company acquired 65% of Transelca S.A. E.S.P., a mixed-ownership utility company, incorporated on July 6, 1998, whose activities include the provision of energy transmission services in the Colombian Atlantic Coast region, the coordination and control of the Regional Dispatch Center, connection to the National Transmission System and provision of telecommunication services.

Through Minutes No. 6 of June 11, 1999, the Special Shareholders' Meeting of this affiliate unanimously approved the project to decrease its capital by up to $120,000, to be ratified by Minutes No. 22 of the Special Shareholders' Meeting of March 30, 2005; this capital reduction was made effective in July 2006.

In late December of 2006, ISA increased by 34.999% its participation in Transelca S.A. E.S.P. through a stock exchange operation with Ecopetrol, as seen in Note 19. The effect of this increase starts showing as of January 1, 2007.

The exchange terms were determined through an independent technical evaluation study, for exchange of 633,387,729 Transelca shares (34.999% of stock capital) owned by Ecopetrol for 58,925,480 ISA shares. Share unit value of each corporation was determined through equivalent methodologies using the same projection assumptions and criteria (macro scenario, discount rates, expectations, regulation, etc.), and estimates of the value of each of its assets through use of discounted cash flows methodology. The foregoing involved projecting business and financial standing, as well as capital cost of the two companies, using a common base of assumptions. Evaluation date is June 30 2006.

Interconexión Eléctrica ISA Perú S.A.

On February 16, 2001, the Peruvian Government granted to Interconexión Eléctrica S.A. E.S.P, the 32-year concession for the construction, procurement and operation of the 220kV Oroya-Carhuamayo-Paragsha-Vizcarra and 138kV Aguaytía-Pucallpa electric transmission lines and related substations. In order to comply with this purpose, Transelca with 54.86% participation, ISA with 28.07%, and Fondo de Inversiones en Infraestructura, Servicios Públicos y Recursos Naturales administrated by AC Capitales SAFI with 17.07%, incorporated Interconexión Eléctrica ISA Perú S.A. The project began commercial operations in August of 2002, ahead of the date scheduled in the concession contract agreed with the Peruvian Government.

Red de Energía del Perú –REP– S.A.

On June 5, 2002, ISA, in association with Transelca, was awarded by the Peruvian Government the international public bidding for the 30-year concession of the energy transmission systems of Etecen and Etesur. REP provides services of electric power transmission, ancillary services such as operation and maintenance of energy transmission and transport facilities, and specialized technical services. Shareholding in this Company is: ISA 30%, Transelca 30% and EEB 40%..

ISA Bolivia S.A.

On June 27, 2003, through Resolution SSDE No 086/2003, the Superintendency of Electricity of Bolivia granted to ISA the bidding for the construction and 30-year operation and maintenance, starting on the date of commencement of commercial operation, of the Santivañez-Sucre, Sucre-Punutuma and Carrasco-Urubó lines and associated substations. According to the bid terms, the stock company Interconexión Eléctrica ISA Bolivia S.A. -ISA BOLIVIA was incorporated on July 14, 2003. ISA has 51% participation and its affiliates Transelca S.A. E.S.P. and Internexa S.A. E.S.P. have 48.99% and 0.01%, respectively. The Company began commercial operations on September 17, 2005, with the energy supply at the Santiváñez - Sucre and Sucre – Punutuma lines; subsequently, the Carrasco-Urubó line was enabled on October 10, 2005.

XM, Compañía de Expertos en Mercados S.A. E.S.P

On October 1, 2005, XM Compañía de Expertos en Mercados S.A. E.S.P., affiliate of ISA, assumed the operation of National Colombian Interconnected System and the administration of the Wholesale Energy Market. ISA has 99.73% participation.

ISA Capital Do Brasil S.A.

Incorporated April 28, 2006 as a special-purpose entity, ISA Capital Do Brasil Ltda. is located in São Paulo City. Its corporate purpose includes participation in the capital of other companies and in other undertakings as partner or shareholder, party in a joint venture, member of a consortium, or any other type of business cooperation. It was made into a public corporation on September 19, 2006. ISA has 99.99% stake in it.

In turn, this corporation became an investor in Companhia de Transmissão de Energia Paulista –CTEEP– as of July 20 2006, with 50.1% participation in common shares (21.0% of total).

CTEEP's results are explained mostly, by an early retirement program for its workers approved by the Board of Directors on November 20, 2006, at an estimated cost of BRL475.7 million which has been recorded in the financial statements of Grupo ISA at December 31, 2006. It is expected that implementation of the program will result in 50% drop in personnel costs by the end of 2007, improving EBITDA margin both for CTEEP and the Group, as a consequence of decreased operating costs.

INVESTMENTS IN TELECOMMUNICATIONS

FLYCOM Comunicaciones S.A. E.S.P.

Firstmark Communications Colombia S.A. - FMCCo – was incorporated in November 1999. In May 2002, the affiliate changed its name to Flycom Comunicaciones S.A. E.S.P. The corporate purpose of this company is the rendering of communication services, value-added services and IP-based services in its own name and that of third parties. To provide its services, the company relies on LMDS (Local Multipoint Distribution System) technology that allows simultaneous wireless distribution of voice, video, data and Internet. The participation of ISA in this affiliate is 75.04%. In 2006, in order to thwart an event of dissolution, ISA capitalized accounts receivable for $40,512, thereby increasing its participation to 97.18%.

INTERNEXA S.A. E.S.P.

On January 4, 2000, ISA incorporated Internexa S.A. E.S.P., whose corporate purpose is the organization, administration, commercializing and rendering of telecommunication services and activities. Internexa is currently engaged in developing and promoting the business of national and international telecommunications transport. ISA's participation in Internexa is 99,99% and corresponds mainly to the transfer of telecommunication assets.

Application effect of the equity method

The effect of the application of the equity method generated variations in the investments, which are reflected in the results and equity, as loss or income for the same value for the years 2005 and 2006, as follows:

	2006	2005
Income from equity method (1)		
INTERNEXA S.A. E.S.P.	17,661	(5,889)
TRANSELCA S.A. E.S.P.	17,294	24,230
REP S.A.	7,752	7,774
ISA Perú S.A.	1,670	1,041
XM, Compañía de Expertos en Mercados S.A. E.S.P.	1,266	28
FEN S.A. (2)	816	3,166
ISA Bolivia S.A.	(2,960)	159
FLYCOM Comunicaciones S.A. E.S.P.	(14,404)	(9,903)
ISA Capital Do Brasil	(85,739)	-
Net income (loss) from equity method	(56,644)	20,606

(1) Para registrar el método de participación se eliminaron los ingresos y gastos en las afiliadas originados en (1) To record the equity method, income and expenses resulting from reciprocal transactions are deleted in the affiliates. (See Note 26)

(2) Starting October of 2005, ISA's investment in FEN is accounted under the equity method as required by CGN in its interpretation of Resolution 365 of 2001, which considers that control also exists, when one or several public sector entities have in another direct or indirect participation equal to or greater than 50%. As a consequence of the above, $816 income was recognized as participation in the results of the company during 2006 (2005: $3,166).

Branch

On September 4, 2002, ISA established a branch in Peru to execute operation and maintenance agreement between ISA and ISA Perú S.A. The branch's term is indefinite; it has no legal personality and does not carry out any activities independently from ISA. It is an extension of the Company in Peru.

NOTE 7: ACCOUNTS RECEIVABLE – NET

Following is the balance of accounts receivable, net as of December 31st:

	2006	2005
Customers		
Energy service	123,661	120,807
Dispatch and coordination CND and CRD	-	142
Liquidation, invoicing, STN and SIC collection	-	363
Telecommunications (1)	24,359	28,721
Accounts receivable from technical services	3,579	894
Total customers	151,599	150,927
Interest receivable		
From customers	21	791
Over loans	30	120
Loans to related parties	36	4,644
Total interest receivable	87	5,555
Loans to employees (2)	14,093	15,135
Prepayments and advances		
Taxes and contributions (3)	34,091	1,855
Suppliers	341	3,727
Contractors	1,064	10,795
For future subscription of shares	-	-
Other	172	22
Total prepayments and advances	35,668	16,399
Other accounts receivable		
Related parties	2,429	39,138
Montelíbano municipality	3,123	4,533
Documents receivable	4,785	6,780
Miscellaneous accounts receivable	3,347	2,310
Total other accounts receivable	13,684	52,761
Total accounts receivable	215,131	240,777
Less – Allowance for doubtful accounts (4)	(10,091)	(14,642)
Total net accounts receivable	205,040	226,135
Long-term accounts receivable		
Telecommunication customers (1)	23,929	28,210
Loans to employees	12,990	11,171
Related parties	2,429	10,165
Documents receivable	4,786	6,780
Total long-term accounts receivable	44,134	56,326
Total short-term accounts receivable	160,906	169,809

(1) In 1997 ISA formed an alliance with telecommunications companies to undertake joint development of a fiber-optic network between Bogota, Cali and Medellin, to improve the national telecommunications system. Two phases of the project were implemented, the first phase began to operate in 1998 and the second phase in 2000. A high percentage of this installation was implemented taking advantage of ISA's existing infrastructure, reason why the Company billed the other members of the alliance for rights of use. Payments to ISA for the rights of use were deferred over ten annual payments in arrears with a three-year grace period. The companies in the alliance have already paid ISA five installments of Phase 1 and three of Phase 2.

(2) Employee receivables correspond to housing loans, vehicle-purchase loans and other loans granted at 5% and 7% interest rates (2005: 5% y 8%) and terms of 13 and 15 years.

(3) Includes: $31,073 (2005: $65) for sales tax paid on the nationalization of goods associated with energy transport, which were discounted from income tax as established by Article 258-2 of the Tax Statute; $1,484 for estimated credit balance of year 2006 income tax (2005 included a payable balance; see Note 17).

It also includes: $876 (2005 - $876) related to administrative decisions issued by DIAN regarding 1995 and 1996 income tax, which are being contested at the administrative jurisdiction; $14 of a claim against the Distrito de Bogotá corresponding to excess payment of municipal tax; and $644 (2005: $914) for prepaid municipal tax.

(4) The decrease in the provision for doubtful accounts was made in accordance with the policies established by ISA. During 2006 the provision for doubtful accounts was affected by some additions that were charged to the final results for the year in the amount of $214 (2005: $601), recoveries for $3,311 corresponding to payment of debts with payment agreements, already provisioned. Additionally, accounts receivable for $1,454 were written-off during 2006 (2005: $3,351).

The composition and maturity of receivables from customers on December 31 (capital only) is as follows:

	2006	2005
Shareholders		
Empresas Públicas de Medellín –EEPPM–	8,201	9,535
Empresa de Energía de Bogotá –EEB–	6	6
Total shareholders	8,207	9,541
Other customers	143,393	141,386
Total accounts receivable from customers	151,600	150,927

Classification of accounts receivable from customers according to maturity date:

	2006	2005
Current	142,419	142,413
Overdue		
Between 1 and 90 days	1,415	827
Between 91 and 180 days	23	9
Between 181 and 360 days	1,494	6
More than 360 days	6,249	7,672
Total overdue	9,181	8,514
Total accounts receivable from customers	151,600	150,927

Accounts receivable are mostly from electric distribution companies to whom ISA mainly provides a service of connection to and use of the National Transmission System. The Company invoices for interest on past due accounts at the highest rate allowed by law; for December of 2005 and 2006 the rates were 26.24% and 22.61%, respectively.

Power sector companies, Electribolívar, Caucasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities –SSPD–, owed as of December 31, 2006, $5,669 (2005: $5,568). These overdue amounts are 100% provisioned.

Cedelca and Emcali were intervened by the Superintendency of Public Utilities. In 2006, these companies paid $2,968 million for liabilities that were supported on payment agreements. Additionally, in December, Cedelca fully paid the agreement with respect to use of the National Transmission System, and is still paying the agreement with respect to connection. Balances pending that are supported on payment agreements are 100% provisioned

NOTE 8: INVENTORIES

Inventories, net at December 31 included:

	2006	2005
Short-term inventories		
Material to render services	2,414	1,583
Constructions in progress	-	88
Provision	(290)	(290)
Total short-term inventories	2,124	1,381
Long-term inventories		
Material to render services	56,287	30,117
Total long-term inventories (1)	56,287	30,117
Total inventories	58,411	31,498

(1) Because of the nature of ISA's fixed assets and their spare parts, many of which are not easily obtainable in the market and have long delivery terms, it is necessary a large stocks in order to guarantee continuity of service and compliance with the system's availability indicators.

Includes reclassification of fixed assets as inventories since they include items used for several assets.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

The net balance of property, plant and equipment at December 31, included:

	2006	2005
Property, plant and equipment		
Networks, lines and cables	1,778,507	1,683,632
Plants and ducts	1,237,171	1,153,046
Buildings	64,948	65,451
Machinery and equipment	27,705	29,054
Computer and communication equipment	20,564	25,553
Transport, traction and lifting material	1,838	1,385
Furniture, fixtures and office equipment	12,632	11,727
Land	20,905	19,924
Subtotal property, plant and equipment	3,164,270	2,989,772
Less – accumulated depreciation	1,075,286	1,001,631
Less – provisions	9,191	1,340
Total property, plant and equipment in operation	2,079,793	1,986,801
Constructions in progress	377,885	144,003
Machinery, plant and equipment in assembly	17,474	7,761
Total property, plant and equipment, net	2,475,152	2,138,565

Retirement and sales of property, plant and equipment during the year generated net income for $283 (2005 - $16). The movement of the accumulated depreciation during 2006 corresponds to the accrual of depreciation for $82,615 (2005 - $88,570), charged to net income. Additionally, depreciation was retired for $8,960 (2005: $26,021).

Assets have no restrictions,   not pledged or guaranteed for obligations.

UPME 1 project, worth approximately $217,102, started commercial operation by late 2006.

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS - NET

The balance of deferred charges and other assets, net at December 31 included:

		2006	2005
Deferred charges and other short-term assets			
Prepaid expenses		4,049	4,660
Deferred taxes		9,989	11,331
Total deferred charges and other short-term assets		14,038	15,991
Deferred charges and other long-term assets			
Deferred charges			
Studies and projects	(1)	10,473	3,671
Tax to preserve democratic security		3,258	6,516
Bond placement commission		1,549	4,191
Deferred tax		100,816	73,492
Total deferred charges		116,097	87,870
Intangible assets			
Software		26,476	25,915
Goodwill	(2)	240,474	4,152
Licenses		9,150	7,834
Rights of way		37,424	23,855
Rights and trade marks		27,973	27,914
Inflation adjustment to intangible assets		-	-
Less – Amortization of intangible assets		(47,765)	(41,224)
Total Intangible assets		293,732	48,446
Goods received as payment (Foreclosed assets)	(3)	-	7,135
Miscellaneous		53	59
Total deferred charges and other long-term assets		409,882	143,510
Total deferred charges and other assets		423,920	159,501

(1) Includes designs and studies for the construction of the Primavera-Bacatá and Primavera-Ocaña-Copey-Bolívar UPME projects. These projects improve the interconnection of the country and enhance the development of the regional power market in the Andean Community of Nations (CAN), with future perspectives towards Central America. It also includes bids, and debt-structuring commissions.

(2) The increase during 2006 corresponds to goodwill for $105,858 resulting from the purchase of 60% of Consorcio TransMantaro S.A., and $130,464 generated in the purchase of 34.999% of Transelca S.A. E.S.P. through exchange of shares with Ecopetrol.

(3) In 2005, corresponds to the value of shares of Electricaribe and Electrocosta received as payment, and which, as a result of a change in accounting regulations, were reclassified as other investments.

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

	2006	2005
Investments	2,276	1,061
Property, plant and equipment (*)	1,296,727	1,132,900
Total re-appraisals	1,299,003	1,133,961

En el año 2006 se realizó una actualización de los avalúos comerciales de los principales componentes de las In 2006, commercial appraisals were updated for the main components of property, plant and equipment, taking into consideration that in compliance with CGN External Circular No. 060 of 2005, the appraisals must be performed every three years (the latest was made in 2005). Real estate was appraised commercially given that they had been appraised in 2004, and according to CGN External Circular Letter No. 045 of 2001, they must be appraised every two years. The aforementioned Circular Letter was derogated through CGN External Circular Letter No. 060 of 2005; nevertheless, management deemed convenient to update the appraisals in current year.

Technical appraisals in 2005 were made by using the Straight-line Depreciated Replacement Cost method, which consists of determining the present value of the equipment in use, based on the actual cost of an asset that provides the same service (the as-new replacement value -VRN-), proportionally affected by the remaining time of service (remaining useful life) with respect to the useful life initially established. This criterion was applied to every specialized asset that ISA has in operation for transmission (use and connection).

(*) The following table details the re-appraisal of property, plant and equipment:

	2006			2005		
Assets	Appraisal	Net accounting balance	Re-appraisal	Appraisal	Net accounting balance	Re-appraisal
Transmission lines	1,817,893	1,099,403	718,490	1,677,420	1,039,575	637,845
Transmission substations	1,322,820	834,323	488,497	1,228,512	787,974	440,538
Land	82,907	20,905	62,002	55,750	19,924	35,826
Buildings	67,353	49,089	18,264	58,550	50,163	8,387
Telecommunications usufruct	83,199	74,498	8,701	87,842	78,686	9,156
Vehicles	1,288	515	773	1,288	140	1,148
Totales	3,375,460	2,078,733	1,296,727	3,109,362	1,976,462	1,132,900

NOTE 12: OUTSTANDING BONDS

Characteristics and balances of outstanding bonds at December 31 are detailed below:

Issue	Series	Term (Years)	Interest rate %	2006	2005	Maturity
First	B	7	DTF + 3.4	-	35,000	19-Ene-06
Second	A	7	DTF + 2.4	-	72,250	13-Abr-06
Second	B	7	IPC + 10.0	-	29,312	13-Abr-06
Second	C	10	DTF + 2.5	59,700	59,700	13-Abr-09
Second	D	10	IPC + 10	30,879	30,879	13-Abr-09
Third	A	10	IPC + 8.10	130,000	130,000	16-Jul-11
Program Tranche 1		7	IPC + 7.0	100,000	100,000	20-Feb-11
Program Tranche 2		12	IPC + 7.3	150,000	150,000	20-Feb-16
Program Tranche 3		15	IPC + 7.19	108,865	108,865	07-Dic-19
Program Tranche 4		20	IPC + 4.58	118,500	-	07-Abr-26
Program Tranche 5		7	IPC + 4.84	110,000	-	21-Sep-13
Capitalized interest				7,708	12,055	
Total outstanding bonds				815,652	728,061	
Total outstanding long-term bonds				815,652	585,627	
Total outstanding short-term bonds				-	142,434	

Bonds accrued interest during 2006 for $81,378 (2005: $88,218), which was recorded as financial expense.

Below is the detail of maturities for outstanding bonds:

Year	Capital	Interest	Total
2009	90,579	7,708	98,287
2011 onwards	717,365	-	717,365
	807,944	7,708	815,652

The first issue carried out in 1998 for an amount of $130,000 has been repaid; the $35,000 outstanding balance was cancelled during 2006 .

The second issue for $180,000, series A, B, C and D, was used 50% for the cash flows in 1999 and 50% for the Investment Plan. At 2006 year's end, the balance is $98,287; series A and B for the amount of $107,432 matured and were repaid. The balance increases due to the capitalization of series issued at IPC (Consumer Price Index).

The third issue, for an initial value of $130,000 was used to substitute domestic and foreign currency loans to reduce exchange risk exposure and expand the portfolio's average maturity.

Bond program for an amount of $450,000 was expanded to $850,000; tranches 4 and 5 for $118,500 and $110,000, respectively, were issued in 2006. Total balance issued as of the end of the year is $587,365. From theses resources 50% corresponds to debt management operations and 50% to cash flows and investment financing.

NOTE 13: FINANCIAL LIABILITIES

The balance of financial liabilities at December 31 included:

Credit line	Currency	Interest rate %	2006	2005	Date of latest payment	Guarantee
Obligaciones financieras nacionales						
ABN_Amro	COP	DTF + 1.72	-	16,000	19-Jul-05	(2)
Davivienda	COP	DTF + 0.24	48,000	-	04-May-07	(2)
Davivienda	COP	DTF + 1.50	22,000	-	27-Sep-08	(2)
BBVA	COP	DTF + 0.90	96,638	-	10-Oct-07	(2)
BBVA	COP	DTF + 1.50	100,000	-	27-Sep-08	(2)
Bancolombia	COP	DTF + 2.60	70,000	-	29-Nov-10	(2)
Total domestic financial liabilities			336,638	16,000		
Foreign financial liabilities						
BID 195 IC/CO	UAV	7.42%	155	35,709	18-Dic-06*	(1)
Medio Crédito Centrale	ITL	Tasa Fija 1.75%	12,542	14,704	19-Jun-10	(1)
BIRF-3954-CO	USD	Tasa Fija Tramos (6.32%)	14,036	26,952	15-Feb-11	(1)
BIRF-3955-CO	USD	Libor 6 M + Spread	180,603	209,143	15-Oct-12	(1)
Banco Central del Perú Sucursal Panamá	USD	Libor 6 M + 1%	-	7,994	30-Dic-06	(2)
BNP Paribas	USD	Libor 6 M + 0.345%	73,325	-	20-Abr-17	(2)
ABN_Amro Y JP Morgan	USD	Libor 6 M + Spread	447,758	-	18-Jul-09	(2)
Total foreign financial liabilities			728,418	294,502		
Total financial liabilities			1,065,056	310,502		
Less short-term portion			192,447	88,525		
Total long-term financial liabilities			872,609	221,977		

* Saldo por diferencia tasa de cambio UAV

1) Loans in foreign currency are guaranteed by the Nation.

2) Unsecured.

Financial liabilities accrued interest in 2006 for $66,168 (2005 - $23,468), which was registered as financial expense.

Disbursement of German and Brazilian funds for financing substations' goods and supplies started in March of 2006. This USD37.8 million loan at Libor + 0.345% and ten-year term, has political and commercial risk coverage from German ECA Euler Hermes; USD32.8 million were disbursed during 2006.

On July 17, 2006, ISA executed a USD550-million loan agreement with ABN Amro and JP Morgan banks for acquisition of 50.1% of common shares of CTEEP through ISA Capital do Brasil. On December 28, 2006, ISA prepaid the loan's first tranche -USD350 million-, thus complying with commitments agreed with rating agencies and lender banks.

The loan's second tranche -USD200 million- was syndicated with ten local and international banks, a fact that reassures the confidence in ISA of each participating bank.

Additionally, domestic commercial banks provided resources to cover cash flow.

At December 31, financial liabilities included balances denominated in the following currencies:

		Balance in original currency (1)		Balance in domestic currency (million)	
Currency	Interest rate	2006	2005	2006	2005
US Dollar	Libor + BIRF Spread	319,691	106,859	715,721	244,090
Unit of account	Fixed rate 7.42%	43	9,955	155	35,708
Euros (liras)	Fixed rate 1.75%	4,246	5,459	12,542	14,704
Colombian pesos	DTF + 3.15% a DTF + 4.1%	336,638	16,000	336,638	16,000
				1,065,056	310,502

(1) Amounts in original currency, other than the Colombian peso are expressed in thousands.

Maturity of long-term financial liabilities at December 31, 2005:

Year	COP
2008	387,347
2009	263,919
2010	110,225
2011	39,975
2012 onwards	71,143
Total long-term obligations	872,609

COMMITMENTS RELATED TO LOANS

The Company has agreed to comply with the following covenants during the term of the loans:

Banco Interamericano de Desarrollo –BID–

ISA will not assume, without the Bank's prior approval, new financial liabilities with a maturity greater than one year, as a result of which; a) The ratio between its own internal cash generation and shareholders contributions already committed for total debt service is lower than 1.2 and; b) the ratio between long-term debts, (excluding those that have to be covered by its shareholders), and equity exceeds 1.2 times.

ISA's short-term bank and commercial indebtedness pending payment each year will not exceed 45% of the current assets in that year.

ABN Amro and JP Morgan Bank

ISA's financial commitments with ABN Amro and JP Morgan banks under USD550 million loan are: net debt balance/ EBITDA ratio shall be lower than or equal to 5.5 for 2006, 5.0 for 2007, and 4.5 for 2008 and 2009, b) EBITDA/interest ratio shall be greater than or equal to 2.25 for 2006 and 2007, and 2.5 for the period 2008-2009.

As of December 31, 2006 and 2005, the Company had satisfactorily complied with the aforementioned commitments.

NOTE 14: HEDGING OPERATIONS

The balance of hedging operations at December 31 includes:

Concept	2006	2005
Exchange difference	38,062	70,231
Interest	12,150	12,357
Total hedging operations	50,212	82,588

The amount recorded relates to interest and exchange difference resulting from swaps with BNP and Bancolombia.

At December 31, 2006 the Company had an exchange rate swap agreement with Bancolombia with rights for USD5690,000 related to hedging, and a Cross Currency Swap (interest rate) with BNP Paribas with rights for USD44,294,669 (2005 - USD44,294,669) and liability for $125,000 (2005 - $125,000); under such agreement, the Company agreed to receive a 13.7% fixed interest rate and to pay floating rates based on LIBOR + 0.265% determined every six months.

Hedging operations generated interest during the year for $13,264 (2005 - $14,422) and net exchange difference for $3,334 (2005 - $28,625).

All the above-mentioned hedging operations mature in March and April of 2007.

NOTE 15: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

	2006	2005
Related parties (1)	210,190	139,939
Suppliers	29,189	55,383
Contractors	16,417	6,205
Dividends	28,810	25,449
Financial expenses	26,125	23,394
Other accounts payable	3,373	4,478
Other taxes	5,501	4,636
Total accounts payable	319,605	259,484
Less long-term accounts payable (Related parties)	203,293	110,397
Total short-term accounts payable	116,312	149,087

(1) Includes $198,609 (2005: $132,405) related to loans received from Transelca S.A. E.S.P. and ISA Capital Do Brasil, with the following conditions:

Affiliate	Maturity	Interest rate	Balance -capital	Balance - interest
	Loans granted by Colombian affiliates			
TRANSELCA S.A. E.S.P.	30-Dec-08	DTF + 1.5%	28,500	4,317
TRANSELCA S.A. E.S.P.	26-Dec-09	Fixed rate (7.71%)	31,908	1,286
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF AE Dec 31 of former year	72,642	284
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF AE Dec 31 of former year	12,537	8
	Total loans from Colombian affiliates		145, 587	5,895
	Loans granted by foreign affiliates			
ISA Capital Do Brasil	28-Dec-14	Libor 6M + 3%	53,022	25
	Total loans granted from foreign affiliates		53,022	25
	Total loans from affiliates		198,609	5,920

NOTE 16: LABOR LIABILITIES

Labor liabilities at December 31 included:

	2006	2005
Labor liabilities		
Severance payments and interests	2,525	2,170
Vacations	1,287	1,260
Vacation bonus	2,077	2,142
Other	37	13
Total labor liabilities	5,926	5,585
Less – short-term portion	4,931	4,821
Long-term labor liabilities	995	764

NOTE 17: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

	2006	2005
Provision for taxes and contributions	257	454
Provision for recovery of towers (1)	-	611
Provision for income tax (2)	-	34,723
Provision for contingencies (3)	545	1,164
Other provisions for agreed labor benefits (4)	28,513	24,134
Retirement pensions	83,447	81,186
Other estimated liabilities and provisions (5)	12,276	12,929
Total estimated liabilities and provisions	125,038	155,201
Less – short-term portion	13,077	49,881
Total estimated liabilities and long-term provisions	111,961	105,320

(1) Provision for the repair of collapsed towers that could not be repaired at the end of 2005 and 2006.

(2) Current year income tax -Note 17.2-, plus Peru branch's taxes ($176), less tax discount for VAT paid ($7,784), withholding tax ($18.390), and prepaid taxes ($3,487).

(3) In 2005, the Company began to recognize an estimated liability corresponding to the present value of future health and education benefits and pension payments for pensioners calculated with the same methodology used to calculate pension liability and with the same amortization percentage.

(4) Increase in 2006 with respect to 2005 is due to updating of pension liability and 0.93% increase in amortization percentage, as provided by Decree No. 051 of 2003 that permits linear distribution of amortizable percentage of actuarial estimate as of December 31 of 2002 until the year 2023.

(5) Includes $1,506 (2005 - $4,122) corresponding to 2.5% commission on guarantees established with Bancolombia and BBVA Ganadero during bidding and awarding processes of UPME 01 and 02 of 2003 projects that must be paid during construction of the projects. Also includes $6,114 of FAER provision (2005 - $5,800) and $1,539 corresponding to incentive for results for variable compensation.

17.1 RETIREMENT PENSIONS AND AGREED LABOR BENEFITS

Retirement pensions

Under the labor agreements (individual and collective) subscribed, the Company is required to pay pensions to employees who satisfy certain conditions of age and length of service. However, the Social Security Institute (ISS) and the Pension Management Funds have assumed the greater part of this obligation.

The present value for retirement pensions as of December 31, 2005, and 2006 was determined using actuarial calculations that comply with the law and specifically with individual and collective labor agreements (Collective Labor Pact and Collective Labor Agreement). The estimates used were as follows:

	2006	2005
Actual interest rate	4.80%	4.80%
Future increase of pensions and salaries	5.34%	6.08%
Number of persons covered by the plan	459	525

On December 31, 2006, the Company had 653 (2005 - 661) active employees, of whom 118 (2005 - 138) are covered by the pension plan provided in the collective and individual agreements, while the remaining 535 (2005 - 523) are under the jurisdiction of Law 100 of 1993. The actuarial estimate covers active personnel (118), retired personnel (292), surviving spouse pension benefit substitutions (34), pension portion for which ISA is accountable (12) and contingent personnel – retired personnel with more than 20 years of service (3).

As of December 31, 2006, ISA had amortized 84.21% (2005 - 83.28%) of the projected obligation; increase in the amortization percentage was 0.93%, in accordance with Decree 051 of 2003, which allows distributing the amortizable percentage of the actuarial estimate as of December 31, 2002, until 2023 in a straight-line form.

The movements in the actuarial estimate and the deferred liability at December 31 are as follows:

	Projected liability	Deferred cost	Net liability
Balance at December 31, 2004	126,078	22,254	103,824
Plus increase of the actuarial estimate	8,371	828	7,543
Less recovery from future pensions - Legislative Act 001/05	(31,990)	(6,784)	(25,206)
Transfer of liability to XM (projected obligation)	(4,975)	-	(4,975)
Balance at December 31, 2005	97,484	16,298	81,186
Plus increase of the actuarial estimate	1,615	(646)	2,261
Balance at December 31, 2006	99,099	15,652	83,447

During 2006, pension payments totaled $10,781 (2005: $10,581).

Agreed Labor Benefits

The Company recorded the future payments for health and education benefits to pensioners in addition to those required by legal regulations, according to labor agreement in force. This practice was adopted in 2005 as a prudent policy seeking to alignment with International Accounting Standards – IAS

The calculation included extralegal benefits with present value of $33,860 agreed in individual and collective labor agreements to which present and future pensioners are entitled, such as education and health (supplementary plans and aid for health expenses) and pension contributions. Amounts and amortization are as follows:

	Total liability 2006	Total liability 2005	Total amortized Dec-06	Total amortized Dec-05	Year expense
Pension payments	5,076	6,015	4,275	5,009	(734)
Study aid	1,479	1,762	1,245	1,468	(223)
Health aid	27,305	21,202	22,993	17,657	5,336
Total	33,860	28,979	28,513	24,134	4,379
Amortization percentage			84.21%	83.28%	

The health aid liability increased 28.8% as a result of a quantification methodology change in accordance with international standards.

The amortization methodology for aids and benefits is the same one used to amortize the pension liability. Amortization of aids and benefits as of December 31, 2006 equals 84.21% (2005 - 83.28%), equivalent to 0.93% increase (amortization percentage increase stipulated by Decree No. 051 of 2003). Accounting entries are recorded in independent accounts from those of the actuarial estimate.

Pending amortizable balance will be recognized by the straight-line method until 2023, in accordance with the Company's amortization plan of the pension liability.

17.2 INCOME TAX

The reconciliation between accounting income and taxable income for 2005 and 2006 is as follows:

	2006	2005
Income before taxes	164,139	240,456
Plus items that increase distributable income:		
Tax monetary correction	50,534	56,456
Non-deductible provisions	1,341	18,925
Loss on Forward valuation	(20,425)	13,136
Cash dividends received	37,482	21,321
Non-deductible costs and expenses	16,665	23,692
Less items that decrease distributable income:		
Excess of depreciation and amortization	(16,658)	(59,473)
Additional depreciation expense and amortization for tax inflation adjustment	(39,669)	(53,533)
Write-off and tax provision for accounts receivable	(1,555)	(2,904)
Recovery of provisions	(9,000)	(10,483)
Income from equity method	56,644	(20,634)
Non-taxable dividends and participations	(16,324)	(5,691)
Cost of fixed assets sold		
Income from re-appraisal of fixed-income securities	(20)	323
Special deduction of productive real fixed assets	(125,785)	(31,216)
Other	(1,554)	(1,862)
Total ordinary income	95,814	188,513
Notional income	109,626	91,932
Taxable income	109,626	188,513
Taxable income	109,626	188,513
Less tax-exempt income	(6,974)	(19,717)
Taxable distributable income	102,651	168,796
Tax rate	35%	35%
Current income tax	35,928	59,079
10% surtax (1)	2,695	5,129
Total current taxes	38,623	64,208

(1) Determination of Surtax:

Determination of Surtax	2006	2005
Current income tax	35,928	59,079
Tax discounts	(8,982)	(7,784)
Net income tax	26,946	51,294
Surtax 10%	2,695	5,129

Net tax effect on the results of the year:

	2006	2005
Current income tax	35,928	59,079
Surtax expense	2,695	5,129
Debit deferred tax	(25,967)	(31,350)
Credit deferred tax	(1,025)	19,447
CAN countries tax	2,038	972
Net charge to income	13,670	53,277

Reconciliation between accounting and taxable equity at December 31 is as follows:

	2006	2005
Accounting equity	3,313,067	2,786,702
Plus:		
Non-deductible provisions	80,064	105,525
Credit deferred tax	109,406	110,429
Monetary correction effect	680,811	605,387
Less:		
Accounting re-appraisals	1,296,727	1,133,961
Debit deferred tax	110,805	84,823
Tax to preserve democratic security	3,258	6,516
Excess of tax depreciation of fixed assets	281,742	260,671
Excess of amortization of deferred charges and intangible assets	31,677	36,731
Total taxable equity	2,459,139	2,085,341

The following temporary differences generated a deferred tax liability for tax years ended December 31, 2005 and 2006:

	2006	2005
Debit deferred tax		
Provision for accounts receivable	2,300	7,165
Estimated liabilities	29,852	26,387
Pensiones de jubilación	21,966	24,606
Inflation adjustments	257,557	153,539
Excess of notional income	13,811	-
Forwards	10,062	30,487
Total deferred tax basis	335,548	242,184
Tax rate	33%	35%
Debit deferred tax	110,731	84,764
Branch's deferred tax	59	59
Balance	110,790	84,823
Credit deferred tax	2,006	2,005
Excess of tax depreciation	281,742	260,671
Excess of tax amortization	31,677	36,731
Equity method	18,110	18,111
Total deferred tax basis	331,529	315,514
Income tax rate	33%	35%
Credit deferred tax	109,405	110,430

Tax regulations applicable to the Company provide:

a) Taxable income is subject to a 35% income tax rate. As of 2003 and until 2006, regulation set forth surtax equivalent to 10% of the net income tax determined for each of these taxable years, applicable to income taxpayers. Income tax rate for 2007 will be 34%, and as of 2008, it will be 33%.

b) The basis to determine income tax shall not be lower than 6% of the Company's net fiscal equity on the last day of the preceding taxable year, calculated as established by tax regulations in force (Presumptive income). As of 2007, it will be 3%

c) The system of integral inflation adjustments has been suspended for fiscal effects as of fiscal year 2007.

d) According to tax regulations in effect, starting 2007, corporations are allowed to offset without any restriction as to percentage and time, readjusted tax losses with ordinary net taxable income, without prejudice of the presumptive income of the fiscal year. Any excess of presumptive income over ordinary income obtained as of 2007 can be offset with ordinary net taxable income of the following five (5) years readjusted for tax purposes.

e) As of 2004, income tax payers performing transactions with foreign related or associated parties are required, for income tax purposes, to determine their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, taking into consideration for these transactions the prices and profit margins of the market. At this time, the Company's management and its counsels have not concluded the study for 2006; however, based on the satisfactory results of the study conducted for 2005, their opinion is that no significant additional income tax provisions shall be required as a result of the study.

f) Law 863 of 2003 established that income tax payers could deduce 30% of the effective investments made only in productive real fixed assets. After applying this regulation, and based on investments made by the Parent Company in 2006, the period's ordinary net taxable income was decreased by $125,875 (2005: $31,216). As of 2007, the percentage of this deduction will be 40%.

g) In 2005, Decision 578 of the Andean Community of Nations (CAN) entered into force. This decision seeks to avoid double taxation of the income earned in any of the member countries by using o through use of an exoneration mechanism. Based on this decision and on the opinions of tax advisors, the income earned in countries that are members of the CAN are considered to be tax exempt.

h) The income tax returns for 2006 and 2005 are subject to the review and approval of tax authorities. The Company's management and its legal counsels consider that the amounts accounted as income tax payable are enough to pay any liability that could be determined for such years.

i) In 2003, tax regulations established the equity tax for the years 2004, 2005 and 2006, payable by individuals and legal entities who pay income tax and whose tax equity is greater than $3,000 million. Equity tax accrues on the first day of each taxable year at a rate of 0.3% on the net equity recorded on January 1st of each taxable year. According to Law 1111 of 2006, from January 1st of 2007 and until 2010, the basis for equity tax shall be the net equity recorded on January 1st of 2007; the rate shall be 1.2%.

NOTE 18: OTHER LIABILITIES

Balance of other liabilities at December 31:

	2006	2005
Other short-term liabilities		
Delegated administration	7,624	33,974
Income from sales received from advanced	6,131	884
Other minor	35	(160)
Total other short-term liabilities	13,790	34,698

	2006	2005
Other long-term liabilities		
Deferred taxes	109,405	110,429
Deferred income	54,413	50,351
Deposits received –withholding on contracts	1,003	2,636
Other minor	2,667	3,222
Total other long-term liabilities	167,487	166,638

NOTE 19: SHAREHOLDERS' EQUITY

SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital at December 31 was distributed as follows:

	2005		
Shareholder	Number of shares	Amount $ Million	% Participation
Common shares			
The Nation	569,472,561	18,679	59.299
Empresas Públicas de Medellín –EEPPM–	102,582,317	3,365	10.682
Empresa de Energía de Bogotá –EEB–	17,535,441	575	1.826
Fondo de Pensiones Obligatorias Protección	39,441,754	1,294	4.107
Fondo de Pensiones Horizonte	14,256,324	468	1.485
Fondo de Pensiones Obligatorias Colfondos	13,537,750	444	1.410
Foreign investors	12,035,460	395	1.253
ISA ADR Program	4,560,600	150	0.475
Other shareholders	186,919,476	6,129	19.464
Outstanding subscribed capital	960,341,683	31,499	100.000
Reacquired own shares	17,820,122	585	
Total subscribed and paid-in capital	978,161,805	32,084	

2006			
Shareholder	Number of shares	Amount $ Million	% Participation
Shareholder			
The Nation	569,472,561	18,679	55.871
Empresas Públicas de Medellín –EEPPM–	102,582,317	3,365	10.064
Ecopetrol	58,925,480	1,933	5.781
Empresa de Energía de Bogotá –EEB–	17,535,441	575	1.720
Fondo de Pensiones Obligatorias Protección	49,427,960	1,621	4.849
Fondo de Pensiones Horizonte	14,494,416	475	1.422
Fondo de Pensiones Obligatorias Colfondos	14,343,297	470	1.407
Fondo de Pensiones Santander	13,533,816	444	1.328
Foreign investors	9,807,307	322	0.962
ISA ADR Program	4,752,350	156	0.466
Other shareholders	164,392,218	5,391	16.130
Outstanding subscribed capital	1,019,267,163	33,431	100.000
Reacquired own shares	17,820,122	585	
Total subscribed and paid-in capital	1,037,087,285	34,016	

SHARE ISSUE FOR EXCHANGE OPERATION

The Company privately issued 58,925,480 registered common capital-stock shares, without preemptive rights, exclusively for Ecopetrol S.A., as approved by the Special Stockholders' Meeting held on November 24, 2006. The transaction is part of an exchange operation under which, Ecopetrol S.A. delivered to ISA 633,387,729 shares it held in Transelca S.A. E.S.P., which represents an additional participation of 35% in the subscribed capital of this affiliate, previously controlled with 64.9%.

CAPITAL SURPLUS

- **Additional paid-in capital**
  The additional paid-in capital is the excess of the sales price over the par value of the subscribed shares. In 2006 it increased by $314,619, corresponding to share issue to pay 34.999% of Transelca S.A. E.S.P. shares.

- **Received for projects**
  This account represents amounts delivered by Government for the construction of the first circuit of the 500-kV line to the Caribbean Coast.

RESERVES

- **Legal reserve**
  The law requires the Company to appropriate 10% of annual net income as a legal reserve until the balance of the reserve is equal to 50% of subscribed capital. This mandatory reserve may not be distributed prior to the liquidation of the Company, but may be used to absorb or reduce net losses. Any balance of the reserve in excess of 50% of subscribed capital is at the disposal of the shareholders.

  For Tax purposes mandatory reserve
  The Shareholders' Meeting approved this reserve from net income, in compliance with Article 130 of the Tax Code, in order to obtain tax deductions for depreciation in excess of book depreciation. As legally provided, this reserve can be released whenever subsequent accounting depreciation exceeds tax depreciation, or when the assets giving rise to the incremental amount deducted are sold.

- **Reserve for reacquisition of own shares**
  The Shareholders' Meeting of March 22, 2001 approved an $8,500 special reserve for the repurchase of own shares held by the stock liquidity fund that was created to add liquidity to ISA shares, and a $38,100 special reserve to acquire own shares held by EEPPM.

- **Reserve for reinforcement of equity**
  On March 26, 1999, the Shareholders' Meeting approved an occasional reserve in accordance with Article 47 of the Articles of Incorporation. This voluntary reserve was ordered so that the Company could retain its solid financial position, and maintain the financial indicators and covenants required by the rating agencies, in order to obtain the investment grade rating, and to comply with contractual commitments to lenders.

- **Reserve for rehabilitation and replacement of STN assets**
  The Shareholders Meeting held on March 30, 2000, approved a $24,933 reserve for the rehabilitation and replacement of assets of the National Transmission System, and on March 18, 2002, approved an additional reserve of $12,502.

EQUITY REVALUATION

Inflation adjustments on equity accounts recognized until December 31, 2000, have been credited to this account and charged to the income statement. This amount cannot be distributed as dividend, but can be used to increase subscribed capital.

SURPLUS FROM EQUITY METHOD

Relates to the equity variations of investments in subordinates, as a consequence of application of the equity method. See Note 3.3.

NOTE 20: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

	2006	2005
Debtor memorandum accounts		
Other contingent rights	54,082	54,443
Tax debtor memorandum accounts (1)	2,512,147	1,356,568
Total debtor memorandum accounts	2,566,229	1,411,011
Creditor memorandum accounts		
Claims and lawsuits	832,216	841,184
Loans receivable	5	6
Hedging operations	482	6,213
Other contingent liabilities	165,787	177,546
Tax creditor memorandum accounts (2)	126,633	36,243
Other creditor control memorandum accounts	6,681	1,437
Total creditor memorandum accounts	1,131,804	1,062,629

(1) Represents differences with accounting, which result from applying the inflation adjustment system for tax effects and differences in accounting and tax deductions to determine ordinary net taxable income. In 2005, $673,552 tax cost was included for long-term investments.

(2) Discloses the net effect of the year's monetary correction on the period's distributable income and the accounting and tax difference on liabilities.

20.1 CLAIMS AND LAWSUITS

ISA currently appears as part, as a defendant, plaintiff or as an intervening third party, of judicial processes of administrative, civil and labor nature. None of the processes in which the Company appears as a defendant or as an intervening third party could affect the Company's stability. Likewise, in its own name, the Company has performed the necessary legal actions to develop its corporate purpose and to defend its interests.

Following is the information related to legal actions in which the Company is currently involved:

a) At December 31, 2006, ISA has filed an administrative claim against Electrificadora del Atlántico, Electrificadora de Bolívar and Empresa de Energía de Magangué for default interest on accounts for the use of STN and Energy Pool, for $14,854.

b) ISA has filed a civil claim against Sistep Ltda and Aseguradora de Fianzas S.A. –Confianza-, at the Circuit Civil Court No. 10 of Medellín, for USD1,936,618 plus $1,175, as a result of the delay in the delivery of equipment to the Yumbo and La Esmeralda substations, and resulting damages. Additionally, ISA is claiming payment of the insurance policy by Confianza. The process is in the discovery stage.

c) Cundinamarca Administrative Tribunal, first Section. ISA has sued the Superintendency of Public Utilities for $1,424 as a result of issuing administrative acts that prevent ISA (ASIC) from exercising its rights to limit power supplies and the collection of billings to Empresas Públicas de Caucasia. The process is pending judgment.

d) Administrative Tribunal of Antioquia. ISA has filed a Nullity and Redress lawsuit against the tax authorities (Dirección de Impuestos y Aduanas Nacionales –DIAN-), for $4.780, related to default interest in favor of ISA, resulting from the non-timely returning of excess income tax paid in 1995. The process is currently awaiting judgment from the Tribunal.

e) Administrative Tribunal of Antioquia. ISA challenged Resolutions 1233 and 1234 of 2001, by which the Municipality of San Carlos requested the payment of taxes by the public space occupation and disturbance for $1,839 and $554 of 2000 and 2001, respectively. The first process is awaiting judgment at the Tribunal. In the second process the Municipality appealed before the State Council the trial court's decision favorable to ISA.

f) Nullity and Redress Process No. 064. Flores III LTDA & CIA. S.C.A. E.S.P. has sued the Nation- Ministry of Mines and Energy, CREG, ISA and Electrificadora del Caribe S.A. E.S.P. Claim: Declaration of nullity of CREG Resolution 031 of July 22, 1999, by which the appeal presented by Electricaribe S. A. was accepted, releasing the company from paying amounts invoiced by ISA for the restriction of the 220-110 kV autotransformer. Declaration of nullity of alleged administrative act resulting from failure to answer within the legal term a request for direct repeal of the foregoing Resolution and award payment of $2,343. The process was decided on the first instance and ISA was to pay the claims; it is pending decision from the State Council since 2003.

g) Administrative Tribunal of Antioquia. Termocandelaria has filed a Nullity and Redress lawsuit against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $20,794 regarding CREG Resolutions 034, 038 and 094 of 2001.

h) Administrative Tribunal of Antioquia. Central Hidroeléctrica de Betania S.A. E.S.P. has filed Nullity and Redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $54,598 and USD15,373,890, for capacity charges - CREG Resolutions 077 and 111 of 2000.

i) Administrative Court of Antioquia. EMGESA S.A. E.S.P. has filed Nullity and Redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $193,662 and USD82.4 million regarding application of CREG Resolutions 077 and 111 of 2000.

j) Administrative Court of Antioquia. CHIVOR S.A. E.S.P. has filed Nullity and Redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $89,008 and USD32.5 million for capacity charges - CREG Resolutions 077 and 111 of 2000.

k) Administrative Court of Antioquia. PROELECTRICA & Cia S.C.A. E.S.P. has filed Nullity and Redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $9,207 regarding application of CREG Resolutions 034 and 038 of 2001.

l) Administrative Court of Antioquia. TERMOTASAJERO S.A. E.S.P. has filed Nullity and Redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $128,848 regarding application of CREG Resolutions 034 and 038 of 2001.

The lawsuits for application by ISA, as the Administrator of the Commercial Settlement System (Administrador del Sistema de Intercambios Comerciales -ASIC), of CREG Resolutions 077 and 111 of 2000, capacity charges, correspond to CREG's change in calculation methodology, which according to the plaintiff companies caused them damages; the same happens with Resolutions 034 and 038 of 2001. The agents consider that these provisions considerably reduce their income. In such transactions, ISA acted as the agent of third parties, and in this way its own equity would not be at stake in said processes. According to legal and technical analysis, ISA has enough grounds to consider that it will be released in these processes, because of Administrator of the Commercial Settlement System it should have applied CREG regulations, duties from which it could not be released. Invoices billed and resolutions issued by ISA to answer the appeals, strictly comply with the aforementioned resolutions; therefore, they cannot be the cause of alleged damages claimed by the plaintiffs. Eventually, in case of negative results, ISA could request compensation or account settling between the market agents taking part in these, which would permit the Company's equity to remain unharmed.

m) Gomez Cajiao y Asociados has filed a contractual lawsuit requesting the nullity of act awarding Public Bid C-002, the absolute nullity of BL98 contract, and redress of its right as proponent. Amount claimed: $2,000.

n) Empresas Públicas de Medellín has filed a Nullity and Redress lawsuit against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of $947 for recording of customer metering points.

o) Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim for $4,000 for the accident of a family member during the performance of a contract.

There are other labor, civil and administrative lawsuits totaling $1,100, related to the normal course of operations, which at December 31, 2006, are pending judgment. The Company's management and its legal counsels consider that the possibility of loss from these lawsuits is remote.

20.2 GUARANTEES IN FORCE

At 2006 year's end the following bank guarantees were in force:

a) Guarantee established in 2006, guaranteeing affiliate ISA Peru's compliance with loan's obligations.

Guaranteed affiliate	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Annual commission (%)	Correspondent Bank	Correspondent annual commission (%)	Initial date	Maturity	Object
ISA Perú S.A.	Citibank Perú	852,973	Corfivalle	1.80	UBS AG (Stanford)	1.50	29-8-06	29-8-07	Compliance with debt service of IFC and FMO loan

b) Guarantee established in 2006 to guarantee proposal in auction of shares of Consorcio Transmantaro.

Guaranteed affiliate	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Annual commission (%)	Correspondent Bank	Correspondent annual commission (%)	Initial date	Maturity	Object
Offer submitted	PRO-INVERSIÓN	300,000	Banco Santander	1.80	Bando de Crédito	1.10	29-8-06	03-01-07	Commitment bond for the offer presented

c) Guarantees established under the offer and awarding of the UPME 01 and 02 projects of 2003:

Guaranteed affiliate	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Annual commission (%)	Maturity	Objet
ISA (UPME 1)	UPME	13,720,000	Bancolombia	2.50	Oct-07	Performance guarantee UPME 1
ISA (UPME 2)	UPME	21,660,000	BBVA	2.50	Oct-07	Performance guarantee UPME 2

In 2004, ISA became guarantor of payment obligations of Flycom Comunicaciones S.A. E.S.P. under an infrastructure capital leasing operation with Leasing de Crédito. The amount is $1.568 and corresponds to 75.04% of the whole operation. This guarantee will be in force until September 17, 2013.

Guarantees that required authorizations were previously approved by ISA's Board of Directors and by the entities that regulate Public Debt.

Guarantees established by ISA include:

a) Pledge to lenders of 100% value of current and future shares in subordinate companies Red de Energía de Perú, ISA Perú and ISA Bolivia S.A. The term of the pledge equals that of the loans. The operation was approved by the Corporation's Board of Directors, and it required both the favorable opinion of the National Planning Department (Departamento Nacional de Planeación -DNP) and authorization resolution of the Ministry of Finance and Public Credit.

20.3 DELEGATED ADMINISTRATION FOR THE COMMERCIAL SETTLEMENT SYSTEM (ADMINISTRACIÓN DEL SISTEMA DE INTERCAMBIOS COMERCIALES – ASIC)

According to Resolution 024 of 1995, the Energy and Gas Regulatory Commission -CREG -, charged ISA with the Administration of the Commercial Settlement System -ASIC-. Therefore, the Company has the responsibility of registering long-term energy contracts; liquidation, invoicing, collection and payment of energy transactions made on the Energy Pool by generators and traders; maintenance of required information systems and software; management of financial guarantees; and application of the supply limitation procedures.

As remuneration for these activities, ISA invoices to the generators and traders in the wholesale energy market a value regulated by the Commission. Resolution 116 of December 18, 2003, sets-forth the regulated income for services rendered by CND, ASIC and LAC for 2004. ISA is not responsible for the credit risk of the Energy Pool transactions.

As of October 1, 2005, these functions are carried out by XM, Compañía de Expertos en Mercados S.A. E.S.P., a subordinate of ISA.

NOTE 21: OPERATING REVENUES

Revenues from services rendered by the Company for transmission of electric energy (use of STN), connection to the National Transmission System, and ancillary services related to the energy transport service (administration, operation and maintenance, specialized technical services, special studies, availability of infrastructure and project management). Services were rendered to the following customers:

	2006	2005
CODENSA	98,615	92,880
EEPPM	92,061	86,665
ELECTRICARIBE	50,279	54,857
ELECTROCOSTA	43,937	50,134
EMCALI	40,648	38,593
ISAGEN	39,992	37,443
EMGESA	36,448	36,335
CORELCA	18,783	16,003
Other customers with invoicing less than 5% of the total	293,941	295,371
Total operating income	714,704	708,281

NOTE 22: OPERATING COSTS

Operating costs for the years-ended December 31 are detailed as follows:

	2006	2005 (*)
Personnel expenses	37,860	47,691
Materials and maintenance	26,398	23,755
Fees	4,958	2,090
Rentals	817	817
Insurance	7,075	10,124
Utilities	10,329	12,379
Environment and social – ISA Región	3,829	2,720
Communications	348	2,508
Advertising, prints and publications	69	527
Studies	108	347
Miscellaneous (1)	6,673	6,466
Contributions and taxes	64,363	63,197
Operating costs before depreciation and amortization	162,827	172,621
Depreciation	77,272	82,589
Amortization	3,574	5,784
Depreciation, amortization	80,846	88,373
Total operating costs	243,673	260,994

(*) Reclassified for comparative effects.

The following table summarizes total operating costs detailing capitalization expenses and/or cost assignation:

	2006			2005(*)		
	Total	Capitalized/ assigned (1)	Net	Total	Capitalized/ assigned (1)	Net
Operating costs before depreciation, amortization and transfers	168,503	(5,676)	162,827	177,571	(4,950)	172,621
Depreciation and amortization	80,846	-	80,846	88,373	-	88,373
Total operating costs	249,349	(5,676)	243,673	265,944	(4,950)	260,994

(*) Reclassified for comparative effects

(1) Amount capitalized to studies, projects and those assigned for the recovery of towers.

NOTE 23: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

		2006	2005 (*)
Personnel expenses		49,374	46,453
Materials and maintenance		1,393	1,263
Fees		4,368	3,327
Rentals		530	164
Insurance		746	708
Utilities		6,857	4,881
Communications		344	287
Advertising, prints and publications	(2)	1,566	2,932
Studies	(1)	2,413	9,730
Miscellaneous		2,070	3,136
Contributions and taxes		1,297	1,480
Administration expenses before depreciation and amortization		70,958	74,361
Provisions		701	3,485
Depreciation		5,343	5,981
Amortization		2,971	2,694
Total provisions, depreciation, amortizations		9,015	12,160
Total administration expenses		79,973	86,521

(*) Reclassified for comparative effects

(1) For 2006, includes amortization of studies for participation in national and international biddings equal to $2,109 (2005: $9,730).

(2) The item Institutional Advertising includes positioning actions conducted for ISA and Grupo ISA through specialized media that reach the target group. It also includes participation, organization and/or sponsoring of national and international events; monitoring, collection and analysis of newspaper and magazine information; and organization of the Stockholders' Meeting. Prints and Publications, in turn, includes design and printing of institutional publications such as the annual report, the social balance and the corporate brochure; and broadcasting in mass media of institutional ads, and ads required by Law, among others.

The following table summarizes total administration costs detailing capitalization expenses and/or cost assignation:

	2006			2005 (*)		
	Total	Capitalized/ assigned (1)	Net	Total	Capitalized/ assigned (1)	Net
Administration expenses before provisions, depreciation and amortization	72,849	(1,891)	70,958	75,694	(1,333)	74,361
Provision, depreciation, amortization	9,015	-	9,015	12,160	-	12,160
Total administration expenses	81,864	(1,891)	79,973	87,854	(1,333)	86,521

(1) Amount capitalized to studies, projects and assigned to recover collapsed towers.

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2005 and 2006:

	2006	2005 (*)
Personnel expenses	87,234	94,144
Materials and maintenance	27,791	25,018
Fees	9,326	5,417
Rentals	1,347	981
Insurance	7,821	10,832
Utilities	17,186	17,260
Environment and social – ISA Región	3,829	2,720
Communications	692	2,795
Advertising, prints and publications	1,635	3,459
Estudies	2,521	10,077
Miscellaneous	8,743	9,603
Contributions and taxes	65,660	64,676
Costs and expenses before provisions, depreciation and amortization	233,785	246,982
Provisions	701	3,485
Depreciation	82,615	88,570
Amortization	6,545	8,478
Total provisions, depreciation, amortization and transfers	89,861	100,533
Total operating costs and expenses	323,646	347,515

(*) Reclassified for comparative effects

In 2006, to record operating and production costs (Class 7) and sales costs (Class 6), the Company used costing methods and procedures established in Resolution No. 20051300033635 of 2005 of the Superintendency of Domiciliary Public Utilities.

The costing system used is the Activity Based Cost –ABC-, which intends to have a correct relation of operating or production costs, with a specific service, or group of services or a Business Unit, by identifying each activity, the use of a conductor or distribution basis and its reasonable measure.

This system considers that expenses accrued in each area of administrative responsibility should be assigned to the Business or Service Unit in accordance with the activities (support process) developed by these areas.

NOTE 24: NON-OPERATING REVENUES (EXPENSES)

Non-operating income at December 31 included:

	2006	2005
Financial income		
Interest		
On overdue accounts receivable	194	466
On other loans	35,763	7,287
Monetary readjustment yields	1,871	2,984
Investment valuations	2,906	5,023
Commercial discounts	725	500
Miscellaneous	557	645
Total interest and others	42,016	16,905
Exchange difference		
Assets	3,021	1,351
Cash	10,257	910
Foreign investments	5,306	633
Accounts payable	15,629	612
Financial liabilities	183,517	31,389
Hedging operations	3,478	21,755
Total exchange difference	221,208	56,650
Total financial income	263,224	73,555
Extraordinary income		
Indemnities	46	779
Subordinate participation	46,421	36,398
Recoveries (1)	12,929	36,715
Income from prior years	2,647	944
Other ordinary income	1,479	-
Other	1,836	2,515
Total extraordinary income	65,358	77,351
Total non-operating income	328,582	150,906

(1) 2006 includes recoveries of provision of pension actuarial estimate in the amount of $1,657 (2005: $25,206) and income tax provision in the amount of $3,970 (2005: $9,775).

Non-operating expenses for years-ended December 31 were included:

	2006	2005
Financial		
Interest and commissions		
On financial liabilities	66,237	23,468
Interests and commissions on bonds	81,378	88,218
Hedging operations	13,264	14,422
On other obligations	2,174	145
Administration of security issues	862	7,696
Loss from valuation and sale of investments	285	771
Commissions	15,019	-
Miscellaneous	1,971	1,648
Total interest, commissions and other	181,190	136,368
Exchange difference		
Assets	118,946	5,424
Foreign investment	78,895	7,235
Accounts payable	20,328	342
Financial liabilities	22,427	11,727
Hedging operations	6,812	50,379
Total exchange difference	247,408	75,107
Total financial expenses	428,598	211,475
Other expenses		
Loss from tower damages and other extraordinary repairs (1)	19,968	15,342
Loss from participation in subsidiaries	103,065	15,792
Loss from retirement of assets	1,151	559
Other expenses associated to long-term investments	127	1,227
Other	1,074	1,516
Total extraordinary expenses	125,385	34,434
Prior year adjustments (2)	1,518	25,307
Total other expenses	126,903	59,741
Total non-operating expenses	555,501	271,216

(1) During 2006 and 2005, the Company was affected by terrorist attacks to the electric infrastructure, which implied incurring extraordinary expenses for its recovery, including personnel expenses related thereto.

(2) 2005 includes $23,864 of present value of health and education benefits and pension payments to pensioners not provisioned in prior years.

NOTE 25: FINANCIAL INDICATORS

Some financial indicators at December 31:

	2006	2005
Return on assets Operating income/net average of fixed assets in service (%)	19.23%	11.27%
Return on equity Income /average equity (accounting income) (%)	4.93%	6.88%
EBITDA/operating interest (times)	2.77	3.81
EBITDA/long-term debt (times)	0.30	0.43
AOM -STE expenses ratio (%) ((AOM expenses/ net exploitation income)*100	32.71%	24.35%
Liquidity Current assets/ current liabilities	71.00%	65.08%
Indebtedness Liabilities / Assets	43.61%	38.48%

NOTE 26: TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions with related parties during 2005 and 2006 are:

	2006	2005
Balances		
Equity investments		
TRANSELCA S.A. E.S.P.	531,680	413,578
ISA Capital Do Brasil	430,467	-
REP S.A.	106,646	100,996
INTERNEXA S.A. E.S.P.	99,496	98,613
TransMantaro S.A.	63,867	-
FLYCOM Comunicaciones S.A. E.S.P.	32,849	5,550
ISA Perú S.A.	15,945	18,493
ISA Bolivia S.A.	23,698	27,201
XM, Compañía de Expertos en Mercados S.A. E.S.P.	16,083	14,818
Debtors		
TRANSELCA S.A. E.S.P.	51	34
INTERNEXA S.A. E.S.P.	1,480	1,116
FLYCOM Comunicaciones S.A. E.S.P.	2,813	34,825
ISA Perú S.A.	438	495
REP S.A.	2,110	7,614
ISA Bolivia S.A.	796	4,391
XM, Compañía de Expertos en Mercados S.A. E.S.P.	401	2,756
Accounts payable		
TRANSELCA S.A. E.S.P.	151,516	139,221
ISA Capital Do Brasil	57,730	-
FLYCOM Comunicaciones S.A. E.S.P.	341	356
INTERNEXA S.A. E.S.P.	4,227	-
ISA Perú S.A.	-	9
REP S.A.	113	60
XM, Compañía de Expertos en Mercados S.A. E.S.P.	358	293
Equity transactions		
Dividends received		
TRANSELCA S.A. E.S.P.	21,807	5,594
REP S.A.	-	15,642
INTERNEXA S.A. E.S.P.	8,123	-
ISA Perú S.A.	4,021	94

	2006	2005
Transactions related to results		
Income		
TRANSELCA S.A. E.S.P.	498	827
INTERNEXA S.A. E.S.P.	11,644	7,016
FLYCOM Comunicaciones S.A. E.S.P.	4,105	3,626
ISA Perú S.A.	2,224	2,851
ISA Bolivia S.A.	636	1,435
REP S.A.	3,490	3,263
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,160	584
ISA Capital Do Brasil	30,313	-
Expenses		
TRANSELCA S.A. E.S.P.	9,064	7,264
INTERNEXA S.A. E.S.P.	184	8
FLYCOM Comunicaciones S.A. E.S.P.	3,692	5,740
XM, Compañía de Expertos en Mercados S.A. E.S.P.	279	2
ISA Perú S.A.	325	13
REP S.A.	2,553	1,090
ISA Bolivia S.A.	533	62
ISA Capital Do Brasil	25	-
Administrators		
Board of Director's fees	358	285
Managers' salaries and benefits	4,772	4,872
Managers' bonuses	833	438
Aids to Managers	356	253
Loans receivable from managers	2,736	3,520

Since January 1, 2004, the application of transfer pricing, introduced by Law No 788, of December of 2002, was commenced. This law states that transactions with subsidiaries or related parties abroad should be priced at fair market value, the same as if they were dealing with third or independents parties.

NOTE 27: SUBSEQUENT EVENTS

No relevant issues were discovered from the time of the closing of the Financial Statements on December 31, 2006, that would materially affect the financial situation of the Company.

Other issues of interest

- On November 24, 2006, ISA's Special Shareholders' Meeting approved issue and underwriting of common shares, in order to finance the Corporation's investment plan and optimization of its capital structure. This approval considered issue and underwriting of two groups of common shares: one public, and the other private.

- On December 4, 2006, ISA's Board of Directors appointed Mr. Luis Fernando Alarcón Mantilla, the ex-president of the Asociación de Administradoras de Fondos de Pensiones y Cesantías –Asofondos–, as the General Manager of the Corporation, taking over Mr. Javier Gutierrez P., who had held the position since 1992. Since May 2004, Mr. Alarcón had been the Chairman of ISA's Board of Directors. The new manager took office January 22, 2007.

- In January 2007, through Tender Offer, ISA purchased an additional 39.28% of CTEEP's common shares, so consolidating ownership of 89.40% of the company's common shares and 37.46% of its total capital.

- On January 10, 2007, Internexa S.A. E.S.P., ISA's affiliate, incorporated in Peru the corporation Internexa S.A., with 99.994% stock participation, equivalent to an investment of PEN17,399. The purpose of this corporation is delivery of carrier, IP-based, and value-added services, and in general all telecommunications services.

- On January 24, 2007, creation of a branch of Interconexión Eléctrica S.A. E.S.P. –ISA- in Argentina, was the first sep toward participation in that country's power market. The proceedings were made official in the Inspección General de Justicia, the official body in charge of Public Trade Registry. Creation of this branch rose from Argentina's requiring foreign-based corporations who want to have a business presence in Argentina to have a domicile there.

- The National General Accounting Office (Contaduría General de la Nación - CGN) has conducted a revision of the technical public accounting rules in Colombia, incorporating criteria harmonic with International Financial Reporting Standards applied to the public sector. The conceptual framework, as well as the structure and descriptions of the types of accounts to comply with this decision, will be applicable as of January 1 of 2007, and since this date will be derogated the conceptual framework of the General Plan of Certified Public Accounting contained in Resolution Nº 400 de 2000.

PRICEWATERHOUSECOOPERS

statutory auditor's report

To the Shareholders' of
Interconexión Eléctrica S.A. E.S.P.

February 14, 2007

I have audited the balance sheets of Interconexión Eléctrica S. A. E.S.P. at December 31, 2006 and 2005 and the related statements of income, of changes in shareholders' equity, of changes in the financial position and of cash flows for the years ended on such dates. These financial statements are the responsibility of the Company's management, since they reflect its performance; my responsibilities include auditing them and expressing an opinion thereon. I have not audited the financial statements at December 31, 2006 of the subordinated company located in Brazil, who posted assets equal to $1,452,757 million and equity totaling $431.322 million for the year ended on such dates. Such financial statements were audited by another public accountant who in report of February 7, 2007 expressed an unqualified opinion on them and included two Emphasis of Matter as indicated below. The opinion I express here, regarding the figures included in the financial statements of the subordinated company located in Brazil, is based solely on the report of other public accountants.

I obtained the information necessary to comply with my statutory audit function and I conducted my examinations in accordance with auditing standards generally accepted in Colombia. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements present fairly the financial position and the results of the operations. An audit includes, among other things, examining, on a test basis, evidence supporting the amount and disclosures in the financial statements, and assessing the accounting principles used, the accounting estimates made by management, and the overall presentation of the financial statements. I believe that my audits and the report of the other public accountants provide a reasonable basis for the opinion on the financial statements that I express in the following paragraph.

In my opinion, based on my audits and on the report of the other public accountants mentioned on the first paragraph hereof, the aforementioned financial statements audited by me, which were faithfully taken from the accounting books, present fairly the financial position of Interconexión Eléctrica S. A. E.S.P. at December 31, 2006 and 2005, the results of its operations, the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia for companies under the surveillance of the Colombian General Accounting Office and of regulations of the Superintendency of Domiciliary Public Utilities, as indicated in Note 3 to the financial statements, uniformly applied.

As indicated in Note 6 to the financial statements, the auditors of the subordinated company located in Brazil included in their report two Emphasis of Matter. The first one relates to the accountability of payment of affiliate CTEEP's retirement-pension supplement plan established by Law No. 4819/58, that according to management and its legal counsels, falls on the State of Sao Paulo, reason why the affiliate has not posted in its financial statements any liability in this respect. The second Emphasis of Matter refers to the readjustment process of annual revenues authorized by the Electric Energy National Agency – ANEEL, whose periodical review is still underway and whose conclusion is expected for July of 2007; any effect must be applied retroactively to July 1st of 2005.

Based on the results of my remaining statutory audit work, it is also my opinion that during 2006 and 2005 the Company's books were kept in conformity with legal requirements and sound accounting techniques; the transactions recorded in the books and the acts of administrators complied with the bylaws and the decisions of the Shareholders' Meeting and the Board of Directors; the correspondence, the accounting vouchers and the minutes books and share register were properly kept and safeguarded; adequate measures were observed with respect to internal control and the preservation and custody of the Company's assets and those of third parties in its possession; External Circular Letter No. 0010 of 2005 of the Financial Superintendency which requires implementation of mechanisms to prevent and control laundering through the securities market of assets originated in illegal activities, were complied with; the contributions to the Integral Social Security System were properly computed and paid on a timely basis; and the financial information contained in the management report agrees with that included in the accompanying financial statements.

Carlos Enrique Gordillo Bolaños
Statutory Auditor
Professional Card No. 33537-T

special report on transactions with affiliate companies

SPECIAL REPORT ON TRANSACTIONS WITH AFFILIATE COMPANIES

In millions of Colombian pesos
In compliance with Article 29 of Law 222 of 1995 and given the existence of the Economic Group, we present to the Stockholders' Meeting the special report on the economic relationships with the Group's companies during 2006 and 2005 that have been guided and coordinated by the Parent Company, Interconexión Eléctrica S.A. E.S.P.
Commercial transactions carried out during 2005 and 2006 among the Economic Group companies, either directly or indirectly, abide by the provisions of Law 788 regarding transfer prices in force since January 1st 2004. These transactions correspond mostly to sales and purchases of services, and loans among related parties.
The Parent Company updates investments in the subordinates by application of the equity method, after homologating accounting rules and practices applicable to the Parent Company and translating financial statements into Colombian pesos with the United States Dollar as reference currency.

The Group's financial information is consolidated through the global integration methodology, according to which, significant balances and transactions between the Parent Company and the subordinates are eliminated, and minority interests corresponding to equity and the results of the period are recognized and presented in the consolidated financial statements.

Main balances and transactions with affiliates during 2005 and 2006 were:

	2006	2005
From the Balance Sheet		
Equity Investments		
Transelca S.A. E.S.P.	531,680	413,578
ISA Capital Do Brasil	430,467	-
REP S.A.	106,646	100,996
Internexa S.A. E.S.P.	99,496	98,613
TransMantaro S.A.	63,867	-
Flycom Comunicaciones S.A. E.S.P.	32,849	5,550
ISA Perú S.A.	15,945	18,493
ISA Bolivia S.A.	23,698	27,201
XM, Compañía de Expertos en Mercados S.A. E.S.P.	16,083	14,818
Accounts Receivable		
Transelca S.A. E.S.P.	51	34
Internexa S.A. E.S.P.	1,480	1,116
Flycom Comunicaciones S.A. E.S.P.	2,813	34,825
ISA Perú S.A.	438	495
REP S.A.	2,110	7,614
ISA Bolivia S.A.	796	4,391
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Accounts payable		
Transelca S.A. E.S.P.	151,516	139,221
ISA Capital Do Brasil	57,730	-
Flycom Comunicaciones S.A. E.S.P.	341	356
Internexa S.A. E.S.P.	4,227	-
ISA Perú S.A.	-	9
REP S.A.	113	60
XM, Compañía de Expertos en Mercados S.A. E.S.P.	358	293
Equity transactions		
Dividends received		
Transelca S.A. E.S.P.	21,807	5,594
REP S.A.	-	15,642
Internexa S.A. E.S.P.	8,123	-
ISA Perú S.A.	4,021	94

	2006	2005
Transactions related to the income statement		
Revenues		
Transelca S.A. E.S.P.	498	827
Internexa S.A. E.S.P.	11,644	7,016
Flycom Comunicaciones S.A. E.S.P.	4,105	3,626
ISA Perú S.A.	2,224	2,851
ISA Bolivia S.A.	636	1,435
REP S.A.	3,490	3,263
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,160	584
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XM, Compañía de Expertos en Mercados S.A. E.S.P.	279	2
ISA Perú S.A.	325	13
REP S.A.	2,553	1,090
ISA Bolivia S.A.	533	62
ISA Capital Do Brasil	25	-

certification of compliance with intellectual property and copyright regulations

The undersigned Legal Agent and Information Director of INTERCONEXION ELECTRICA S.A. E.S.P., in compliance with Article 1 of Law 603 of 2000,

Certify:

a. That the corporation complies with all regulations regarding intellectual property and copyright, and that all software used is legal and the rights to use it have been paid for, either through purchases, usage licenses, or assignments. Supporting documents can be found at our Central Archives.

b. That the Information Direction of the Corporation carries an inventory of all software used and controls its installation according to the license purchased.

c. That in accordance with corporate policies and institutional guidelines, employees are bound to observe all regulations regarding intellectual property and copyrights.

Luis Fernando Alarcón Mantilla
General Manager

Olga Lucía López Marín
Information Director

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