



Annual report 2008





2008

Annual report

Board of
DIRECTORS

Principal Members

Minister of Mines and Energy
Ministry of Mines and Energy

Hernán Martínez Torres

Vice-Minister General
Ministry of Finance
and Public Credit

Gloria Inés Cortés Arango

Isaac Yanovich Farbaiarz

Chief Executive Officer
Empresas Públicas de Medellín

Federico Restrepo Posada

Santiago Montenegro Trujillo

Luisa Fernanda Lafaurie Rivera

Orlando Cabrales Martínez

Alternate Members

Vice-Minister of Mines and Energy
Ministry of Mines and Energy

Manuel Fernando
Maiguashca Olano

Legal Counsel to the Minister
Ministry of Finance and Public Credit

Nhora Abuchar Chamie

Public Credit and National
Treasury Director General
Ministry of Finance
and Public Credit

Viviana Lara Castilla

Energy Director
Empresas Públicas de Medellín

Jesús Aristizábal Guevara

Jorge Hernán Cárdenas Santamaría

Luis Fernando Uribe Restrepo

Andrés Felipe Mejía Cardona

Chief Executive Officer

Luis Fernando Alarcón Mantilla

Energy Transport Manager

Julián Cadavid Velásquez

Infrastructure Projects Manager

Guillermo Márquez Moreno

Administrative Manager

Carlota María Nicholls Estrada

Corporate Strategy Manager

Ana Mercedes Villegas Mejía

César Augusto Ramírez Rojas

Corporate Finance Manager

Camilo Barco Muñoz

Corporate Auditor

John Byron Pérez Díez

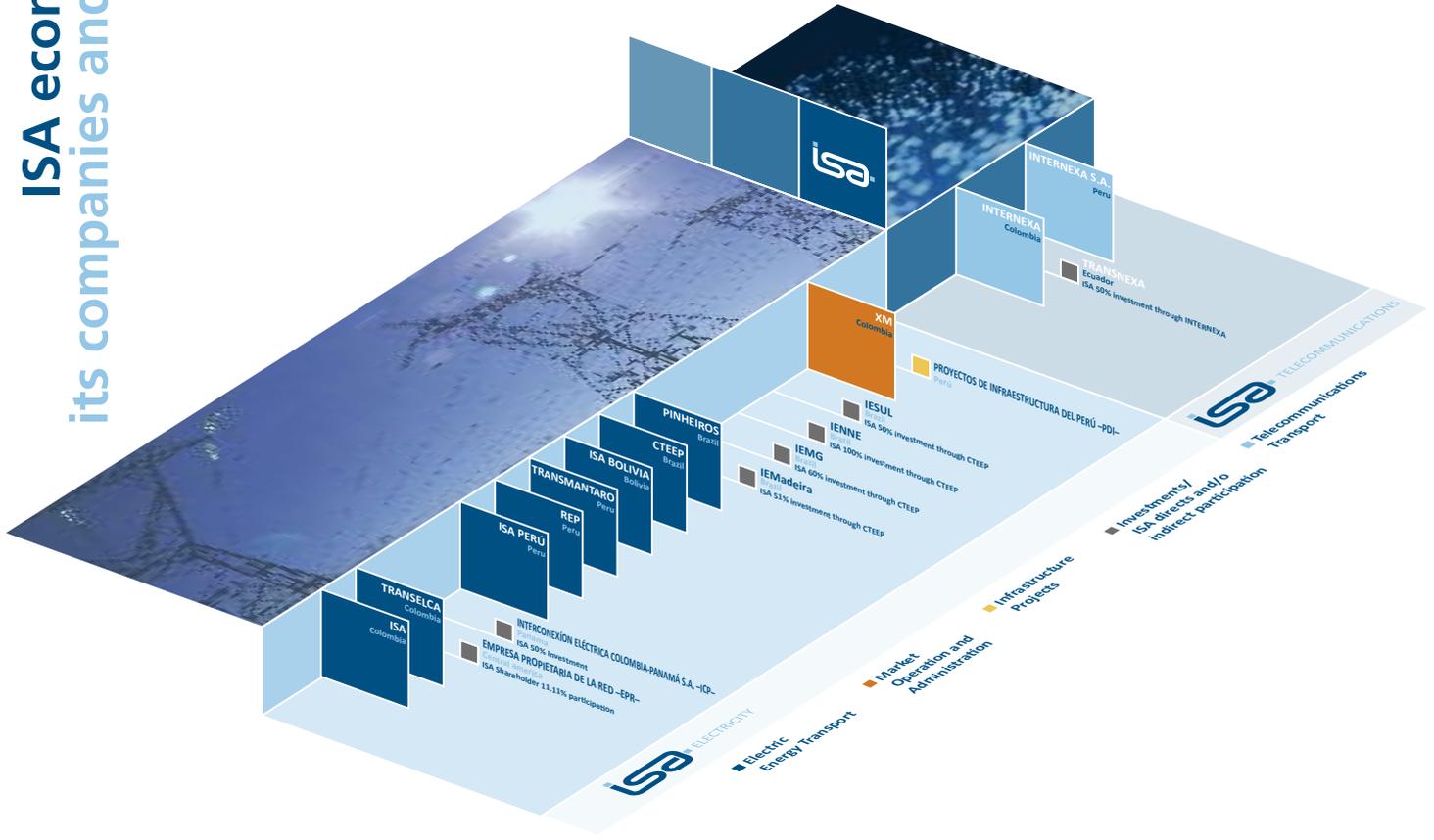
Secretary General

Juan David Bastidas Saldarriaga

Corporate Image Director

Carmen Elisa Restrepo Vélez

ISA economic group its companies and businesses





■ ELECTRIC
ENERGY TRANSPORT

■ MARKET OPERATION
AND ADMINISTRATION

■ INFRASTRUCTURE
PROJECTS

■ TELECOMMUNICATIONS
TRANSPORT

	ISA ELECTRICITY	MARKET OPERATION AND ADMINISTRATION	INFRASTRUCTURE PROJECTS	ISA TELECOMMUNICATIONS
COLOMBIA	 TRANSELCA	 filial de isa		 INTERNEXA
BRASIL	 CTEEP through ISA Capital do Brasil PINHEIROS IEMadeira ISA 51% investment through CTEEP IEMG ISA 60% investment through CTEEP IENNE ISA 100% investment through CTEEP IESUL ISA 50% investment through CTEEP			
PERU	 REP TRANSMANTARO ISA PERÚ		PROYECTOS DE INFRAESTRUCTURA DEL PERÚ –PDI–	 INTERNEXA
BOLIVIA	 ISA BOLIVIA			
ECUADOR				TRANSNEXA: ISA 50% investment through INTERNEXA
PANAMA	INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ –ICP–: ISA 50% investment			
CENTRAL AMERICA	Empresa Propietaria de la Red –EPR–: ISA shareholder 11.11% participation			



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Messrs. Shareholders,

We would like to thank you for the excellent opportunity to present you with the results of 2008, the current state of the Company and its perspectives.

This report will focus on the management of ISA economic group beyond the mere analysis of the results for each company. To do that, we have conducted an individual management analysis of every business area, highlighting our successes in Electric Energy Transport, Markets Operation and Administration, Telecommunications Transport, as well as the prospects rising from new business related to linear infrastructure systems.

We want to start out by highlighting the fact that it would be impossible to carry out our commitment without the support of thousands of people like you, our shareholders, investors, customers, suppliers, common citizens, and of course, our associates.

The year 2008 was one of worldwide economic hardship, a phenomenon that has been moving from the financial to the productive sector, compromising an ever-growing number of countries and companies.

Despite the above, ISA's stock had a stable performance, closing the year at the same price as that by end of 2007, a figure in sharp contrast with 29.3% devaluation of Colombia's Stock Exchange Index –IGBC, for its Spanish initials–. These positive results may be the consequence of the perception of the market of our core business, Electric Energy Transport, an activity with income ensured through the times, as a consequence of either the sector's regulation or the conditions agreed on the bids, that turn out to be a relative protection against economic fluctuations.

The Electric Energy Transport business saw important growth along 2008: we put into operation 594 km of grid, for a total of 38,223 km in the countries where we are present. Additionally, completion of another 6,535 km is underway, which will ratify our position as Latin America's major electric energy transporter.

In Colombia, we were awarded the concession for construction and 25-year operation of Porce substation and two 500kV lines of 22 km each; additionally, we signed two contracts to connect two large consumers

to the National Transmission System –STN, for its Spanish initials–, one at Comuneros Substation, in Santander province, and the other at the Caño Limon substation, in Arauca.

On the other hand, in Peru, we were awarded a concession to build one substation and two lines of 96 km each; we subscribed a contract with Compañía Eléctrica El Platanal to connect its generating plant to the power system, and we put into operation the second triad of the 380-km-Zapallal-Paramonga-Chimbote line. And in Bolivia, we commissioned the Arboleda substation, to improve reliability of the Northern Santa Cruz Province system.

But it was Brazil where we had the largest expansion. In the first semester we were awarded five groups including seven substations and 233 km of grid, and in the second semester we won the largest project offered through auction procedures by Agência Nacional de Energia Elétrica –ANEEL–, two substations and 4,750 km of grid, to operate at a voltage of 600 kV. This latter project will enable incorporation of direct current transmission technology to the know-how of the economic group, an important technologic advancement.

In order to carry out these projects, we established with other partners from the region the corporations Interligação Elétrica Sul –IESUL–, Interligação Elétrica Pinheiros and Interligação Elétrica do Madeira –IEMADEIRA–, a group of companies that show the strengthening of our presence in Brazil, by going from owning infrastructure only in São Paulo State to owning projects in another 11 states, all in less than three years.

Also worth highlighting in the energy transport business is promotion of regional electric integration, for which, in partnership with Empresa de Transmisión Eléctrica –ETESA–, we have been working on the feasibility studies of electric interconnection with Panama, to which end we established the company Interconexión Eléctrica Colombia-Panamá –ICP–. This initiative was strengthened by the signing of a letter of intent by the presidents of Colombia and Panama to make this important project viable.

We also keep active participation in Central America as partners of Empresa Propietaria de la Red –EPR–, the entity in charge of constructing the 1,776 km of transmission lines that will link Central America, and we signed with Empresas Públicas de Medellín and authorities from



the Dominican Republic and Puerto Rico an agreement to start legal, technical and economic feasibility studies that might result in new energy supply alternatives for these Caribbean countries.

As to the business of Markets Operation and Administration, the two firm energy auctions conducted by our subsidiary XM in 2008 stand out. In these auctions reliability charges were assigned to the plants that are to deliver the energy required by Colombia between December of 2012 and November of 2019. As a result of this process, nine generation projects will be built and commissioned, to increase installed generating capacity by 3,420 MW: Amoyá, Gecelca 3, Termocol, El Quimbo, Cucuana, Porce IV, Miel II, Pescadero - Ituango and Sogamoso.

The interesting challenges presented by this business are the reason why XM signed with the Colombia Stock Exchange a memorandum of understanding for studying and finding alternatives that will lead to the implementation of a negotiation system of standardized derivatives with electric energy, natural gas, fuel and other energy commodities as underlying variables.

In the Telecommunications Transport business, we are currently a major player with 10,378 km of fiber-optic network that traverses 54 Andean Region cities. Commercial operation of the network in Northern Peru made it possible to transmit signals between Lima and Caracas.

Growth in this business was ratified by startup of commercial operation of INTERNEXA in Peru and incorporation in Brazil of INTERNEXA PARTICIPAÇÕES.

The positive balance of our business is supplemented by excellent managerial efforts that allowed optimal use of resources, thanks to the development of better practices and synergies by a human team highly committed to the performance and projection of our group.

From the financial viewpoint, consolidated EBITDA went up 16.3%, while EBITDA margin went from 69.3% to 71.8%. Improvement in these indicators is accounted for by 12.2% revenue growth and 5.6% cost and expenses decrease on previous period. These good results were to great extent due to the outstanding performance of CTEEP.

On its part, ISA posted \$236,593 million net income, 4.7% up on 2007, while EBITDA grew 12.2%.

The Company expanded its Debt Bond Program to a total amount of \$1,200,000 million, and it issued securities in the local market worth \$104.500 million, which saw 1.63 over demand. In the meantime, CTEEP received BRL202.16 million loan from Banco Nacional de Desenvolvimento Econômico e Social –BNDES– of Brazil, to be used to fund its investment plan, and BRL160 million in loans from local commercial banks and promissory notes to finance cash flows.

To keep growing, we need a great effort and support from many entities that trust in our entrepreneurial strength. Firms like Duff & Phelps, Standard & Poor's, Apoyo & Asociados Internacionales, Pacific Credit Rating and Equilibrium ratified in 2008 their credit risk rating for our companies.

Our accomplishments span other entrepreneurial fields: we have a new visual corporate identity that covers both ISA and its affiliates and subsidiaries; and we were awarded a special mention in the National Peace Prize that makes us the first for-profit organization to receive this kind of recognition.

It is also worth mentioning that the Infrastructure Projects services received ISO 9001:2000 quality certification, and that the Energy Transport processes in the venues of Medellin and in the Southwestern Energy Transmission Center received ISO 14001 (environmental management) and OHSAS 18001 (occupational safety and health) certifications; such certifications will make us more competitive at the international level.

ISA signed with the Government a 20-year agreement to stabilize regulation related to income tax for the activity of energy transport in Colombia; the long-term objective of this agreement is to minimize the impacts affecting project returns, and the Company's indicators.

To consolidate this interesting growth process, ISA economic group will continue focusing on markets development by means of construction and operation of linear infrastructure systems.

So as to achieve our goal to be the largest international energy transporter, we have been working on important growth prospects that will help us ratify our position in Colombia, Peru, and Brazil, and explore new business options in other Latin American markets.

In Colombia, the National Government has plans to invest USD200 million in transmission in the coming 10 years, derived from construction of new generation projects awarded in recent firm-energy auctions. In Peru, in the meantime, we plan a USD500-million investment in the next three years in expansion, reinforcement and new concession processes. And in Brazil, we will keep on guard for new auctions that will allow us to widen our infrastructure and consolidate our position in that market; right now, the 2007-2016 decennial energy plan estimates energy transmission investment requirements for the near future at USD11 trillion.

For an ever-ampler presence in Telecommunications Transport, ISA economic group will seek growth at the pace of regional traffic, and it will keep on the lookout for integration opportunities with other countries in Central and South America.

Based on the confidence enjoyed by ISA as a serious, responsible and solid company that has the expertise called for by development of major works, we have analyzed opportunities in different countries to venture in development of road and natural gas transport infrastructure, and we are quite sure that deals will materialize in the next few months.

Of course we are well aware of the prudence imposed by the current financial crisis regarding investments in the immediate future, if an adequate development pace is to be guaranteed.

We thank each one of our stakeholders, especially the authorities and inhabitants of the different countries where we have subsidiaries and affiliates, for opening their doors and giving us the opportunity to participate in their development process; special thanks go to our associates, tireless promoters of this growth.

We reiterate to you, our shareholders, the confidence you must feel regarding ISA's solidness and relentless commitment and efforts, from our people, who will always be willing to serve and to do their best for the Company.

These good results were made possible by the efforts of all an each one, and by the trust endowed on us by our investors.

Many thanks,



Orlando Cabrales Martínez
Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla
Chief Executive Officer

Report FROM ISA'S BOARD of directors



In compliance with the provisions of the Articles of Incorporation and the Good Governance Code, and as the Chairman of the Board of Directors of Interconexión Eléctrica S.A. E.S.P. -ISA-, I hereby present to you the following information regarding the period April 2008 – March 2009.

2.1 COMPOSITION OF ISA'S BOARD OF DIRECTORS

On March 31 of 2008, the Shareholders' Meeting designated positions and persons knowledgeable and with expertise in the managerial, financial, corporative and stock market fields, among others, to make up the Organization's Board of Directors.

Those who were finally voted have renown for their moral solvency, and for their proficiency in public utilities and the power sector.

Principal members:

First seat:	Minister of Mines and Energy, Hernán Martínez Torres.
Second seat:	Vice-Minister General of Finance and Public Credit, Gloria Inés Cortés Arango.
Third seat:	Isaac Yanovich Farbaiarz.
Fourth seat:	CEO, Empresas Públicas de Medellín Santiago Montenegro Trujillo.
Sixth seat:	Luisa Fernanda Lafaurie Rivera.
Seventh seat:	Orlando Cabrales Martínez.

Alternate members, in the same order:

- Vice-Minister of Mines and Energy, Manuel Fernando Maiguashca Olano.
- Legal Counsel to the Minister of Finance and Public Credit, Nhora Abuchar Chamie.
- Director General Public Credit and National Treasury, Viviana Lara Castilla.



- Energy Director, Empresas Públicas de Medellín, Jesús Aristizábal Guevara.
- Jorge Hernán Cárdenas Santamaría.
- Luis Fernando Uribe Restrepo.
- Andrés Felipe Mejía Cardona.

Except for their condition as shareholders of Orlando Cabrales Martínez, Luisa Fernanda Lafaurie Rivera, and Jorge Hernán Cárdenas Santamaría, no labor relation exists between the members of the Board of Directors and the Company, nor are there any commercial links between the Company and relatives, within the first degree of consanguinity or affinity, of the members of the Board.

The following members hold public positions in the national government, and thus have links with the State, the controlling shareholder of Interconexión Eléctrica S.A. E.S.P. –ISA–:

- Minister of Mines and Energy, Hernán Martínez Torres.
- Vice-Minister of Mines and Energy, Manuel Fernando Maiguashca Olano.
- Vice-Minister General of Finance and Public Credit, Gloria Inés Cortés Arango.
- Legal Counsel to the Minister of Finance and Public Credit, Nhora Abuchar Chamie.
- Director General Public Credit and National Treasury at the Ministry of Finance and Public Credit, Viviana Lara Castilla.

As provided in Law 964 of 2005, Federico Restrepo Posada, Jesús Aristizábal Guevara, Santiago Montenegro Trujillo, Jorge Hernán Cárdenas Santamaría, Luisa Fernanda Lafaurie Rivera and Luis Fernando Uribe Restrepo acted as independent members of the Board of Directors.

2.2 OPERATION OF THE MEETINGS

Schedule

In its meeting 664 of April 25, 2008, the Board of Directors approved the schedule of meetings, the enhancement plan, corresponding topics, and presentation periodicity for the April 2008 – March 2009 period.

Within the mentioned period, the Board met on 12 occasions, all of them as regular face-to-face meetings; nine meetings were held in Bogota, two in Medellín, and one in Cartagena.

Average length of each meeting was five hours, and as agreed by the Board, agenda items on which a decision was to be made, were considered first, followed by strategic issues and lastly by monitoring issues.

Convening

At the end of each session, the Secretary of the Meeting reminded participants of the date and place of the next meeting, and later on, no less than five days in advance, the Secretary convened in writing every principal member and his alternate.

Availability of information

The Secretary of the Meeting, no less than three days before the session through a site at ISA's Web page created for such purpose and accessible only with a personal password, made available to the Board's members the documentation covering the topics to be dealt with at the meeting.

Additionally, at the beginning of each meeting, the Board members were handed a compact disc plus a printed copy with the information to be considered at the meeting.

All information requested by them was also delivered by the Secretary General via the Web page.

Quorum

At the beginning of the meetings and when items considered were to be approved, the Secretary of the Board of Directors verified quorum required by the Articles of Incorporation.

Even though both the principal members and their alternates are convened to and attend the Board meetings, only the principal member's vote is counted in when computing majorities required.

Agenda

At the beginning of each session, once the quorum was verified, the agenda previously disclosed to each member was submitted to the Board of Directors for approval.

Attendance

From April 2008 to March 2009, the Board meetings were attended by at least the number of members necessary to form a quorum and to decide.

Attendance by the principal members to the 12 meetings was as follows:

- Hernán Martínez Torres, Minister of Mines and Energy: 12 meetings.
- Gloria Inés Cortés Arango, Vice-Minister General of Finance and Public Credit: 12 meetings.

- Isaac Yanovich Farbaiarz: 11 meetings.
- Federico Restrepo Posada: 11 meetings.
- Santiago Montenegro Trujillo: 10 meetings.
- Luisa Fernanda Lafaurie Rivera: 12 meetings.
- Orlando Cabrales Martínez: 11 meetings.

Attendance by the alternate members was as follows:

- Manuel Fernando Manguashca Olano, Vice-Minister of Mines and Energy: 12 meetings.
- Nhora Abuchar Chamie, Legal Counsel to the Minister of Finance and Public Credit: 12 meetings.
- Viviana Lara Castilla, Director General Public Credit and National Treasury at the Ministry of Finance and Public Credit: 12 meetings.
- Jesús Aristizábal Guevara: 12 meetings.
- Jorge Hernán Cárdenas Santamaría: 9 meetings.
- Luis Fernando Uribe Restrepo: 11 meetings.
- Andrés Felipe Mejía Cardona: 10 meetings.

Pending Topics

In each meeting, the Chief Executive Officer reported on pending topics, and on compliance with recommendations made. Upon checkup of the list of pending issues, the Board instructed the Secretary when a matter could be taken off the pending list.

Approval of minutes

The minutes of the Board of Directors were prepared by the Board's Secretary, submitted to the Board for approval, and signed by the Chairman and the Secretary.

They are kept in consecutive order in books duly numbered by the Medellín Chamber of Commerce for Antioquia, and remain under custody at the Company's central archives.

2.3 PRESIDENT OF THE BOARD OF DIRECTORS

In session 645 of December 20, 2006, the members of the Board of Directors unanimously appointed Orlando Cabrales Martínez as Chairman of the Board.

2.4 PREPARATION OF TOPICS TO BE CONSIDERED AT THE MEETINGS

As recommended by the improvement plan, the Board centered efforts on improving planning and preparation of meetings and on intensifying time devoted to strategic issues. Also, it recommended higher synthesis capabilities for its presentations. The issues were studied and analyzed by each member, objectively discussed under business criteria by the full Board, and finally decided upon by consensus.

2.5 COMMITTEES OF THE BOARD OF DIRECTORS

As established by the Organization's Board of Directors, the Corporate Audit Committee, the Board Committee, and the New Business Committee operate institutionally at ISA.

Corporate Audit Committee

This Committee met seven times in the period April 2008 – March 2009. Its members are Luis Fernando Uribe Restrepo, its Chairman, and Nhora Abuchar Chamie, Jesús Aristizábal Guevara, Jorge Hernán Cárdenas Santamaría and Andrés Felipe Mejía.

It is in charge, among other functions, of approving the control policy of ISA economic group and supervising its compliance; reporting to the Board of Directors or Shareholders' Meeting about risk and control situations that call for it; presenting to the Shareholders' Meeting the results of the evaluation of offers for the position of Statutory Auditor; supervising compliance with ISA's Good Governance

Code, and handling matters related to its effective compliance, arising from claims brought to the Board of Directors by shareholders and investors, among others, as provided in the Articles of Incorporation and the Code itself.

Board Committee

This committee met six times along the period; its members are Gloria Inés Cortés Arango, Manuel Fernando Maiguashca Olano, Orlando Cabrales, and Santiago Mopntenegro Trujillo.

Its functions are assisting and monitoring Management on matters related to compliance with the Good Governance Code, financial statements, strategic direction and human talent. It is also in charge of evaluating the Chief Executive Officer, and of any other function or activity assigned to it by the Board of Directors, such as evaluating the functioning of the Board itself.

New Business Committee

This committee met 12 times along the period; its members are Luisa Fernanda Lafaurie Rivera, Orlando Cabrales Martínez, Andrés Felipe Mejía Cardona, Santiago Montenegro Trujillo, Gloria Inés Cortés Arango y Manuel Fernando Maiguashca Olano.

This Committee does not include those Board members who, by reason of their duties or the company or entity they work for, may have conflicts of interest, arising from the business analyzed or monitored.

2.6 REMUNERATION

The Board of Directors' members have received the remuneration set by the Shareholders' Meeting for attending the Board and Committee meetings established at three monthly statutory minimum wages per meeting.

2.7 CONFLICTS OF INTEREST

Whenever the Board members considered that conflicts of interest could have arisen regarding some specific matter under discussion, they expressed so to the other members, and abstained from participating in discussion and decision-making, exiting the premises where the Board met to consider and vote the issue.

2.8 RELATIONS OF THE BOARD OF DIRECTORS WITH THE COMPANIES OF ISA ECONOMIC GROUP

For better results as managers of the parent company of ISA economic group, the Board of Directors is made up of members of the boards of the subsidiary companies: Luisa Fernanda Lafaurie Rivera, Isaac Yanovich Farbaiarz and Orlando Cabrales Martínez (Management Council of Companhia de Transmissão de Energia Elétrica Paulista -CTEEP-), Santiago Montenegro Trujillo (Boards of Directors of Red de Energía del Peru -REP- and of Consorcio TransMantaro), Viviana Lara Castilla (Board of Directors of XM, Compañía de Expertos en Mercados), Jorge Hernán Cárdenas Santamaría (Board of Directors of ISA Bolivia), Orlando Cabrales Martínez (Board of Directors of TRANSELCA), and Andrés Felipe Mejía Cardona (Board of Directors of INTERNEXA).

2.9 SELF-EVALUATION OF THE BOARD OF DIRECTORS

Board of Directors members conducted qualitative self-evaluation, by means of a questionnaire developed for such purpose. Information was gathered between January 30 and February 20 of 2009 using a 14-people sample equivalent to 100% of the Board's principal and alternate members.

The issues were assessed through the Top Two Boxes methodology, which considers the score obtained

according to the number of answers in the excellent to very good scale. Results were as follows:

- Individual performance of Board members: 95%
- Group performance: 87%
- Relevance and depth in treatment of issues: 89%
- Performance and participation in management: 83%

For optimum performance of the Board of Directors, work in conjunction with the Management was proposed to enhance swiftness and efficiency of sessions, with emphasis of the Board's work on strategic issues. Also, the Management will schedule a work session aimed at keeping the Board of Directors abreast of ISA economic group's business, including regulation matters, as well as the latest trends and evolution of the energy, gas, telecommunications, and roads sectors.

Besides its self-evaluation, the Board was rated according to the results of the indicators of the corporate integral and top level management charts, which were approved by the Board of Directors in meeting 674 of February 27, 2009. Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 66.43% and compliance with top level chart 56.1%, above the lower goal.

2.10 EVALUATION OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is evaluated according to the results of the three level indicators of the corporate integral management chart, namely, corporate, top and first – one level above the Board of Directors. Taking into account the weights per perspective, objective and indicator, compliance

with the corporate integral management chart was 66.43%, compliance with top level was 56.1% and compliance with first level indicator was 70.31%, above the lower goal.

The Board of Directors unanimously highlighted the accomplishments of Luis Fernando Alarcón Mantilla and his leadership during the period, which have substantially contributed to place the Company where it stands today, both nationally and internationally. His vision, dedication and perseverance have proved decisive in this matter and deserve all our

recognition. The Board specially highlights the effective participation and good judgment of the Chief Executive Officer in successfully implementing the internationalization strategy of the economic group, as well as his vision to venture into new sectors and businesses.

Finally, I want to let Messrs. Shareholders know that each member of the Board of Directors has contributed his knowledge, experience, dedication, and positive critical attitude to the growth and sustainability of Interconexión Eléctrica S.A. E.S.P.



Orlando Cabrales Martínez
Chairman of the Board of Directors

Report on
COMPLIANCE
with and advancement of
the Good Governance Code

In compliance with the provisions contained in the Articles of Incorporation and the Code of Good Governance, in my capacity as Chairman of the Board of Directors, and on behalf of the Chief Executive Officer, I present the following report:

3.1 SHAREHOLDERS' MEETING

The notice for the Regular Shareholders' Meeting of March 31 of 2008 was published in two newspapers of wide national circulation.

Likewise, on March 25 and 30 in two wide-circulation newspapers, the Company reminded shareholders of the date set for the meeting and published information regarding representation by proxy for the meetings.

Concurrently, ISA posted on the Company's Web page, the meeting convening notice, the agendas and the propositions to be considered therein. Additionally, it published the ticket for the Board of Directors and résumés of candidates that the State, as controlling shareholder, presented to the consideration of the meeting.

Quorum was present at the meeting, as required by Law. The issues approved in the agenda were presented to the consideration of shareholders. The meeting was broadcast as real-time videoconference via Internet.

For information of shareholders, abstracts of minutes 97 corresponding to the regular meeting held on March 31 of 2008 were posted on the Company's Web page.

The minutes were signed by the meetings' Chairman and Secretary as well as by the respective commission, and included the issues presented, the approvals and authorizations granted, and the observations made by the shareholders. The minutes were filed with the

Chamber of Commerce and copies thereof were sent to the Colombian Financial Superintendency and to the Superintendency of Domiciliary Public Utilities.

3.2 THE ADMINISTRATION

The Shareholders' Meeting of March 31, elected the Board of Directors for the April 2008 – March 2009 period. All members designated expressed their acceptance in writing, a fact that was also filed with the Chamber of Commerce of the Corporation's domicile.

The report on the operation of the Board of Directors, also submitted to the Shareholders' Meeting, recounts the Board's meetings held, members' attendance and self-evaluation of the Board.

According to the Articles of Incorporation, the Chief Executive Officer, the area managers, the deputy managers and the directors are part of the administration, and all of them, through strategic direction of their respective areas and execution of different activities, contribute to achieve the Company's goals.

The Chief Executive Officer is evaluated according to the results of the three level indicators of the corporate integral management chart, namely, corporate, top and first.

Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 66.43%, compliance with top level was 56.1% and compliance with first level indicator was 70.31%, above the lower goal.

The Board of Directors unanimously highlighted the accomplishments of Luis Fernando Alarcón Mantilla and his leadership during the period, which have substantially contributed to place the Company where

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Area managers, deputy managers, directors and workers are evaluated according to the indicators established in the integral management chart that corresponds to their respective level. Results are disclosed inside the Organization and used to prepare the improvement plan for the next period.

To negotiate shares of ISA, administrators must have authorization from the Board of Directors. Which is why, in his capacity as member of the Board of Directors, Jorge Hernán Cárdenas Santamaría, in meeting 668 of June 29 of 2008, requested authorization to negotiate shares, authorization that was granted by the Board, without the vote of the interested party. Area managers and directors, in their capacity as administrators, also requested the respective authorizations to buy or sell shares of ISA.

ISA does not use special mechanisms for payment or remuneration in stock to employees and managers.

Through the Web page, Corporate Governance section, Messrs. Shareholders can get information about the professional qualifications and experience of the Company's managers.

3.3 CONTROL

The Company, along its inspection and control process, answered efficiently and timely the requests for information and/or documents presented by

government control bodies and it obtained ratings from authorized firms.

External control bodies

National General Accounting Office: The Company presented six reports regarding accounting information and non-performing debtors.

National General Auditing Office: 20 reports related to rendering of accounts, advancement of improvement plans, information for the Debt Unified Statistics System –SEUD, for its Spanish initials–, and information regarding cash budget for the Fiscal Statistics Information System –SIDEF, for its Spanish initials–.

Colombian Financial Superintendency: 18 reports on bond underwriting, pre-and-post-Shareholders' Meeting information, accounting information and financial information. Besides, 86 information pieces of relevant information of the Company were published.

Superintendency of Domiciliary Public Utilities –SSPD, for its Spanish initials–: 18 reports with general information to update the Single Register of Public Utilities Providers –RUPS, for its Spanish initials–; financial, administrative, commercial, accounting and infrastructure investment information; and information related to the Shareholders' Meeting.

Energy and Gas Regulatory Commission –CREG, for its Spanish initials–: Six reports with shareholder structure and accounting information.

National Planning Department –DNP, for its Spanish initials–: Two reports regarding budget follow-up, shareholder structure, and project for earnings distribution.

Ministry of Mines and Energy: Four reports on ISA's equity.

Public Management Administrative Department: The Company presented 12 reports on personnel hired under services and consulting contracts.

National Planning Department –DNP, for its Spanish initials–: Five reports on quarterly and annual services delivery survey.

External Auditor of Management and Results AGN Jiménez & Asociados Ltda. acted as ISA's External Auditor for the period 2007–2008. Its report issued on March 15, 2008 and published in the national newspapers on April 27 of the same year, stated that: the internal control system effectively complied with the control goals set; the Company's risk level is low; the Company's methodology to identify and administer risks is adequate; and no situations were observed indicating the existence of financial viability problems. Said report was presented to the Superintendency of Public Utilities.

Statutory Auditor: PriceWaterhouseCoopers Ltda., statutory auditors for the April 1, 2008– March 31, 2009 carried out the statutory audit of ISA, based on the information and documentation requested according to their duties. Their recommendations have been analyzed and the measures suggested by them have been taken. In compliance with its legal duties, the firm will present to the Shareholders' Meeting a report on the Corporation's management and financial statements.

Chamber of Commerce: Along the period, the financial statements were filed, the Mercantile Register and Single Roster of Proponents were renewed, the minutes of the Shareholders' Meeting were filed, as were appointment and acceptance of the Board

of Directors' members, statutory auditor, legal representatives and alternate legal representatives. Also, ISA's shareholding participation in the companies making up the economic group was updated.

Credit ratings

Credit rating agency Duff & Phelps de Colombia rated AAA ISA's three bond issues and the domestic debt bond program. In the same manner, Standard & Poor's upheld its BB+ rating for ISA's foreign-currency long-term credit (equal to the Republic of Colombia's sovereign ceiling) and granted BBB- rating to its local-currency credit.

It is important to add that no requests for special audits were made by shareholders or investors during the period and no investigations that compromised ISA were conducted by control and inspection entities.

The Statutory Auditor's Report, the External Auditor's opinion and the ratings of risk rating agencies are published on the Company's Website (www.isa.com.co) for information of shareholders and investors.

Internal control bodies

Corporate Audit Committee Along fiscal April 2008-March 2009, the committee had one special and six regular meetings. It was in charge of examining the Internal Auditor's Report, reports for supervision and control entities, financial statements for 2008, and approval of Corporate Audit work plan for 2009.

Corporate Audit conducted 19 evaluation processes, in areas such as information technology governance, database network vulnerability, SAP

integrated system security, maintenance planning and assessment, compliance with SIN-ISA-XM reliability projects, maintenance implementation, commissioning, delivery and settlement of projects, risk insurance management, treasury management, Sarbanes Oxley Law, per diem payment, Good Governance Code, Corporate Social Responsibility, ElectroserVICIOS contracts, significant amount contracts for infrastructure projects, and contract management of the Electric Transport Management Unit (three evaluations).

Its recommendations refer to the improvement of controls established regarding governance, managerial, financial, technical, and IT issues.

Control instruments

Instruments implemented in the Company such as the integral management chart, development plan, budget, application for improvement plan monitoring, permit controlling the Company's day-to-day activities.

3.4 STAKEHOLDERS

In its Web page, ISA publishes its commitment to each stakeholder together with the Corporate Social Responsibility Report that details compliance with each commitment, as well as news and facts of relevance for each group.

Below is an account of issues related to shareholders and suppliers.

3.4.1 Shareholders

As of December 31, ISA had 1,075,661,374 outstanding shares held by 56,539 shareholders, as follows: The State (569,472,561 - 52.94%), Empresas Públicas de Medellín –EPM– (109,350,775 - 10.17%),

Empresa Colombiana de Petróleos –ECOPETROL– (58,925,480 - 5.48%), Empresa de Energía de Bogotá –EEB– (18,448,050 - 1.72%), institutional investors (181,880,448 - 16.91%), individuals (106,587,952 - 9.91%), legal persons (18,119,708 - 1.68%); foreign investors (9,925,575 - 0.92%) and ISA ADR Program (2,950,825 - 0.27%).

Relations with shareholders

Along the period, the shareholders' information center reached 99.5% service level with 55,129 contacts:

- The personalized service offices in Medellín and Bogotá handled 638 and 67 requests, respectively, while the other regional offices processed 684 requests.
- The e-inbox at accionesa@isa.com.co received 6,253 requests from shareholders.
- Service level dispatched by the "Shareholder's Attention Line" was 94.43%, with 32,080 calls, well above the 85% service level agreed upon.

In order to keep trust relations based on timely and reliable information supply, ISA carried out the following activities:

- The Chief Executive Officer presented the management and results report at six meetings held with stockbrokers in Bogotá, Cali and Medellín.
- Two shareholders newsletters were published and sent (approximately 84,184 printed and 41,979 electronic) as provided in ISA's Good Governance Code; such newsletters can also be accessed at the Company's Web page, investors section. Shareholders also received their biannual

shareholder statement with information about their investment and their corresponding income tax certificate.

- Timely disclosure of news, relevant facts, quarterly financial reports and generic pieces was achieved through 462,455 e-mails (449,677 for shareholders and 12,779 for foreign and domestic brokers and institutional investors).
- In total, 18 news of interest in Spanish, 17 news pieces in English, four quarterly financial reports, four "Quarterly Results" for international investors, two shareholders newsletters each with its corresponding shareholder statement, one newsletter in English, one income tax certificate, and two generic pieces were sent along the year.

Dividend policy

On March 31, 2008, ISA's Shareholders' Meeting approved the appropriation and distribution of earnings of the year 2007, which meant distribution of earnings and reserves totaling \$150,593 million to pay dividends of \$140 per share. Payment took place in four quarterly installments of \$35 each on April 16, July 16, and October 16 of 2008 and January 27 of 2009.

3.4.2 Suppliers

In the year 2008, ISA signed with 1,159 suppliers 2,839 contracts worth \$379,108 million, excluding VAT.

Of the 58 notices published on the Web page related to procurement of goods and services, 42 of which correspond to Energy Transport service, 13 to corporate goods and services, and three to projects of the Financial Support Fund for Electrification of Interconnected Rural Areas –FAER– and the Financial Support Fund for Electrification of Non-Interconnected Rural Areas –FAZNI–.

As many as 985 calls were answered through the suppliers and contracts contact mailbox.

3.5 RELATIONS WITH THE CONTROLLING SHAREHOLDER

ISA and the State, its controlling shareholder, have executed the following agreements:

FAER Agreement 017 (GSA 031/2005) between the State-Ministry of Mines and Energy and Empresa Antioqueña de Energía –EADE–, assigned to ISA, for general administration of the projects to be funded by FAER in the Province of Antioquia, signed on December 22, 2006 for \$5,474,649,715.

Agreement GSA-45-2007-ISA4000712 between the State-Ministry of Mines and Energy and ISA, for general administration and technical assistance of projects to be funded by FAZNI in the Provinces of Casanare, Putumayo, Guaviare, Vichada and Caqueta, signed on August 27, 2007 for \$2,687,812,433.

Inter-administrative agreement GSA-041-2005-ISA4000671 between the State-Ministry of Mines and Energy and ISA, for pre-contract and work engineering auditing of projects to expand, modernize and improve the medium- and low-voltage grids in San Andres y Providencia archipelago funded by FAZNI, signed on December 27, 2005 for \$1,118,630,188.

Inter-administrative agreement GSA054-2006-ISA4000696 between the State-Ministry of Mines and Energy and ISA, for general administration and technical assistance in execution of FAZNI funds in the Province of Cauca, signed on December 22, 2006 for \$12,468,307,384.

Technical Assistance Agreement FAER 010-ISA4000657 (GSA-024-2005) between the State-Ministry of Mines

and Energy and ISA, for general administration of projects funded by FAER in the Provinces of Cauca, Valle del Cauca, Cundinamarca and Meta, signed on December 26, 2005 for \$4,386,839,153.

Inter-administrative agreement GSA 042-2005-ISA4000670 between the State-Ministry of Mines and Energy and ISA, for general administration of the project to construct medium-voltage insulated line at 34 kV and energized at 13.2 kV from San Jose del Guaviare substation to Puerto Concordia, signed on December 27, 2005 for \$2,221,633,568.

Inter-administrative agreement FAER-033-ISA4000744 between the State-Ministry of Mines and Energy and ISA, for general administration and execution of the project to construct medium- and low-voltage distribution grids in rural areas of the Majagual, San Marcos, Caimito, Sucre and Guaranda municipalities, province of Sucre, signed on October 23, 2008 for \$33,242,514,167.

3.6 RISKS

ISA manages its risks and reports its management results to corresponding entities, thus complying with the Policy for Integrated Risk Management of ISA economic group.

Identification and assessment of risks established in the map for 2008 determined the most relevant risks to the Company to be of operating nature (human and procedural errors), and external (suppliers default).

Along the period, ISA managed these risks and others of lower impact; it also analyzed the effects of the global financial crisis and volatility of macroeconomic variables on the financial results expected for the year. It advanced the definition of tolerance limits for decision-making and construction of exercises for

analysis of risk impact on the Company's financial statement projections.

On the Web page, in the Annual Report, and in the prospectus of bonds issued during the period, ISA highlighted the most relevant risk-management issues.

It also coordinated implementation of the cycle for integrated risk management in the economic group subsidiaries, who have as well a map of the risks they face themselves.

3.7 INFORMATION DISCLOSED TO THE PUBLIC

Since its creation, ISA's Web page informs the public about the Company's events:

- Acquisition and establishment of companies.
- Value of the stock.
- Changes in the management.
- Convening of Shareholders' Meetings.

On the page investors were able to find during the year ISA's consolidated and individual financial results (those presented to the Board of Directors), debt reports and guarantees granted, reports to the United States Security and Exchange Commission –SEC–, stockholder structure, dividend payment dates, attacks on the power towers, ongoing projects, reports from the Statutory Auditor, Board of Directors' composition and relevant decisions, and reports from risk-rating agencies.

Financial information thus disclosed is updated every quarter and is the same that is presented to the Board of Directors. It is compiled and processed according to the professional principles, criteria and practices used

in the production of financial statements, and it is as reliable.

Information not posted on the Web page can be requested in writing to the Chief Executive Officer, stating the reasons and purpose. The Manager's refusal to disclose information can be brought to the consideration of the Board of Directors. No refusal of information was brought to the consideration of the Board of Directors in the period between April 2008 and March 2009.

It must be taken into account that no reserved or confidential information, or information posing a risk to the Corporation's business, or affecting third parties' rights, can be disclosed by ISA.

3.8 COMPLIANCE WITH THE GOOD GOVERNANCE CODE

No Code reform took place along the period, and follow-up of its compliance was conducted through the compliance-verification mechanism.

The information supplied on the Web page, the reports to supervision and control bodies, the reports of verification of the Good Governance Code, the reports to the Board of Directors on compliance with the Code, and the other control instruments constitute the central axis for verification of the Code.

Annual audits by the Corporate Audit Office and the Statutory Auditor on compliance with the Good Governance Code facilitate its monitoring and control. Three audits were conducted that produced no findings of non-compliance with the Code's commitments.

During the period, no breach of the terms of the Good Governance Code was reported through any of the telephone lines and mailboxes available to the shareholders or the general public. Useful telephone numbers:

Toll-Free Line for Suggestions and Claims:
01 8000 941341

Toll-Free line for shareholder service:
Nationwide: 01 8000 115000
From Medellín: 57 (4) 3602472

Energy Transport Service:
57 (4) 3157143

It must be pointed out that the Colombian Financial Superintendency is available to shareholders, especially minority shareholders. This entity has power to implement measures to avoid violations of rights and to restore the contractual equation and the principle of equal treatment for every shareholder.

Messrs. Shareholders, our experience in the area of good corporate governance tells us that it is its day-to-day observance that allows generation of competitiveness, transparency, and trust. We count on your cooperation to continue meeting our commitment to implementing the best practices.

Thank you very much,



Orlando Cabrales Martínez
Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla
Chief Executive Officer

4.1 LINEAR INFRASTRUCTURE SYSTEMS

Clearly, Electric Energy Transport has been, and will continue to be, ISA's core business, particularly since 1994, when the Company decided for the spin-off of its generation assets. However, it is important to observe how, in the last few years, an interesting diversification process has taken place as new business opportunities rise.

Energy transport evolved into Markets Operation and Administration, thanks to which novel initiatives like the energy pool, international electricity transactions, and auctions of capacity charge have become a reality.

In the meantime, work is being developed in a promising path toward new business opportunities, through provision of engineering, construction and integral project development services. This initiative is called Infrastructure Projects.

Another concrete instance of the diversification process is expansion toward telecommunications, by using the fiber-optic network that once enabled the operation of the National Interconnection System –SIN, for its Spanish initials–.

Additionally, ISA decided to analyze the business opportunities

of the natural gas transport sector, and thus it carried out important efforts to acquire Empresa Colombiana de Gas –Ecogas– when the government decided to privatize it. Even though such efforts were unsuccessful, ISA keeps on evaluating investment opportunities in this sector in Colombia and other countries.

With these background, ISA reviewed in 2007 its strategic direction, assessed the lessons learned, and came up with a more precise and aggressive concept of what its future must be like, starting from the evaluation of its expertise and the affinity it has with development of this kind of systems.

ISA searched for a dominant theme that reflects its present success stories and serves as a starting platform for those of the future, and in that sense it made it its purpose to develop markets through design, construction and operation of trunk/linear infrastructure networks where it could be of relevance as a company.

The dominant theme suggests the opportunity to grow aggressively in the markets where it is present, venture into other countries in Latin America, develop markets through energy and telecommunications integration, as well as a trade platforms for energy resources,

develop financial markets around energy, and enter the business of other infrastructure projects, such as roads and transport of natural gas and water.

From this viewpoint for its positioning, ISA has a major territory where it is already the leader: Linear Infrastructure Systems. In a synergy with this decision, it implemented a new corporate visual identity.

4.2 MEGA

ISA has defined a Large and Ambitious Goal (-MEGA-, for its Spanish initials), to guide the economic group in its continued addition of value along the next decade. This MEGA will not only lead decision-making, but also day-to-day action.

By the year 2016, ISA economic group will have become a business corporation with revenues of USD3,500 million, 80% of which will be generated outside of Colombia.

- ISA economic group will be recognized among America's first three energy transporters, and the largest in Latin America, consolidating its platforms in Brazil and the Andean Region, and playing a major role in other countries.
- ISA will be present in 50% of energy exchanges in Latin America through assets of its own, or through systems operated by it.
- At least 20% of revenues will come from business other than electric energy transport.
- It will have ventured into other related business areas, such as natural gas transport and infrastructure projects.
- Besides having become the largest data transporter in the Andean Region, it will have developed energy-futures markets in Colombia and other countries.



ISA
ECONOMIC
group highlights



- Consolidated EBITDA went up 16.3%, while EBITDA margin went from 69.3% to 71.8%. Improvement in these indicators is accounted for by 12.2% revenue growth and 5.6% cost and expenses decrease on previous period.
- Duff & Phelps, Standard & Poor's, Apoyo & Asociados Internacionales, Pacific Credit Rating and Equilibrium affirm their credit risk rating for ISA, TRANSELCA, REP, TransMantaro and ISA Capital do Brazil.
- Energy transport infrastructure goes from 37,629 km in 2007 to 38,223 km in 2008, after commissioning of 594 km of circuit. At year-end, 6,535 km are under construction.
- The Colombian Mining and Energy Planning Unit –UPME– awards ISA the construction of Porce substation and associated works in the province of Antioquia.
- ISA and ETESA establish the corporation Interconexión Eléctrica Colombia-Panamá –ICP–.
- Consorcio TransMantaro subscribes a contract with Compañía Eléctrica El Platanal to connect its generating plant to Peru's power system.
- REP puts into operation the second triad of the 380-km-Zapallal – Paramonga-Chimbote line.
- ISA in association with Empresa de Energía de Bogotá –EEB– wins bid to link Chilca with Zapallal expanding by 200 km the Peruvian power system.
- ISA Bolivia commissions the Arboleda substation, to improve reliability of the Northern Santa Cruz Province system.
- CTEEP is awarded five groups including seven substations and 233 km of grid. In order to carry out these projects, it established with other partners from the region the corporations Interligação Elétrica Sul –IESUL– and Interligação Elétrica Pinheiros.
- CTEEP (51%), in association with state-owned companies Furnas Centrais Elétricas (24.5%) and Companhia Hidro Elétrica do São Francisco (24.5%), win two groups in public bid conducted by ANEEL to build, operate and maintain two substations and 4,750 km circuits at 600

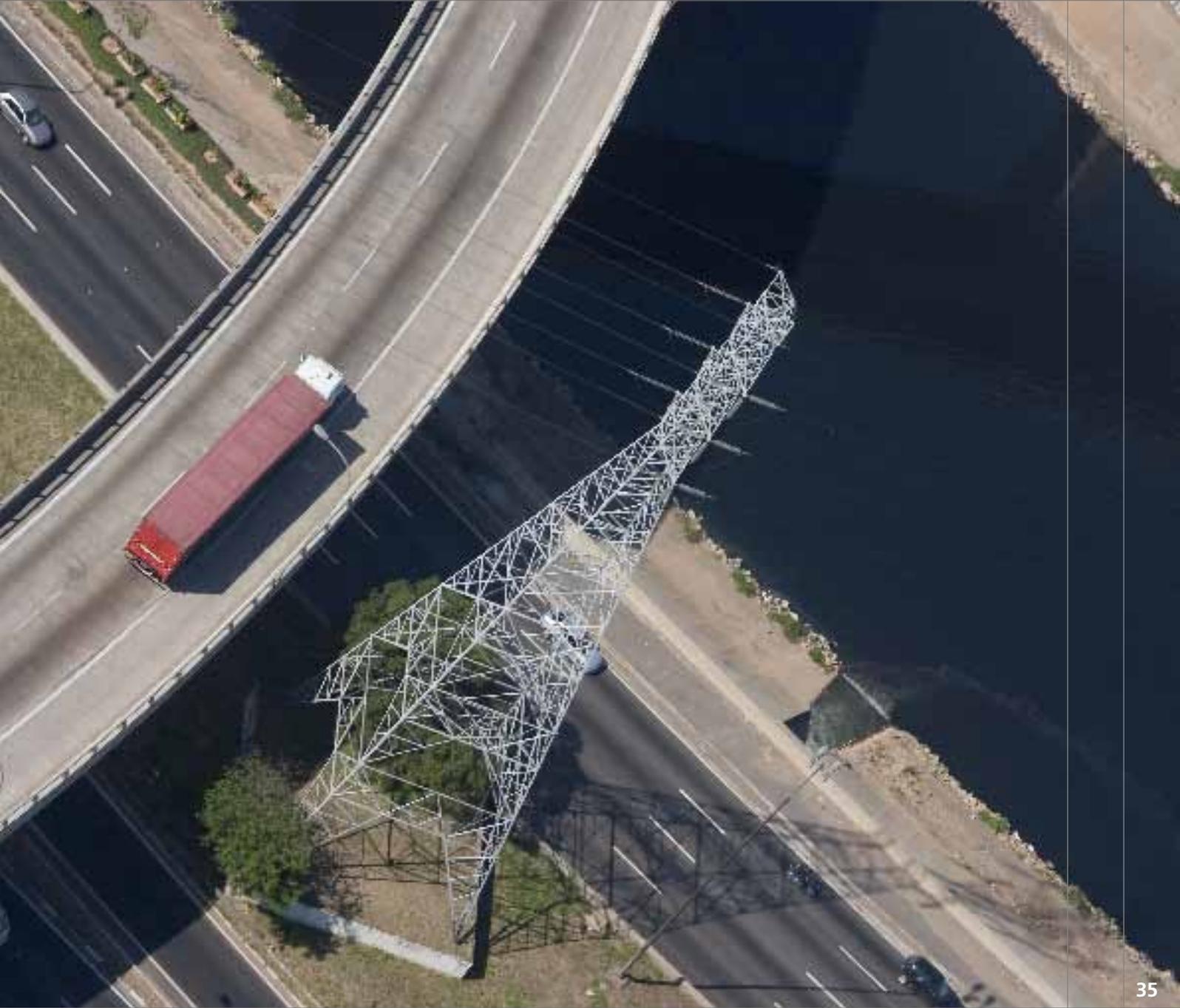


kV. Interligação Elétrica do Madeira –IEMADEIRA– is established with the purpose of executing these works.

- XM, Compañía de Expertos en Mercados conducts two firm energy auctions to assign reliability charges to the plants that are to deliver the energy required by Colombia between December of 2012 and November of 2019.
- XM signed with the Colombia Stock Exchange a memorandum

of understanding for studying and finding alternatives that will lead to the implementation of a negotiation system of standardized derivatives with energy commodities as underlying variables.

- INTERNEXA, ISA's affiliate in Peru, starts commercial operation of 1,293km fiber-optic network that makes possible the connection of Peru with Colombia, Ecuador and Venezuela.



ISA is the Latin-American group with presence in Colombia, Peru, Bolivia, Brazil, and Central America, that through its subsidiaries and affiliates works in design, construction, administration and operation of linear infrastructure systems of electricity and telecommunications connectivity. Additionally, the group expects to develop, in the mid term, businesses related to natural gas transport and roads.

In the Energy Transport business the group has the following companies: ISA and TRANSELCA, in Colombia; ISA Peru, Red de Energía del Peru –REP–, Consorcio TransMantaro and Proyectos de Infraestructura del Peru –PDI–, in Peru; ISA Bolivia, in Bolivia; and two affiliates, Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– (acquired through its investment vehicle (ISA Capital do Brazil) and Interligação Elétrica Pinheiros, in Brazil.

In Brazil, the group has also stakes in the following companies: Interligação Elétrica de Minas Gerais –IEMG–, Interligação Elétrica Norte e Nordeste –IENNE–, Interligação Elétrica Sul –IESUL– and Interligação Elétrica do Madeira –IEMadeira–.

In the Operation and Administration of Energy Markets business, the group has its subsidiary XM, Compañía de Expertos en Mercados.

In the Telecommunications Transport business, the group has presence in Colombia through INTERNEXA, a subsidiary with participation in TRANSNEXA (Ecuador), INTERNEXA (Peru) and INTERNEXA PARTICIPAÇÕES (Brazil).

6.1 ELECTRIC ENERGY TRANSPORT

ISA economic group has a 38,223km high-voltage network of transmission circuits in Colombia, Peru, Bolivia and Brazil with international links between Venezuela and Colombia, Colombia and Ecuador, and Ecuador and Peru.

The group's companies have an important revenue share in the electric energy transport market in each of the countries where the group has presence. In Colombia, participation is 80%, in Peru 77%, in Bolivia 35% and in Brazil 17%.

The group has consolidated as Latin America's largest electric energy transporter, a fact shown in its operational infrastructure:

Operational Infrastructure									
Company	Colombia		REP	Peru		ISA Bolivia	Brazil		Total
	ISA	TRANSELCA		ISA Peru	TransMantaro		CTEEP		
Transformation (MVA)	12,672	2,817	1,783	235	300	370	43,109	61,286	
Transmission (km of circuit)	10,000	1,539	5,830	393	1,227	588	18,646	38,223	

Evidence of the rapid growth of the group is the following infrastructure under construction.

Infrastructure under Construction										
Company	Colombia		REP	Peru		ISA Bolivia	Brazil			Total
	ISA	TRANSELCA		ISA Peru	TransMantaro		CTEEP	Other companies*		
Transformation (MVA)	0	0	175	0	1,800	0	911	6,850		9,736
Transmission (km of circuit)	62	0	0	0	388	0	209	5,876		6,535

* Interligação Elétrica de Minas Gerais –IEMG–, Interligação Elétrica Norte e Nordeste –IENNE–, Interligação Elétrica Sul –IESUL– and Interligação Elétrica do Madeira –IEMadeira–.

from ISA and its companies



Achievements

In 2008, ISA economic group consolidated its electric energy transport platform in Brazil and the Andean Region actively taking part in several bid processes that will increase the group's yearly revenue by approximately USD98.4 million.

After winning the Colombian Mining and Energy Planning Unit –UPME, for its Spanish initials– bid, ISA will design, build, erect, commission, manage, operate and maintain Porce substation at 500kV with two transmission circuits at 500 kV and 22 km length, each. This project that will connect Porce III generation plant to the National Transmission System –STN–, could earn ISA average yearly revenues of approximately USD1.4 million.

In Peru, ISA, in association with Empresa de Energía de Bogotá –EEB–, won the international public bid of Proinversión, by which ISA will be granted 30-year concession rights to design, build, operate and maintain a substation and two transmission lines each 96 km long. The first line, at 220 kV, will have an intermediate substation at La Planicie; the second line will operate at 500 kV. This project will be executed and operated by subsidiary Consorcio TransMantaro and will strengthen the transmission subsystem between Chilca and Zapallal. Once in operation, this project will bring ISA yearly revenues of about USD10 million.

In Brazil, Agência Nacional de Energia Elétrica –ANEEL– awarded to Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, an affiliate of ISA, five of the twelve groups bided for design, construction, operation and maintenance of 233 km of circuits and seven electric substations to expand transmission capacity in several regions of Brazil. Interligação Elétrica Pinheiros will execute projects located in the São Paulo State area while Interligação Elétrica Sul –IESUL– will implement the remainder. The expected yearly revenue for this 30-year concessions will be approximately USD15 million.

The biggest achievement of 2008 was winning the largest energy transmission project bid conducted so far in Brazil by ANEEL. CTEEP (51%) in association with state-owned companies Furnas Centrais Elétricas (24.5%) and Companhia Hidro Elétrica do São Francisco (24.5%), were awarded two groups. The first group is to build, operate and maintain



the HVDC transmission line Porto Velho (Rondônia) - Araraquara 2 (São Paulo), with 4,750 km circuits at 600 kV (direct current). The second group is to receive in concession one conversion and one inverter substation operating at 600 kV. These projects will allow integrating Rio Madeira Hydroelectric Complex to Brazil Interconnection System, expanding CTEEP coverage to the Northeastern and Southeastern regions of the country. These 30-year concessions will bring yearly revenues of approximately USD72 million. Works will be built by Interligação Elétrica do Madeira –IEMadeira–.

During 2008, ISA economic group continued to work on structuring and making viable three important interconnection projects that will definitely help to integrate electric markets in Latin America.

With its homologous company, Empresa de Transmisión Eléctrica de Panama –ETESA–, ISA continued working on feasibility studies for the Colombia – Panama electric interconnection, consolidating both countries' aspiration for market integration between Central and South America. It was agreed that the project would operate as a connection project run by Interconexión Eléctrica Colombia-Panama –ICP–, a corporation established by both companies that will construct a 614km direct-current transmission line between Cerromatoso (Colombia) substation and Panama II (Panama) substation. The line will have 340 km in Colombia and 274 km in Panama.

Also, together with representatives of the Dominican Republic Energy National Commission –CNE–, the Puerto Rican Energy Authority–AEE– and Empresas Públicas of Medellín –EPM–, ISA subscribed an agreement to start legal, technical and economic feasibility studies that might result in new energy supply alternatives for these Caribbean countries.

This is a complement to the support given by ISA, as a partner with 11.11% share of Empresa Propietaria de la Red –EPR–, to the development of a regional network to interconnect Central American countries through Sistema de Integración Eléctrica para América Central –SIEPAC– project¹.

1. SIEPAC Project, developed by EPR, is the first regional transmission system that will interconnect the power systems of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. The Project covers design, engineering and construction of 1,776 km of 230kV transmission lines that will permit to transfer electric energy between these countries in a safe and reliable way.

Best practices

ISA economic group is a leader in preparing reference studies about practices used by international companies recognized by their good performance. The purpose of these studies is to ensure that the group companies offer electric energy transport services under standardized processes aimed at achieving an optimal network performance. Additionally, it designs plans and schemes to coordinate, disclose and implement synergies and practices to share available knowledge among the companies, in a way that it can be used for the benefit of the whole group.

With this purpose, since 2001, ISA is a member of CIER 11 Project, an initiative of the Regional Electric Integration Commission, whose main objective is to compare electric energy transmission companies, operating under high international standards, in order to identify their best practices. The first phase of this process focused on Administration, Operation and Maintenance –AOM– costs. Two later phases let widen the analysis to technical indicators and to operation and maintenance practices. In this latter phase, 22 companies from 12 countries from Central and South America took part in the project.

Based on the project results, the electric energy transmission companies of ISA economic group defined and performed a series of actions in order to optimize their AOM costs and set up technical performance goals to guarantee the fulfillment of regulatory requirements in each country. It is expected that these actions will bring improved competitiveness both nationally and internationally and that the companies would be able to offer an ever more reliable service to their customers.

Best practices transfer between companies engaged in the Electric Energy Transmission business also covered operation and maintenance related tasks.

The second Technical Conference on Energy Transmission Systems Operation and Maintenance took place in Medellin, Colombia with the

attendance of more than 200 representatives from ISA group companies. The main subject of this academic event was “New Technologies for Safe Maintenance and Operation”.

In the area of operation analysis, it is worth to mention the presence in Colombia of representatives of Red de Energía del Perú –REP– that, thanks to an internship scheme, could receive from ISA knowledge transfer about electricity studies methodologies, protection coordination, and power system event analysis.

The Operational Management Information System –SIGO, for its Spanish initials–, an application already implemented in ISA group companies, had an important boost with its migration to a Web-based environment, which meant easier access and better information integration.

As far as operation business intelligence solutions is concerned, an operation process model was implemented in all electric energy transmission companies that will improve decision-making analysis.

Methodology and criteria for defining critical factors when evaluating conditions of equipment affected by corrosion phenomena were unified.

Finally, procedures for personnel qualification, psychological and physical tests and maintenance guides for high-voltage works were defined. All these, in order to unify methodologies, lower risks, optimize operation time and develop specific tools for work at and above 220 kV.

Outlook

Motivated by its ambitious MEGA, ISA economic group will continue to consolidate its market share where it is now present: the Andean Region and Brazil. At the same time, ISA will continue to evaluate growth opportunities in Latin America.

In Colombia, there are investment opportunities of USD200 million in the next ten years, due to new firm energy generation project bids recently awarded. In Peru, there are investment opportunities of USD500 million

in the next three years in expansion, reinforcement and new concession processes.

In Brazil, ISA economic group will be ready to evaluate new bids to enlarge and consolidate its market share. Up to date, the decennial energy plan 2007-2016 estimates investment requirements for the near future at USD11 trillion.

Additionally, ISA group will continue to optimize practices and look for energy market integration between the region's countries.

6.2 MARKET OPERATION AND ADMINISTRATION

XM, Compañía de Expertos en Mercados, a subsidiary of ISA economic group, operates the National Interconnection System –SIN– and administers, in Colombia, the Wholesale Energy Market –MEM, for its Spanish initials–. Additionally, XM administers the International Electricity Transactions –TIE, for its Spanish initials– with Ecuador.

XM also offers power system operation services and real time systems, electricity market solutions and ancillary services. Additionally, XM has a portfolio of specialized services in consulting and training for national and international electric utilities. XM has provided services in Bolivia, Brazil, Panama, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Dominican Republic and Peru.

To efficiently provide services and achieve leadership to boost the energy market in Colombia, XM's relies on human talent integral development, promotion of knowledge management and an effective use of technology.

Achievements

As the SIN operator, XM guarantees the constant balance between electric energy production and consumption in Colombia. This is done based on the forecast of energy demand used for real-time coordinated operation of generation and energy transmission facilities. This process



permits that generation plants' production matches permanently the actual energy demand of consumers.

The SIN has a transmission network of 11,674 km at 220-230 kV and 2,399 km at 500 kV. The SIN also has an effective installed capacity of 13,456 MW. Of this capacity, 96% is centrally dispatched by XM and distributed as follows: hydro (8,525 MW), coal thermal (967 MW), diesel oil thermal (187 MW), fuel oil thermal (432 MW) and gas thermal (2,757 MW). Resources not centrally dispatched total 588.8 MW, 468.3 MW of which, correspond to hydro generators, and the balance, to small thermal plants (77.6 MW), co-generation (24.5 MW) and one wind plant (18.4 MW).

In 2008, yearly electric energy demand was 53,869.7 GWh, 1,019 GWh higher (1.6%) than in 2007, much less than the 4% average growth of the previous four years.

As far as international electricity ties are concerned, Colombia has 535MW export capacity to Ecuador and 336MW to Venezuela. From these two countries, Colombia could import 395 y 205 MW respectively. Since the implementation in 2003 of the international electricity transactions –TIE–, Colombia has exported to Ecuador approximately USD600 million (an average of 108 GWh/month), considerably higher than the energy exported to Venezuela. During 2008, Colombia exported to Ecuador 509.8 GWh, 42% less than in 2007 (876.6 GWh). During the same period, Ecuador exported to Colombia 37.5 GWh, similar to the amount exported during 2007 (38.4 GWh).

The Wholesale Energy Market –MEM– delivers services to 44 generators and 73 trading agents trading in the market, as well as to 9 transmission agents and to 34 active distributors. At the end of 2008 there were 4,462 unregulated customer metering points and 370 for public lighting. The unregulated demand was about 33% of national consumption.

In Colombia, the Wholesale Energy Market transactions had an average yearly price of \$89 per kWh in the energy pool and \$88.8 per kWh for bilateral contracts. The total amount traded in the market was \$7,209,944 million, of which \$2,054,159 million (28.5%) were traded in the pool

(short-term market) and \$5,155,785 million in contracts. Transactions were 67% higher than commercial demand, with a growth of 32% on previous year. The amount of cash flow received for billing, through XM-managed accounts for Commercial Settlement System –SIC, for its Spanish initials–, National Transmission System and Regional Transmission System –STR, for its Spanish initials– usage charges totaled \$2.7 trillion.

With the purpose of assuring long-term electricity supply, the National Government, through the Ministry of Mines and Energy and the Energy and Gas Regulatory Commission –CREG, for its Spanish initials–, ordered XM to implement a market mechanism to assign a reliability charge aimed at having future available generation resources to satisfy demand when shortages occur and to do it at an efficient price. This new mechanism uses auctions that assign fix payments to new generation projects with clear incentives to investors.

In the first firm-energy auction conducted reliability charges were assigned to generation plants that must supply the energy needed by the country between December 2012 and November 2013. As a result of the auction, three new generation projects will be developed: Amoyá, in Tolima (78 MW), Gecelca 3, in Cordoba (150 MW) and Termocol, in Magdalena (201 MW). The price assigned to the reliability charge in this auction was USD13.998/MWh.

The second auction was for generation plants with construction terms longer than five years that should progressively become operational from December 2014 until 2019. As a result, six new generation plants will be constructed: El Quimbo, in Huila (396 MW), Cucuana, in Tolima (60 MW), Porce IV, in Antioquia (400 MW), Miel II, in Caldas (135.2 MW), Pescadero - Ituango, in Antioquia (1,200 MW), and Sogamoso, in Santander (800 MW). The price assigned in this auction was the same as the price of the first bid.

It is expected, as a result of the bids, that firm energy will grow by 43%, considering that installed capacity will increase from 63,022GWh-year to 90,419GWh-year, corresponding to new installed capacity of 17,701 MW, 32% above actual capacity.

With the intention of promoting and developing a commodity derivatives market, XM signed a memorandum of understanding with the Colombian Stock Exchange for studying and finding alternatives that will lead to the implementation of a negotiation system of standardized derivatives with electric energy, natural gas, fuel and other energy commodities as underlying variables. This system is based on the derivatives registry and trading systems defined in Law 964 of 2005.

This type of initiatives is boosted by recent starting of operation of the Cámara de Riesgos Central de Contraparte de Colombia, of which XM is a partner. This entity assumes credit risk or counterparty risk, generated in bilateral trading. It is worth mentioning that this type of standardized financial instruments have a larger liquidity, generating large amounts of trading.

Outlook

Focused on broadening XM share in new businesses, the company looks at satisfying transaction needs in areas different from its natural niche, taking advantage of XM's ability to manage information and its value adding capability.

In the business lines already explored, XM expects to consolidate power systems training programs, evolving to issue certifications and expand its scope to other countries in the region. XM also expects to continue offering study services to the Andean Region and Central America.

6.3 TELECOMMUNICATIONS TRANSMISSION

ISA economic group, through its subsidiary INTERNEXA, is today an important player in the telecommunications transmission business in the Andean Region. INTERNEXA is the only telecommunications connectivity infrastructure company exclusively dedicated to the carrier's carrier business and to the power sector. INTERNEXA transports telecommunications signals through national and international networks connecting two or more points, supported by fiber optics, satellite communication and microwaves.

INTERNEXA has 10,378 km of fiber-optic networks crossing 54 cities in Colombia, Venezuela, Ecuador and Peru. This network, supported by more than 100 regional operators, is connected to undersea cables in Venezuela, Colombia and Peru and has an Internet access platform with a direct link to the main US providers. INTERNEXA is also the first telecommunications operator in Colombia to be awarded ISO 9001:2000 international certification for its carrier service, with excellent service quality and very high reliability and availability levels.

Telecommunications Infrastructure	
Country	Operational fiber optic (km)
Colombia: INTERNEXA	6,182
Venezuela: INTERNEXA in association with CANTV	1,977
Ecuador: TRANSNEXA	926
Peru: INTERNEXA	1,293
Total	10,378

Achievements

At the end of the year, INTERNEXA had in Colombia long-term agreements with all the mobile operators in the country, as well as medium- and short-term agreements with telephone and value added operators.

In the meantime, INTERNEXA, in Peru, managed in just one year of operations, to position its network as the first open, neutral and designed for all telecommunications operators, network in the country. It is also the second network in coverage, contributing to the decentralization projects promoted by the National Government. The network covers the northern region of the country, from Lima to Tumbes (1,293 km), making possible the connection of Peru with Colombia, Ecuador and Venezuela.

The entry into service of the fiber-optic network in Northern Peru made possible the interconnection between INTERNEXA's network in this country and the network of TRANSNEXA, INTERNEXA's subsidiary in Ecuador.

INTERNEXA, with a share of 99.95%, established INTERNEXA PARTICIPAÇÕES in Brazil. The main purposes of this company are to manage telecommunications assets, to provide advising and consulting services, and to act as a partner or a shareholder in new telecommunications projects.

Finally, in Caracas, Venezuela, a new-generation information transmission system entered into service allowing information transfer between the two countries along the regional network.

Outlook

ISA economic group, through its companies in the Telecommunications Transmission business will continue strengthening its operation and looking for systems integration of the countries where it is present with other markets in Central and South America.

In Colombia, ISA will continue with its consolidation process, growing according to regional traffic, looking for positioning new products focused on content operators and venturing into international long-distance voice traffic, complemented with new products for electric utilities.



In Central America, INTERNEXA will continue to accompany agreement negotiations now taking place between Empresa Propietaria de la Red –EPR– and Sistema de Integración Eléctrica para América Central –SIEPAC–, in order to have a fiber-optic infrastructure interconnecting the six Central American countries with North and South America.

In Chile, INTERNEXA expects to structure in 2009 a new international operation, thanks to a memorandum of understanding signed with the telecommunications operator in this country. While in Brazil, INTERNEXA will take the necessary steps in order to begin operation in the São Paulo state at the end of 2009.

Finally, ISA economic group will look for partners with interconnection capacity among operators in Colombia and Venezuela and expand its network from Lima to cities in the southern region of Peru.

6.4 NEW BUSINESS PERSPECTIVES

Consistent with its MEGA, ISA expects to get, at least, 20% of its revenue from businesses other than Electric Energy Transmission. With this objective, ISA declared its intention to become a business corporation that will venture into design, construction and operation of linear infrastructure systems like natural gas transport and road projects development, both in Colombia and other Latin-American countries.

The public initiative to gain access to new sectors in the infrastructure field, has been well received, something that produces great satisfaction for the confidence ISA generates as a serious, responsible and solid company. Additionally, ISA has the necessary expertise to develop large construction works. However, this vote of confidence must also be understood as a great compromise acquired with those who see ISA as a mechanism to achieve new development opportunities.

ISA has internally developed a working team to analyze opportunities to develop projects in sectors similar to electric energy transmission. Projects could cover linear infrastructure systems, rights of way management, capital-intensive projects and financial engineering for infrastructure works.

The Colombian Ministry of Transport invited ISA to take part in the workgroup Infraestructura para la Competitividad², a unique initiative in the country that managed to bring to agreement and integrate public and private interests. The purpose of this group is to build four four-lane corridors totaling 900 km, and operate and maintain 1,251 km of the same type of roads. These works would have contributions from the National, Antioquia province and Medellin city governments.

In this particular case, ISA, through an inter-administrative agreement, would be able to conduct studies to determine the technical, legal and financial viability of the works; and should the studies guarantee viability, ISA would execute the project.

2. Members of Infraestructura para la Competitividad workgroup are: the Ministry of Transport, the Medellin Chamber of Commerce for Antioquia, the Antioquia Province Government, the Institute for Antioquia Development –IDEA–, the Medellin City Government, the Antioquia Society of Engineers and Architects –SAI–, the National Association of Industrialists –ANDI–, the National Commerce Federation –FENALCO– and Proantioquia.

International ECONOMIC results

The year 2008 was one of poor results for the world economy, and according to multilateral entities, 2009 will see further deterioration.

The financial crisis has reached the real sector not only of the United States, but also Japan and the economies that make up the Euro Zone. Not even in the last month of 2008 were recovery signs visible and massive job losses as well as diminished production and sales were a constant.

Growth data of the main world economies confirm the deepening of the crisis, characterized by prolonged devaluations in the variable income market, and consumption deceleration, among others.

As measures to counter the crisis, the economies of the United States, China, and the European Union decided to lower their reference interest rates. In the United States, the Federal Reserve System –FED– set its intervention rate at a range between 0% and 0.25%. In the case of the Chinese economy, its Central Bank decided to set its reference interest rate at 2.25%, and the Central European Bank, in turn, lowered its reference rate to 2%, the lowest level since 2003.

Thus, estimates of the International Monetary Fund –IMF– point to 0.3% contraction of industrialized economies along 2009, while World Bank’s growth projections for 2008 and 2009 stand at 2.5% and 0.9%, respectively.

7.1 COLOMBIA

The Colombian economy was also affected by the international financial crisis, showing weak signs of expansion that resulted in 3.1% Gross Domestic Product –GDP– growth for the first quarter, with 3.5% projected by the National Government at year closing; these effects show in unemployment rates of 11.3% along the year according to the National Statistics Administrative Department –DANE–.

As to inflation, the Consumer Price Index –CPI– closed at 7.67%, a result that falls short of the 3.5%-4.5% goal set by Banco de la República for 2008. In the meantime, Producer Price Index –PPI– saw 8.99% variation. For 2009, the monetary authority expects inflation to go down to between 4.5% and 5.5%.

At year closing, exchange rate reached 11.36% devaluation, the result of the external crisis and

sharper aversion to risk. Although revaluation was observed in December, such result failed to change the market trend of the year.

Another negative economic sign showed in the stock market and Colombia’s Stock Exchange Index –IGBC– 29.3% devaluation for the year.

7.2 PERU

As announced by the National Statistics Institute –INEI–, in 2008 the country’s economic activity expanded at the rate of 9.84%, topping a 10-year period of steady growth, while the Consumer’s Price Index accumulated 6.65% variation.

In high correlation with the region’s currencies, the Nuevo Sol kept on a devaluation trend, closing at PEN 3,141, a variation of 4.73% with respect to the US Dollar.

Similarly, the Lima Stock Exchange Index –IGBVL– as well as the Selective Index –SBVL– showed some of the region’s sharpest devaluation rates, closing the year with losses of 60% and 60.2%, respectively.



7.3 BOLIVIA

According to the data published by the National Statistics Institute –INE–, Bolivia accumulated economic growth of 6.53% along the first nine months of the year. The Government’s projections suggest that along 2008, Bolivia’s economy may have seen 6.5% expansion. Among the factors worst affecting the economy, the slump in the prices of the raw materials that are part of the country’s main exports, stands out.

According to INE, the Price Index along 2008 remained at 11.85%, the region’s third highest inflation. The country did not succeed to reach the 8% rate set by the Central Bank.

The Bolivian exchange rate kept an appreciation trend vis-à-vis the US Dollar; at closing of 2008,

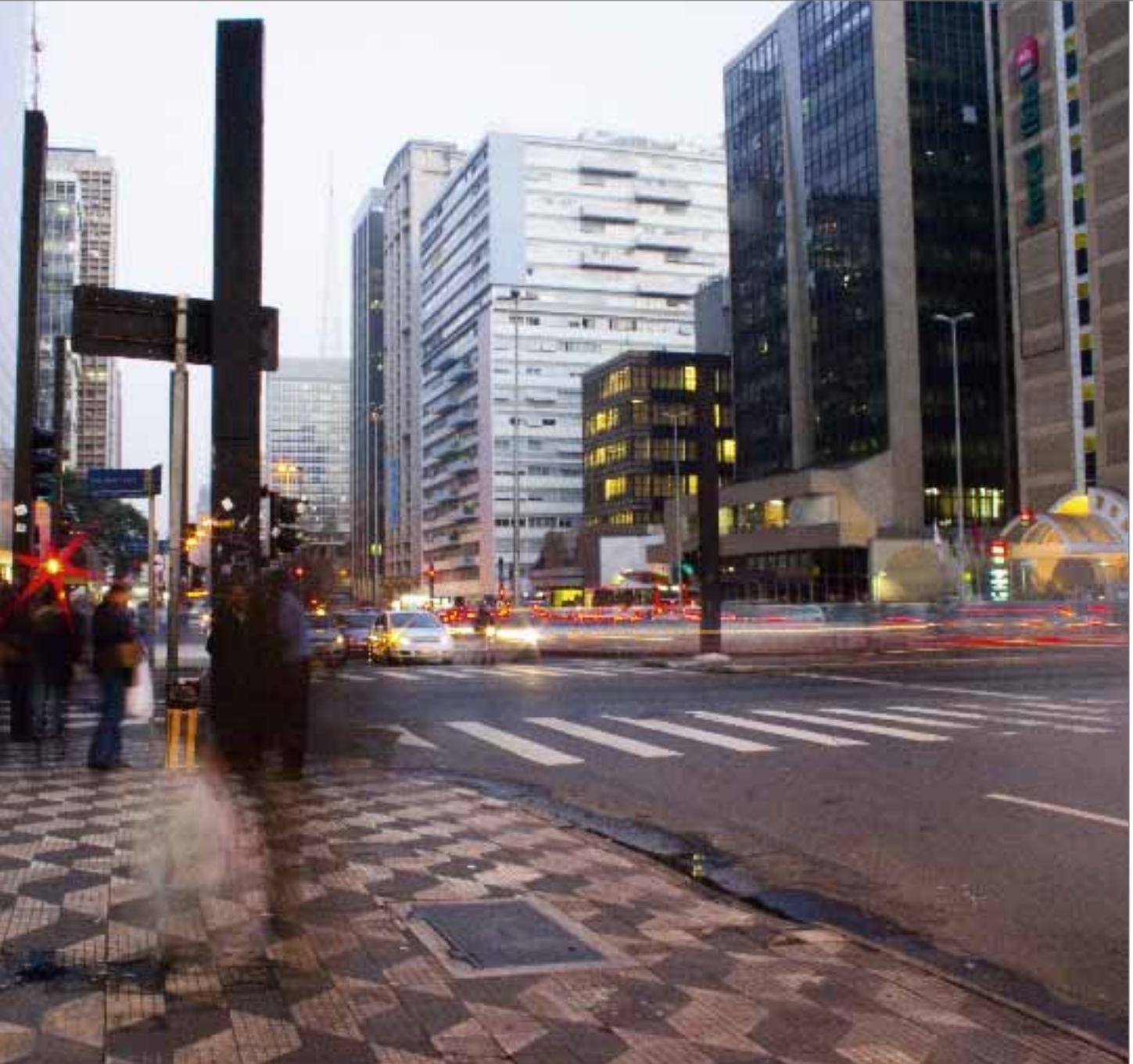
exchange rate was BOB 7.07, or 7.82% revaluation for the year.

7.4 BRAZIL

In terms of growth, the Central Bank announced 5.6% GDP variation for the region’s largest economy. Widened Consumer’s Price Index –IPCA– showed 5.9% variation, a figure that meets the goal of 4.5% ($\pm 2\%$) set by the Central Bank. Meanwhile, the General Market Price Index –IGPM–, accumulated 9.81% variation.

The Brazilian Reais showed high volatility; by year-end, the currency closed at BRL 2.31, accumulating 30.1%, devaluation, one of the region’s highest.

Variable-income market volatility was a constant, and the São Paulo Stock Exchange Index –BOVESPA– accumulated 69.49% devaluation.



ISA economic
GROUP
financial management

Consolidated results for the period				
Millions of \$	2008	2007	Variation	Variation %
Income Statement				
Operating revenues	3,165,041	2,821,675	343,366	12.2
Operating costs and expenses	(1,448,893)	(1,535,372)	86,479	-5.6
EBITDA	2,274,051	1,954,514	319,537	16.3
Operating income	1,716,148	1,286,303	429,845	33.4
Non-operating results	(468,054)	(21,345)	(446,709)	2,093
Pre-tax income	1,248,094	1,264,958	(16,864)	-1.3
Income tax provision	(434,723)	(392,927)	(41,796)	10.6
Income before minority interests	813,371	872,031	(58,660)	-6.7
Minority interests	576,778	646,010	(69,232)	-10.7
Net income	236,593	226,021	10,572	4.7
Balance Sheet				
Assets	14,439,690	13,887,489	552,201	4.0
Liabilities	6,721,353	7,075,678	(354,325)	-5.0
Equity	4,941,045	3,802,446	1,138,599	29.9
Minority interests	2,777,292	3,009,365	(232,073)	-7.7
Indicators				
EBITDA margin (%)	71.8	69.3		
Operating margin (%)	54.2	45.6		
Return on assets (%)	11.9	9.3		
Return on equity (%)	4.8	5.9		
Leverage (%)	46.5	51.0		

CONSOLIDATED INCOME STATEMENT

At \$3,165,041 million, revenues of ISA economic group in 2008 were 12.2% higher than a year earlier. Such increase is explained by the following facts:

- Rises of Colombian PPI and Brazilian IGPM of 8.99% and 9.8%, respectively, which resulted in higher revenues for ISA, TRANSELCA and CTEEP.
- Higher revenues in ISA from commissioning of fiber-optic projects and Compensación Caño Limon project.

- Recovery of revenues in CTEEP from invoicing to Companhia Paulista de Força e Luz.
- Larger revenues in REP resulting from: increase in variable to which they are indexed , commercial operation of the Zapallal – Paramonga – Chimbote line expansion , and new operation and maintenance services for third parties.
- Revenues from commissioning of ISA Bolivia’s Arboleda substation.

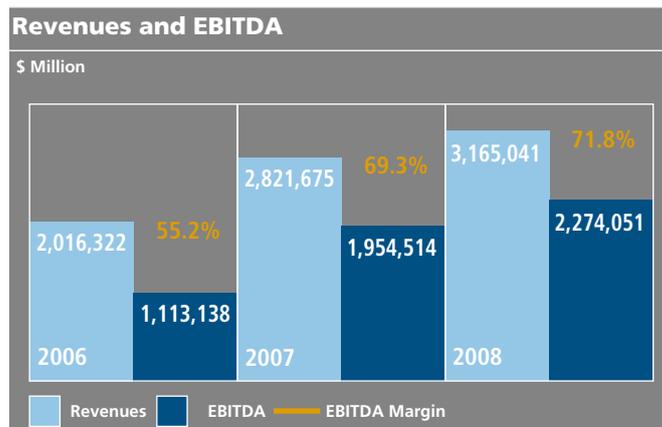
Operating costs and expenses, in turn, dropped 5.6% as a result of:

- Lower personnel expenses in CTEEP after implementation in 2006 of early retirement plan.
- Lower expenses associated to provisions for labor contingencies in CTEEP.
- Drop in AOM expenses in TransMantaro as a result of transfer to REP of administrative processes.
- Lower amortization of actuarial estimate with respect to 2007 due to accelerated amortization of pension liabilities associated to voluntary benefits in ISA and TRANSELCA in that year.

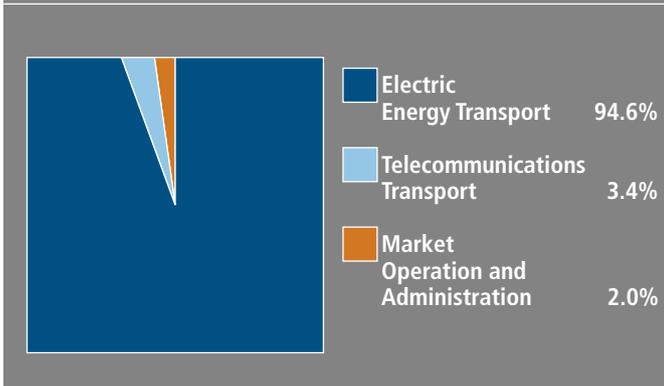
- Lower goodwill amortization expense in ISA Capital do Brazil as a result of corporate restructuring in CTEEP.

Consolidated EBITDA amounted to \$2,274,051 million, 16.3% up on 2007. Of this figure, 58.1% was generated in Brazil, 32.8% in Colombia, 7.6% in Peru, 1.3% in Bolivia, and the remaining 0.2% in Ecuador.

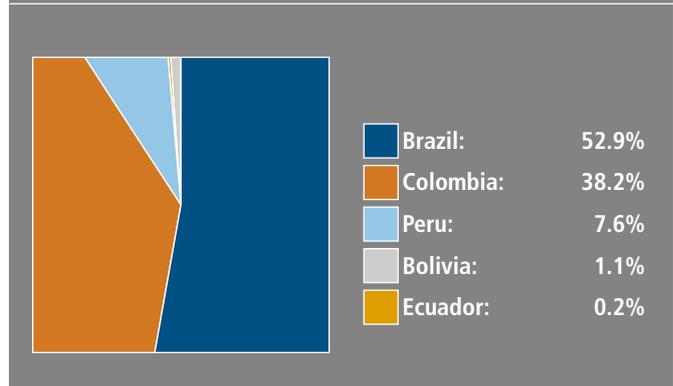
Such outstanding results caused operating income for the economic group to go up to \$1,716,148 million, 33.4% higher than in 2007, with EBITDA and operating margins going from 69.3% to 71.8% and from 45.6% to 54.2%, respectively.



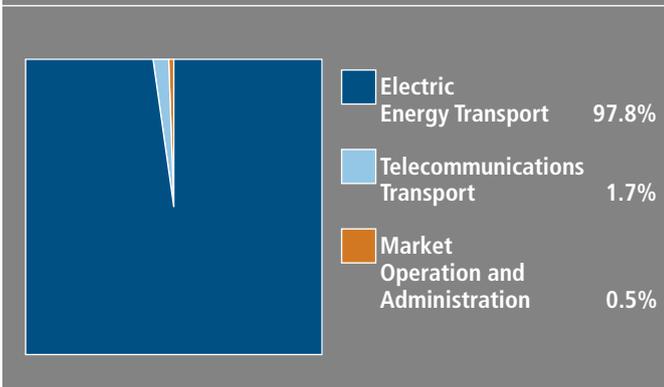
Revenues by business



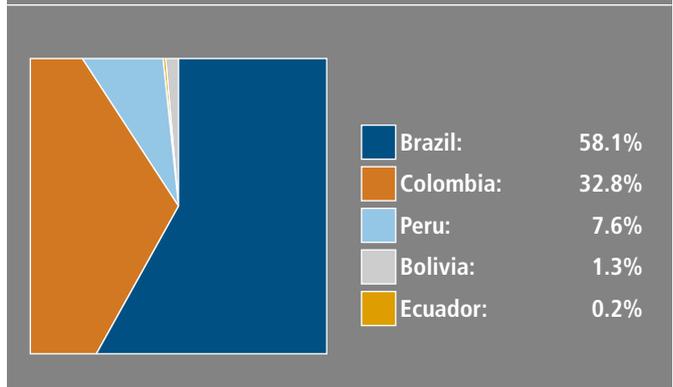
Revenues by country



EBITDA by business



EBITDA by country



In turn, non-operating results went from -\$21,345 million to -\$468,054 million, considering that 2007, unlike 2008, was an atypical year, given the windfall from recovery of contingency provisions, sale of non-productive assets, and land negotiation agreement with Eletropaulo. Additionally, there was higher

exchange difference expense in ISA and ISA Capital do Brazil as a result of the devaluation of the Brazilian Real and Colombian Peso versus the US Dollar.

Finally, net income at \$236,593 million is 4.7% higher than in 2007.

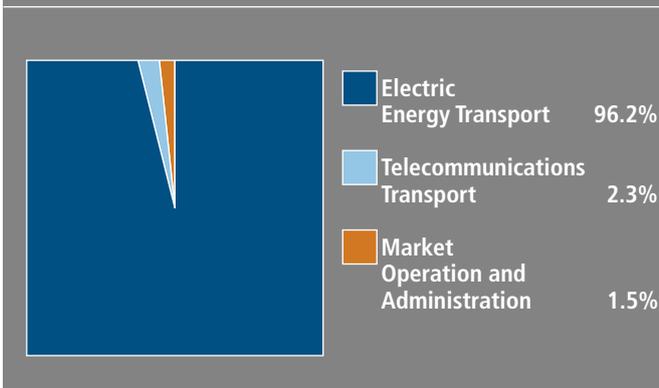
CONSOLIDATED BALANCE SHEET

ISA economic group's assets are geographically distributed as follows: 46.9% in Colombia, 42.2% in Brazil, 9.6% in Peru and 1.3% in Bolivia. At close of 2008, they amount to \$14,439,690 million, or 4% more than in 2007.

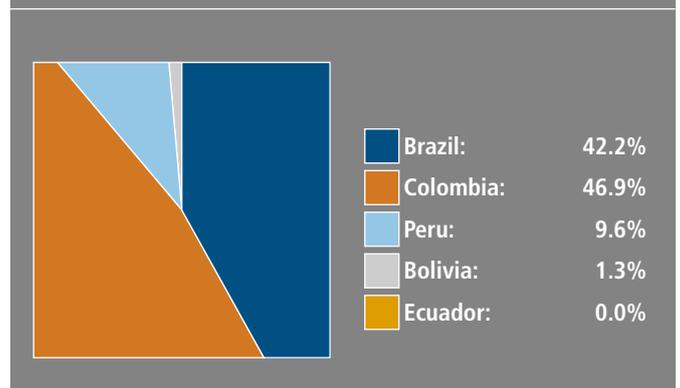
This result corresponds basically to increased re-appraisal due to technical appraisal studies of assets in ISA and TRANSELCA and inclusion in consolidated figures of the companies INTERNEXA in Peru, PDI and TRANSNEXA.

Meanwhile, liabilities decreased by 5% to \$6,721,353 million, and equity grew by 29.9% going up to \$4,941,045 million.

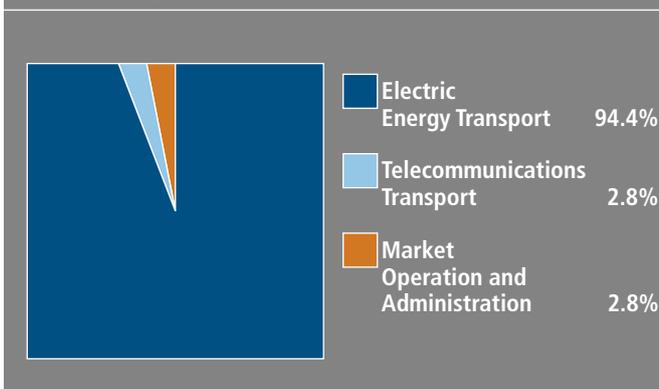
Assets by business



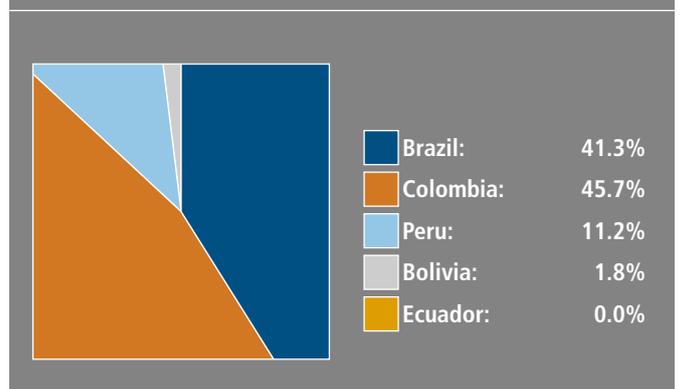
Assets by country



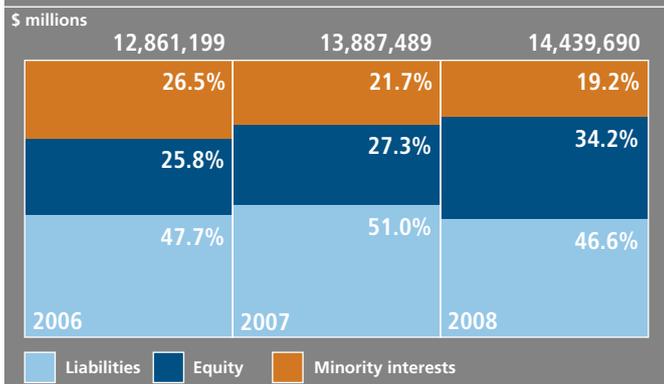
Liabilities by business



Liabilities by country



Balance sheet structure

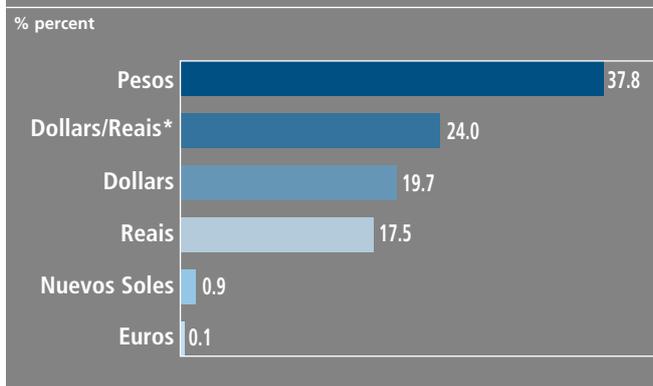


By the end of the year, ISA economic group's financial debt amounted to \$4,654,327 million, 37.8% denominated in local currency and the remaining 62.2% in foreign currency. Most relevant movements were as follows:

- In order to improve the profile and financial conditions of the debt, ISA prepaid the syndicated loan for USD50 million hired for the acquisition of CTEEP, received treasury loans for \$82,000 million to finance last quarter's cash flows, and subscribed long-term loans for \$121,000 million.
- CTEEP received disbursements for BRL202.16 million from Banco Nacional de Desarrollo Económico y Social –BNDES– to carry out its investment plan, as well as BRL160 million from local commercial banks and BRL200 from promissory notes, to finance cash flows; additionally, it amortized BRL220 million and USD80 million.
- TransMantaro prepaid USD20.6 million syndicated loan, thus improving its contractual indices and expanding indebtedness capacity.

The hedged debt portfolio of ISA economic group has a currency structure similar to that of its revenues, allowing the group to partially mitigate the exchange rate impact on the financial statements. The composition is as follows:

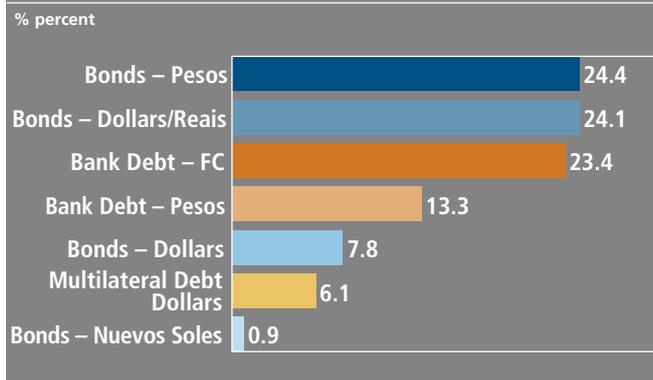
Debt by currency



(*) Dollars/Reais Swap

Bonds are the debt portfolio's major financing source with 57.1% share, equivalent to \$2,659,145 million.

Debt by financing source



CREDIT RISK RATING

The outstanding credit risk ratings of ISA economic group received from specialized organisms ratify its trust generating capacity in the market and are evidence of the strength and financial solidity of its companies.

Duff & Phelps de Colombia ratified the AAA rating for ISA's three bond issues and domestic debt bond program. In the same manner, Standard & Poor's upheld its BB+ rating for ISA's foreign-currency long-term credit (equal to the Republic of Colombia's sovereign ceiling) and granted BBB- rating to its local-currency credit.

Likewise, Duff & Phelps of Colombia affirmed TRANSELCA's AAA rating for the first and second bond issues carried out in 2002 and 2004, for \$113,000 million and \$100,000 million, respectively.

REP's securities of the first and second corporate bond program respectively retained and received AAA rating from Equilibrium and Apoyo & Asociados Internacionales (associates of Fitch Ratings).

TransMantaro maintained the AAA rating granted by Apoyo & Asociados Internacionales S.A.C. and Pacific Credit Rating S.A.C. to the first and second bond issues of 2001 and 2003, for USD30 million and USD20 million, respectively.

Standard & Poor's upheld its BB+ rating to ISA Capital do Brazil's corporate credit for USD554 million and the BB rating for its international bond issue with stable outlook. Fitch Ratings also affirmed its BB rating with stable outlook.

OUTLOOK

As part of its growth strategy, ISA will keep on working to ensure generation of value in its companies, and it will reinforce consolidation and construction of synergies to bring in cash flows to leverage new investment opportunities, cover its debt, and pay dividends.

ISA will continue to send signals to its companies so they can access debt structures that improve their profile in terms of average term and costs. And in order to preserve the integrity of corporate resources, it will promote integrated risk management.



ISA HIGHLIGHTS

- Net income totals \$236,593 million, 4.7% up on 2007, while EBITDA grows 12.2%.
- The Company's share closes the year at the same price as that by end of 2007, a figure in sharp contrast with 29.3% devaluation of Colombia's Stock Exchange Index. The share reaches maximum historic quote of \$7,990.
- The Board of Directors approves expansion of the Bonds Program by up to \$350,000 million. The new total amount equals \$1,200,000 million, and bonds for \$104,500 million are issued in the local market, with 1.63 over demand.
- Duff & Phelps de Colombia affirms AAA rating for the three bond issues and the domestic debt bonds program.
- Standard & Poor's ratifies its BB+ rating for ISA's foreign-currency long-term credit (equal to the Republic of Colombia's sovereign ceiling) and grants BBB- rating to its local-currency credit.
- ISA receives a special mention in the tenth issue of the National Peace Prize, thanks to the work of the program ISA-Región.
- ICONTEC certifies the Energy Transport services in the venues of Medellín and the Southwestern Energy Transmission Center under ISO 14001 (environmental management) and OHSAS 18001 (occupational safety and health) standards. In the same manner, it certifies the Infrastructure Projects business with quality standard ISO 9001:2000.



ISA
MANAGEMENT
report



10.1 ELECTRIC ENERGY TRANSMISSION

To preserve its leadership as an electric energy transmission service provider in Colombia, ISA consolidates its market share through the expansion and strengthening of the existing network and the promotion of new connections. At the same time, ISA seeks to offer reliability, availability and safety service levels in line with the country's existing regulation.

To achieve these goals, ISA recruits well trained and qualified personnel, administers its assets' life cycle, operates and provides maintenance at efficient costs, identifies, standardizes and implements good practices, synergies and processes between the economic group companies, and makes viable its business through relations with its stakeholders, especially its customers and the society.

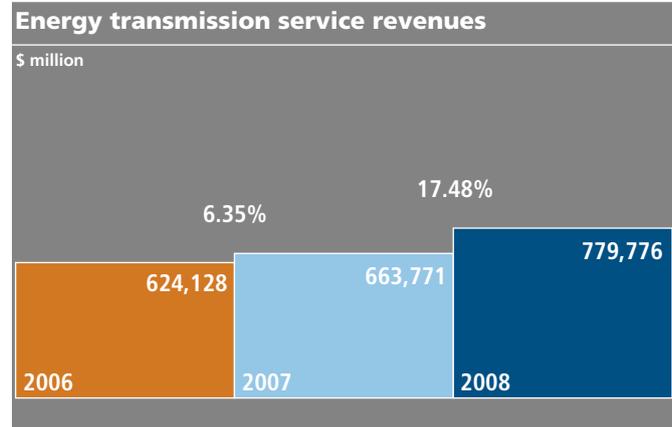
10.1.1 Service provision

Electric Energy Transport

ISA is the largest electric energy transporter in Colombia and the only one with national coverage. Its infrastructure has 10,000 km of transmission circuits at voltages above 115 kV, 57 substations, 12,672 MVA of transformation capacity and 4,177 MVAR of reactive compensation.

During 2008, revenues from the electric energy transmission service were \$779,776 million. This means a growth of 17.48% compared to the previous year, mainly due to fees received from projects that entered into operation at the end of 2007. Among those projects are the new transmission line between the Mid- Magdalena region and the Atlantic Coast (Bolívar - El Copey - Ocaña - Primavera at 500 kV and its associated works) and Betania substation in the

northern region of Huila province. With these results, ISA got a 72.04% share of the total revenues of the National Transmission System –STN–.



According to UPME, XM and ISA studies, looking to increase short-circuit capacity of high-voltage equipment, the process to increase the line capacity of the largest STN substations (San Carlos in Antioquia and Chivor in Boyaca), both at a 230 kV, advanced during the year. This improvement has a large social and economic impact on the country because it will permit the National Interconnection System –SIN– to cope with growing demand without operating restrictions.

The project scope is to design, procure, dismantle, transport, prepare and build work sites, erect, test and commission, in very short and optimal timing, looking to have the least possible effect on assets availability.

For this purpose, ISA implemented an innovative scheme that allowed San Carlos substation to reach short-circuit capacity of 54 kA and Chivor substation

40 kA in 11 line bays. For 2009, it is expected San Carlos will reach 63 kA and Chivor line capacity will be increased in all its 17 line bays.

In the future, electric energy transmission challenges are focused on developing competitive advantages that will allow ISA to be recognized in the Latin American market thanks to its leadership in safe and reliable provision of energy transport service, its compliance with regulation and the development of processes safe to the people and in balance with the environment.

Connection to the National Transmission System –STN–

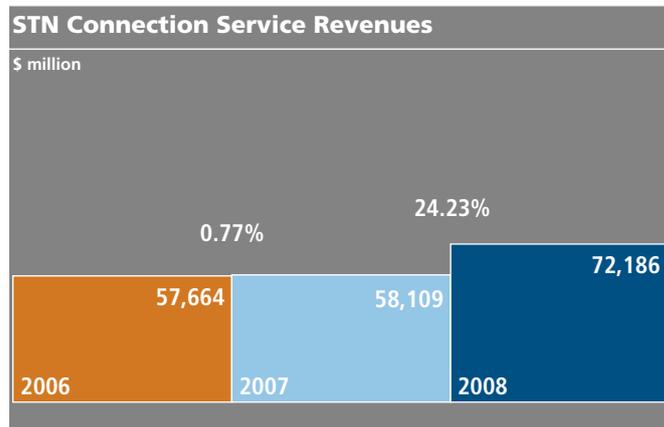
ISA offers access to the National Transmission System –STN–, to generators, distributors, regional transmission companies and large consumers in order to allow them to receive or deliver the electric energy and power required by the system.

Additionally, ISA offers, with opportunity and quality, and at competitive costs, studies and construction of transmission lines and associated substations to give access to the STN or strengthen existing connections. ISA also offers, as an integrated solution, administration, operation and maintenance of connection point assets.

In order to offer this service, ISA has 76.8 km of circuits at 230 kV and 109 km at lower voltages, an active transforming capacity of 3,490 MVA and spare 618 MVA as reserve, distributed in 60 connecting points to provide services to 21 customers: 4 generators, 14 network operators and 3 large consumers. Among connecting assets there are also two international interconnections.

At \$72,186 million, revenues from connection services were 24.23% up on 2007. The entry in operation of

Caño Limon substation, which improves OXYCOL connection to the STN, is taken into account in the above figure.

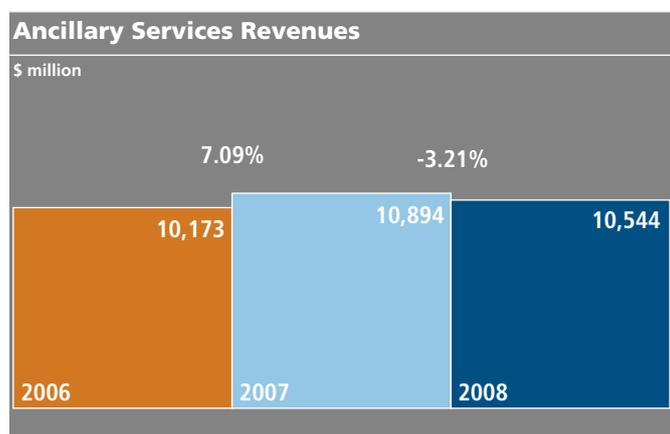


In 2008, ISA signed two contracts for connection projects to the STN. The first one is to build a connecting point in Comuneros substation, located in Barrancabermeja, Santander province, a 17.5km connection line and a 230kV substation with 80MVA transforming capacity that must enter into operation in December 2009. The second one, located in Caño Limon, Arauca province, is to build a line bay at Caño Limon substation, a 46 km single-circuit line at 34.5 kV and an 8MW power capacity substation.

Electric Energy Transmission Ancillary Services

Thanks to the expertise and knowledge acquired over more than 40 years in business related activities, ISA provides its customers a series of additional services. Among them are energy and electricity studies and transmission systems maintenance (management, operation and maintenance of substation equipment, insulating materials chemical analysis and energy metering calibration, among others).

These services, which help consolidate ISA as an integral electric energy transmission service provider and have a high added value to its customers, earned the Company \$10,544 million revenues during 2008, figure similar to 2007's \$10,894 million.



Certifications

In order to guarantee that services provided by ISA comply with international standards, the company is consolidating its Integrated Management System. This system integrates quality, environment, occupational health and information security management around company processes.

In 2008 ISA received from the Colombian Institute of Technical Standards and Certification –ICONTEC, for its Spanish initials– the ISO 9001:2000 quality certification for the Energy Transmission Service. The certification covers studies, design, procurement, building, assembly, tests, operation, entry into service and maintenance of electric energy transmission systems.

Additionally, ISA received, at the beginning of 2009, the environmental management and occupational

safety and health certifications under ISO-14001 y OHSAS-18001 standards. These certifications, given to the Medellín premises and to the Southwest Energy Transmission Center, encompass the operation, maintenance and connection to the STN. With these certifications, ISA intends to optimize electric energy transmission associated processes, and strengthen the culture of environment and human health protection. Additionally, ISA pretends to provide tools to develop voluntary commitments like Corporate Social Responsibility and the United Nations Global Compact, besides helping to competitiveness in a sector with high risks to accidents and with high impact on the environment.

Service evaluation

ISA contracted IPSOS - Napoleón Franco to perform a customer survey with the purpose of evaluating service satisfaction index, identify customer needs and expectations and determine which facts have high impact on services. Most of the results were above 85.5%, which correspond to a “high” index. With these results, improvement programs can be implemented.

10.1.2 Network performance

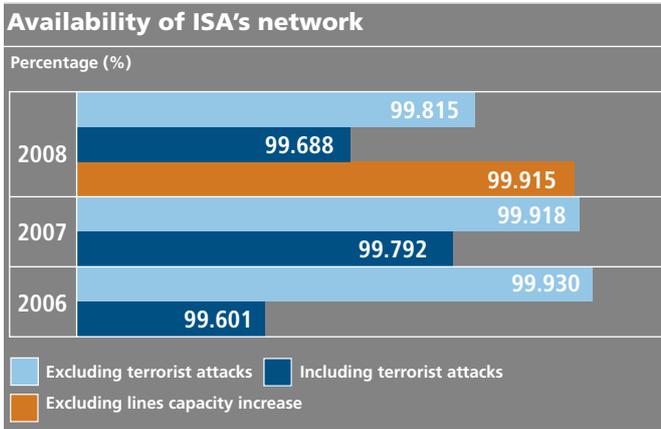
The transmission network availability and energy supply continuity indices were above 2008 goals. This shows the company's permanent effort to provide services with opportunity and international quality standards.

Transmission network availability

The availability index measures the percentage of time during the year when network assets (substation bays, transformers, lines, etc.) were in service or available. Average total availability during 2008 was 99.815%, above the 99.653% average goal established by CREG. From 575 assets, 61 were below the availability goal

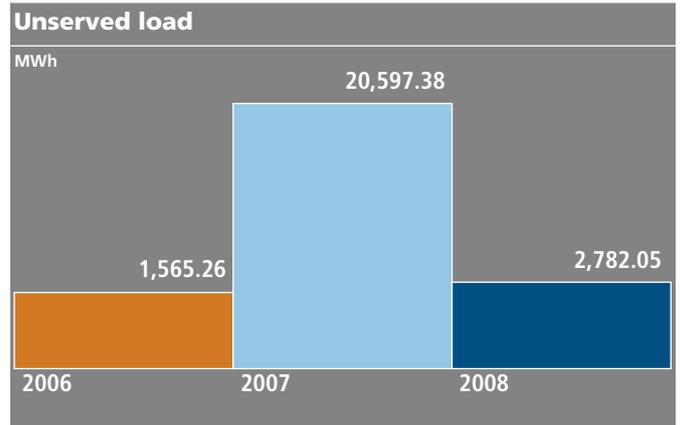
established by CREG and only 42 paid compensations for \$90.5 million.

Despite these good results, there was a drop in availability with respect to previous years, basically due to disconnections to increase line capacity at San Carlos and Chivor substations. Not taking these disconnections into account, availability was 99.915%.



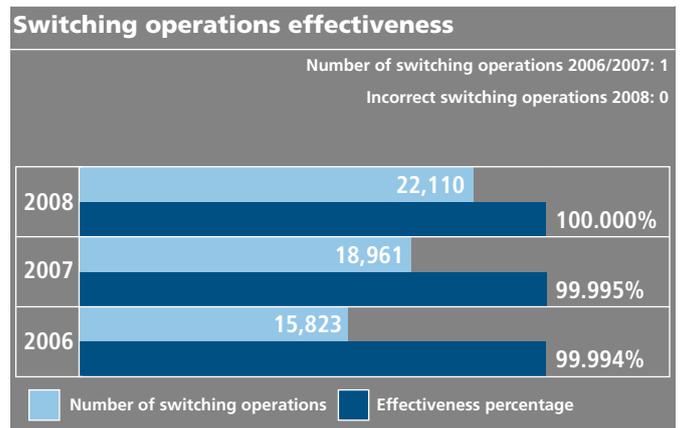
Unserviced load

This index measures energy not supplied to the National Interconnection System –SIN– due to facts where the company is responsible, not taking into account terrorist attacks. ENS during 2008 was 2,782 MWh, which is below the established goal for the year (3,800-4,200 MWh). This is the system optimal operation, because only 0.0051% of SIN demand (53,869.7 GWh) was not supplied.



Switching operations effectiveness

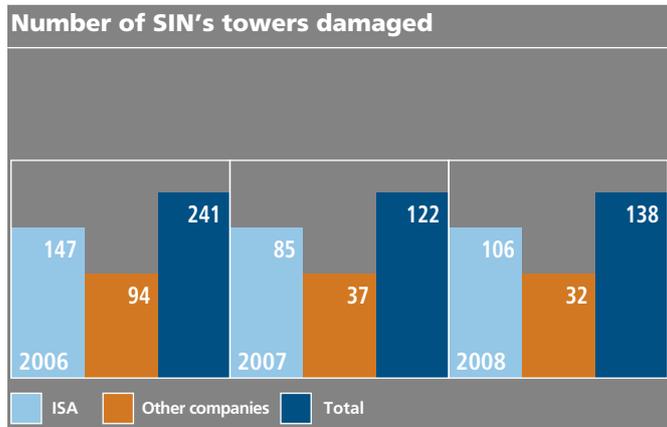
This index measures the percentage of switching procedures correctly performed by ISA during assets operation. Under the centralized remote operation scheme, 22,110 switching operations were performed from the Supervision and Switching Center. The effectiveness was 100%, higher than in 2007 (99.995%, one incorrect switching operation out of 18,961 operations performed).



Terrorist attacks to the electric infrastructure

Between 2006 and 2008 there were 501 terrorist attacks to the National Interconnection System, 338 of them to ISA's energy transmission network.

During 2008, 106 ISA's transmission towers were damaged by attacks (24.7% more than in 2007), of which, twelve (11%) correspond to 500kV lines and 94 (89%) to 230kV lines. From the totality of damaged towers, 73 (68.9%) were in Cauca province.



ISA performed all the necessary tasks in order to guarantee service availability, helped by the National Government and the Armed Forces. The totality of ISAs' infrastructure damaged by attacks was recovered at the end of 2008. The average recovery time was 6.73 days per tower, maintaining the average of previous years (6.78 in 2007 and 6.64 in 2006).

See graphic 1.

Expenses for infrastructure recovery totaled \$10,826 million, representing for ISA, 8.64% of STN's

Administration, Operation and Maintenance –AOM– revenues (\$125,272 million).

Reliability Project for the Energy Transmission Service

With the propose of bringing to a minimum the number of events causing unattended energy demand, ISA is developing since 2007 the Reliability Project for the Energy Transmission Service. The project seeks to apprehend the established procedures in the operation and maintenance protocols, implement new developments in state-of-the-art technology, and improve operator's training and practice.

During 2007, an exclusively dedicated working group performed the necessary actions to strengthen network reliability. The group also defined short-, medium- and long-term action plans in order to guarantee quality and safety required service indices. The group was also responsible for the definition and implementation of the necessary improvement actions. The 26 defined actions began execution during 2008, achieving 94% fulfillment at the end of the year.

Among these actions it is worth mentioning the qualification of 100 maintenance workers as "work leaders", representing 65% of the people doing that work. Additionally, 12 work leaders were certified by SENA in "Applying maintenance security standards to medium-, high- and extra-high-voltage substations" electric sector standard. Technical improvements were also performed in ISA critical substations in order to increase reliability levels. A unified safe operation and maintenance handbook was written, integrating procedures existing in ISA and its companies.

Maintenance guides were also updated in order to improve quality and safety in operation and

ISA's Damaged Towers						
Year	N° of towers	Total damaged towers	Total repaired towers	Total towers pending repair	% of damaged towers	Recovery expenses (\$ million)
2006	13,346	147	158	0	1.11	\$19,968
2007	15,553	85	84	1	0.55	\$10,660
2008	15,553	106	107	0	0.68	\$10,826
Total		338	349	0		

Graphic 1

maintenance performance. An automatic event analysis system, based on artificial intelligence techniques, was developed in cooperation with Universidad Nacional and Colciencias –Colombian Institute for Science and Technology Advancement–. Finally, a system was developed to simulate effects of switching operations on the electric system before the operations are performed, lowering unavailability risks.

10.1.3 Maintenance management

As a complement to operation, ISA performs a dedicated maintenance work focused on providing its network with high opportunity, reliability and quality standards. To verify the efficiency of this daily task, the Company uses efficiency and faulty equipment indices. Result in 2008 for the first index was above 97%, and below 1% for the second one; identification and scheduling of necessary actions was also achieved.

In order to guarantee asset functional availability and comply with indices agreed with customers, ISA

focused on continuous improvement and engineering maintenance process optimization. Among performed actions are:

- Using non-interruptive maintenance techniques, ISA managed to lower disconnection events, performing 40 online maintenance operations in Chivor and San Carlos 230kV substations during the increase of line capacity projects. This technique offers service provision continuity thanks to the use of technologies that permit to obtain high standards in maintenance works. Equipments are not taken out of service, meaning that final users are not affected and do not notice system intervention. ISA is a pioneer in Colombia in using this technique.
- With the purpose of increasing productivity and improving information security and evaluation opportunity, ISA applied a new technology called Mobile. By means of an electronic device, maintenance tests data can be stored on site and later transmitted to SAP information system. This technology was implemented in 75% of

maintenance locations and for February 2009 must be employed in the remaining 25%.

- In order to guarantee service quality, reliability and availability, ISA continues using Reliability Centered Maintenance –MCC, for its Spanish initials– methodology, assigning maintenance tasks required by equipments.
- In some critical substations implementation of a fast phase switching system allows reducing from 48 to 4 hours the replacement time of a failed phase. This technology, incorporated from CTEEP, is supplemented by the inductive equipment spare parts minimum stock review and definition. A long-term acquisition program was also approved.

10.1.4 Technological development

During 2008, ISA continued to strengthen business technologies applied to the development of new products and services, the improvement of processes and the acquisition of essential competencies.

These activities are part of a technological plan developed in association with various public and private institutions. Projects developed as part of this plan turn into significant advancement in subjects related to direct current energy transmission, artificial intelligence, research on thermography and corrosion, breaker overhaul and on-line monitoring processes. Among the 14 projects included in the plan for 2008, the following stand out:

- Colombia-Florida interconnection Project: This project examines technical and commercial possibilities of transmitting HVDC electric energy

from Colombia to Florida (USA) through the Caribbean islands. This project is developed in association with Empresas Públicas de Medellín –EPM–, ISAGEN, Corporación Centro de Investigación y Desarrollo Tecnológico del Sector Eléctrico –CIDET– and Universidad Pontificia Bolivariana.

- Automatic event diagnostic: Using artificial intelligence techniques, like adaptive models and knowledge-based systems, this project will allow ISA and the power sector get a quick diagnosis of the Electric Power System after the occurrence of an event, improving operating personnel efficiency.
- Decision making model: This new development will permit assessing different projects in an objective way, optimizing decision making. Using system dynamics, a financial simulator will work under long-term scopes and for different scenarios (technological, economic, social, competitive and market).
- Alternative and integral solutions for transmission line tower foundations: This project allows selecting the best technical and economic option to protect tower foundations against soil corrosion. The project is based on the knowledge of new materials and procedures useful for designing and building transmission tower foundations.

10.2 INFRASTRUCTURE PROJECTS

ISA is developing in the Andean Region, through its Infrastructure Projects business, initiatives worth USD 360 million, in building electricity transmission networks and fiber-optic cable assembly.

The business has a broad service portfolio to offer to national and international markets. It includes: Project integral development (engineering, procurement, construction, and environmental, social, real estate and regulatory management). Project Engineering, Procurement and Construction –EPC–, project management (management of engineering, procurement and construction), project engineering (applied engineering services), environmental and social management; real estate management (land and rights of way management) and supply chain management (negotiation and procurement of goods and services).

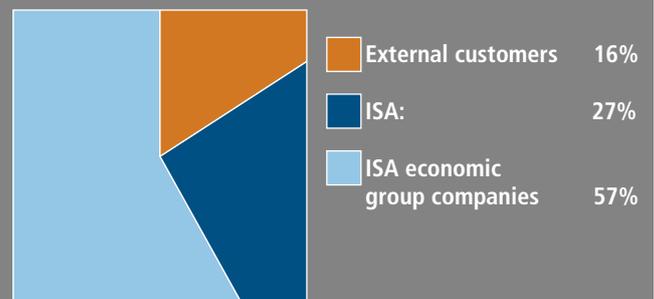
In 2008 ISA received the ISO 9001:2000 certification for studies, design, procurement, construction, erection, test and commissioning services for electric energy and telecommunications infrastructure projects .

During 2008, ISA signed new business contracts for USD 186 million, 50% up on previous year. From this total, 57% (USD 112 million) are provided to ISA group companies, 27% (USD 59 million) to ISA, and 16% (USD 15 million) to external customers.

In 2008, a new subsidiary was created, Proyectos de Infraestructura del Peru –PDI, for its Spanish initials–, based in Lima, confirming the group’s interest to consolidate in the Peruvian market. This market shows

excellent growth indices and offers opportunities for building important projects. This company is building 300 km of transmission lines for connection of the Platanal generation plant and designing and constructing the Chilca–La Planicie–Zapallal 220kV line and the 500kV line Chilca–Zapallal.

New businesses by customer



Works associated to Infrastructure Projects have been developed in Colombia, Peru and Bolivia and they include: building, expanding or renewing 809 km of transmission lines, 27 substations and 5,035 MVA of transformation capacity; in total, 29 projects, with an average of 95.5% fulfillment index.

Infrastructure under construction by country				
Country	Km of lines	Substations	MVA	Value (USD thousand)
Colombia	134	11	152	147
Peru	674	15	4,783	204
Bolivia	1	1	100	9
Total	809	27	5,035	360

The main projects under construction in each country are:

Colombia:

Project	Benefits	Entry into service date	% Progress report Dec-08
Porce 500kV substation and associated works UPME Bid-01 2007	Integrates generation project Porce III to the National Transmission System (STN)	30-Jun-10	9
Alternate 230kV line Malena - Primavera	Solves easement invasion problems between towers 305 and 307 of the Primavera-Malena 230kV transmission line	8-Jan-09	87
Chivor 230kV substation	Increases short circuit capacity of Chivor substation equipments	30-Jul-09	90
San Carlos 230kV substation renovation	Increases short circuit capacity of San Carlos substation	30-Jan-09	98
Alternate 230kV line Ancón Sur - Esmeralda	Assures line stability between towers 72, 73, 74, 75, 76 of Ancón Sur - Esmeralda circuits	27-Feb-09	70
Sabanalarga - Nogales fiber optic cable	Increases telecommunications reliability, building a redundant link in	1-Jul-08	100
Porce III - EPM connection	Transmits energy from Porce III hydroelectric generation plant to the new Porce substation	27-Feb-09	61

Peru:

Project	Benefits	Entry into service date	% Progress report Dec-08
Expansion 2: Zapallal - Paramonga - Chimbote transmission line	Increases system safety and reliability and removes operating difficulties for power exchange between central and northern areas of the country	31-Mar-08	100
Expansion 3: Ica, Juliaca and Marcona substations	Improves system transformation and transmission capacity	8-Feb-09	94
Expansion 4: capacitive compensation in Lima area	Solves reactive power problems in the northern area of Lima	7-Jan-09	99
Platanal - Chilca 220 kV transmission line	Allows connection of Platanal - CELEPSA Electric Company to the National Interconnected Electric System (SEIN)	30-Jul-09	62
Chilca – La Planicie – Zapallal 220 kV transmission line and associated substations	Strengthens the transmission system link between Chilca and SEIN, to transport energy from the new thermal generation projects located south of Lima.	7-May-10	2
Chilca – Zapallal 500 kV transmission lines and associated substations		7-Mar-11	2
Fibra óptica San Juan - Zorritos fiber optic line	Allows telecommunication services transmission between central and northern Peru	30-Jun-08	100

Bolivia:

Project	Benefits	Entry into service date	% Progress report Dec-08
Arboleda substation	Strengthens and expands sub-transmission system north of Santa Cruz	1-Jul-08	100

OUTLOOK

The vision of the Infrastructure Projects business is to continue being the natural provider of ISA economic group companies, confirming its condition as the best option to build linear infrastructure projects.

In Colombia, the business unit looks to strengthen relations and make big deals with external customers, becoming the best partner to integrally develop energy transmission and fiber optic networks.

In Peru, the business unit will continue consolidating its presence, based on the country's guarantees and legal stability, availing from the positive economic situation, represented in a high demand for infrastructure building. Excellent business opportunities are foreseen with the National Interconnection Electric System –SEIN, for its Spanish initials– and with private customers.

10.3 CORPORATE MANAGEMENT RESULTS

10.3.1 Human Capital

A great proportion of ISA's management efforts go to the improvement of its human capital, given its fundamental role in business growth and productivity raise. Since ISA regards its associates as one of its most important intangible assets, it is committed to their professional and personal development.

Along the past year, 35 new associates joined ISA's ranks, while 49 quit, with 26 of them going to enjoy their retirement pension. After these changes, the human group totals 619 people, 2.2% down on 2007.

So as to deal with its labor relations, ISA facilitates its associates the right of association to labor contracts; accordingly, by year's end, 501 associates were

working under the modality of Labor Contract, and 51 of them under Collective Bargaining Agreement.

Through its Human Management Policy, ISA fosters integral development shared by it and the associates, so facilitating the accomplishment of corporate goals and individual development. The Company's commitment to the advancement of knowledge encourages the development of skills and the continued growth of expertise through its Integral Formation Plan. Along the year, ISA promoted participation in diploma courses, in-house and external courses, graduate studies, and learning of foreign languages, with an investment of \$1,432 million, 67% up on 2007, when such investment amounted to \$856 million.

In order to safeguard the lives and integrity of its associates, prevent disease and promote health plans, the Company invested \$7,259 million, with \$5,133 million going to supplementary health programs, health expenditure and education aid to the associates' children and family groups, and the remaining \$2,126 million to supply these same needs among pensioners.

As to risk prevention, it is important to highlight the occurrence of 30 work accidents, seven of which resulted in 38 days of sick leave. The accident frequency index was 1.19 disabling accidents per 240,000 work hours.

The annual corporate climate survey conducted among the company's workers and employees gave ISA 75% average favorability, confirming ISA's definite solid ground in this area, according to international standards.

Additionally, ISA furthered a series of initiatives promoting the development of its human capital, among which the following stand out:

- Culture management: The Company's top management defined the goal-culture or desirable traits that will characterize ISA economic group companies by the year 2016. An additional base culture evaluation was conducted using focus group methodology and surveys to employees. This work permitted identification of the gaps requiring countering action to be developed in 2009 and beyond, for more effective achievement of our corporate goals.
- Succession plan for senior management staff: A succession plan was defined for management positions, and coaching sessions were carried out to strengthen and/or develop human competencies.
- Seed plan for professionals: This early strategy to attract talent comprises development of human competency and technical formation in areas related to our business.
- Display of corporate topics: The management group was trained to display the Company's relevant topics in their work team (MEGA, strategic maps and management charts, corporate values, Integrated Management System and action framework); it had 84% participation of associates.
- The business model sets the road for strategic organization, according to the nature of business.
- The operation model makes assignment of responsibility clear, starting from construction of the economic group's value chain.
- The governance model defines power levels and direction, control and coordination mechanisms in the economic group, in order to ensure the flow of decisions and information between the subsidiaries.

Likewise, the route map was defined to obtain structured, permanent, and evolutionary management of knowledge for the economic group companies. The result was a diagnosis and concept model that will allow each company to follow the route set, and to establish its priorities, according to the maturity level reached in the management of knowledge.

Finally, a methodology was defined to identify and classify each company's critical work positions, according to the degree of value-adding to the business processes.

10.3.2 Organizational capital

Corporate capital is defined as the company's ability to mobilize and combine skills, competencies, and resources within the company, and also to boost the change processes required to implement this strategy. Under this perspective, ISA started the economic group's reorganization in 2008, and defined the business, operation and governance models to be disclosed and implemented along 2009:

10.3.3 Technological capital

At ISA, sound management of computing technology enables change and generates business initiatives that support its strategy. In this respect, along the past year ISA made progress in a series of projects, among which the following stand out:

- SAP System in its Brazil companies: To guarantee adequate information exchange with the other companies in the economic group, CTEEP and ISA Capital do Brazil implemented modules that

support its processes in the areas of maintenance, procurement, sales, finance, human resources, and project management.

- Certification of the SAP Competencies Center as a center of expertise: It qualifies ISA as a company that has the necessary infrastructure, service layout, and human talent capable and experienced enough to shore up, develop, and make the SAP solution extensive to the economic group companies.
- Extension of the business intelligence solutions to the economic group companies: It allows ISA to have real-time and centralized information crucial to decision-making in financial, operating, and maintenance processes.
- Basic technological services: Implemented in the telecommunications transport companies and infrastructure projects recently created in Peru.
- Integration of networks and services: It allows unconstrained information exchange and services to the companies' users, through the use of a single work environment.
- Implantation of technological controls: It enhances reliability of the information platform and strengthens security against non-authorized access.
- Assurance of critical business processes: Main and backup datacenters, as well as information storage and communications infrastructure, are

upgraded in order to strengthen the information contingency plan.

- Information Technology Governance –TI–: This scheme allows the companies to strengthen the guidelines and criteria under which they incorporate, manage, and use information technology. The technology procurement process was homologated for the companies, bringing easier global negotiation and scale economies; additionally, advancement was reached in homologation of information platform, cost structuring and definition of a methodology that enables the establishment of priorities and approval of both corporate projects and individual business projects.

Finally, the Colombian Association of SAP Users awarded ISA recognition of achievement for the project "SAP System Security Scheme Change", through which a series of best practices was designed, offering secure information and operations platform, and facilitating TI governance for the economic group companies.

10.3.4 Risk management

Along the past year, ISA redefined its risks and their components, revised its administrative measures applied in improvement of management, and devised an exercise for qualitative evaluation of risk based on scenario analysis that shows the highest degree of exposure to risk in each scenario. This work allowed updating of the risks map and the reclassification of risk in four categories: strategic, operational, financial, and milieu.

on ISA's financial expectations for the year, such risks were not only analyzed in full detail, but also included in the priority-risk follow-up exercise.

On the other hand, and based on the risks contemplated in each company's map, the implementation of the integral risk management cycle was coordinated for the group companies.

10.3.5 Legal Affairs Management

No litigations or contingencies with the potential to materially affect the Company arose along 2008. Judiciary and administrative actions against it were timely and adequately countered to defend the its interests, and to comply with its duties and responsibilities.

In turn, and on its own behalf, ISA undertook the legal and administrative actions necessary to further its corporate purpose and in defense of its interests, respecting all binding regulation.

It is worth pointing out here that additional information regarding litigations is available to the shareholders in the notes to the Financial Statements.

10.3.6 Corporate communications

As part of the process of creation and application of its new brand, ISA designed a strategy to correctly convey messages related to linear infrastructure systems for the business of Energy Transport, Markets Operation and Administration, and Telecommunications Transport; it structured a document called nomenclature system, that helps the growth of a brand system, and finally, it shared the new corporate positioning with the subsidiaries and affiliates.

On the other hand, the Communications Committee was created, to consolidate the image of ISA economic group in its target markets, availing from the development of common synergies and opportunities.

ISA redesigned its Website, a space where it reinforces its virtual presence, according to its new image, its international character, its solidness, and long-term growth expectations.

Also, it prepared a corporate guide to disclose public information produced by ISA and its companies, intended to coordinate timely and adequate flow of information for control entities and authorities, the investors, as well as corporate and mass media.

10.3.7 Corporate Social Responsibility and the Global Compact

ISA conducted a Corporate Social Responsibility –CSR– performance survey among all of the group companies, showing good results in the areas of its philosophy and relations, and the challenges entailed by its efforts to improve communication with the stakeholders.

The company created the CSR Committee to coordinate and articulate its management endeavors, and to identify and follow up the practices developed by, and compliance with the principles of the Global Compact.

Included in this publication is the folder on ISA's CSR management along 2008, and for the full report you can log on to ISA's Web page.

ISA'S
FINANCIAL
management

ISA's results during the period				
Millions of \$	2008	2007	Variation	Variation %
Income Statement				
Operating revenues	914,344	762,359	151,985	19.9
Operating costs and expenses	(439,960)	(366,572)	(73,388)	20.0
EBITDA	602,845	537,301	65,543	12.2
Operating income	474,384	395,787	78,597	19.9
Non-operating results	(143,604)	(122,872)	(20,732)	16.9
Income tax provision	(94,187)	(46,894)	(47,293)	100.9
Net income	236,593	226,021	10,572	4.7
Balance Sheet				
Assets	7,327,697	6,350,589	977,108	15.4
Liabilities	2,518,434	2,517,269	1,165	0.0
Equity	4,809,263	3,833,320	975,943	25.5
Indicators				
EBITDA margin (%)	65.9	70.5		
Operating margin (%)	51.9	51.9		
Return on assets (%)	6.5	6.2		
Return on equity (%)	4.9	5.9		
Leverage (%)	34.4	39.6		

INCOME STATEMENT

At \$914,344, ISA's revenues are 19.9% higher than in 2007, mainly due to:

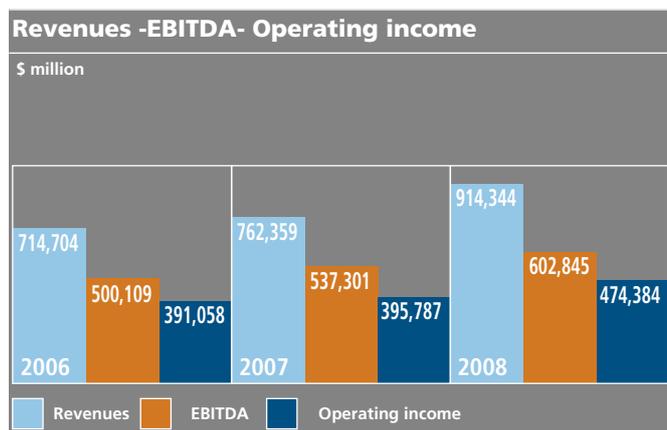
- The behavior of PPI (factor to which revenues are indexed) which grew 8.99% compared to 1.3% in 2007.
- In 2008, revenues from project UPME 02 of 2003 were received during 12 months, and in 2007, only during nine months.
- New revenues from commissioning of fiber-optic projects: INTERNEXA's loops and Sabanalarga – Nogales, in addition to Compensación Caño Limon project.

- Revenues from construction of infrastructure projects for third parties.
- Impact of the Electric Grid Normalization Program –PRONE⁴, for \$48,191 million, both in revenues and in expenses.

Operating costs and expenses totaled \$439,960 million, equivalent to 20% increase; items most affecting such growth were PRONE contributions, costs associated to project construction for third parties, and expenses of the maintenance plan for the Company's assets.

EBITDA increased 12.2% to \$602,845 due to the fact that revenues growth (\$151,985 million) was higher than expenses growth (\$73,388 million).

EBITDA margin dropped from 70.5% to 65.9%; such 4.6% reduction was due to the fact that for 2008 it was calculated on a higher revenue base affected by recognition of PRONE.



Operating income equaled \$474,384 million (19.9% up on 2007) as a result of the good behavior of EBITDA and lower amortization during the year. Such lower amortization is explained by the fact that in 2007, due to changes in accounting regulations, accelerated depreciation was applied to some deferred assets.

In turn, non-operating results at -\$143,604 million are explained by the following factors:

- Net financial results of -\$193,215 million, which are \$21,558 million higher than a year earlier due to lower financial expenses from loan amortizations effected during the first half of the year.
- Devaluation at 11.36% affected the US Dollar-denominated debt resulting in net exchange difference of -\$12,643 million, figure that differs from \$105,934 million of 2007 when revaluation stood at 10.1%.
- \$62,521 million net revenues from equity method, \$65,013 more than in 2007 that are explained by better financial performance of the companies, especially the investment vehicle ISA Capital do Brazil and subsidiary TRANSELCA.

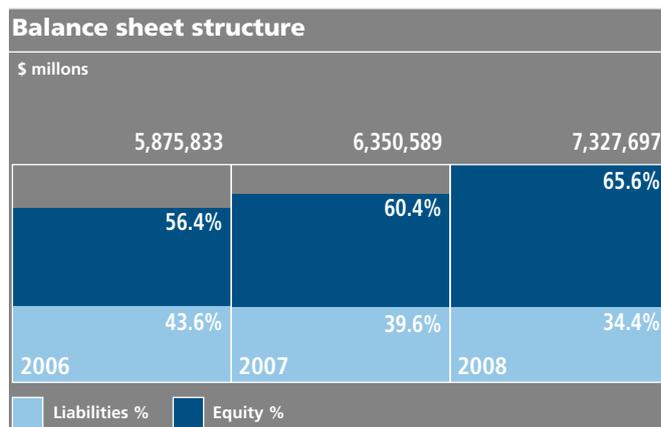
Finally, net income at close of 2008 was \$236,593 million, 4.7% or \$10,572 million above that of 2007.

4. Contribution equal to \$1/kV-hour transported, created under Law 1151 of 2007 to finance the Electric Grid Normalization Program.

Revenues from equity method			
(Millions of \$)	2008	2007	Variation
Company			
TRANSELCA	37,042	20,330	16,712
REP	10,423	10,566	(143)
TransMantaro	11,496	12,544	(1,048)
ISA Peru	1,932	1,453	479
ISA Bolivia	1,673	4,888	(3,215)
PDI	2,136	-	2,136
XM	1,904	6,378	(4,474)
FEN	-	576	(576)
ISA Capital	(9,627)	(49,023)	39,396
INTERNEXA	5,542	2,318	3,224
Flycom	-	(12,522)	12,522
Total	62,521	(2,492)	65,013

BALANCE SHEET

The Company's assets at \$7,327,697 million, represent 15.4% increase over 2007 as result of the updated technical appraisal of fixed assets. Because of such updating process, equity increased 25.5% via revaluation surplus. Such higher assets value caused leverage ratio to go from 39.6% in 2007 to 34.4% in 2008.

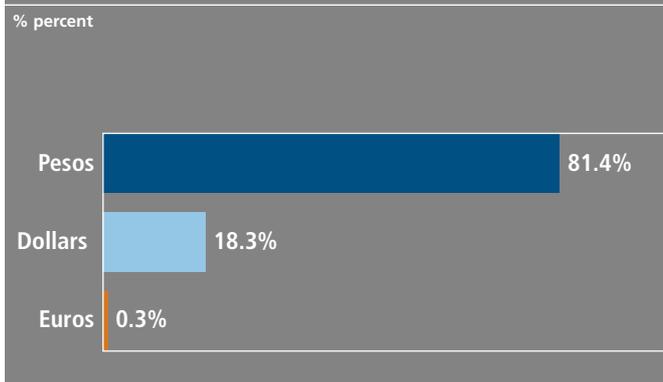


At the end of the period, total debt stood at \$1,713,374 million, 3.0% down on 2007 (\$1,767,144 million). Here, it is necessary to highlight ISA's actions to improve its debt profile and financial terms: prepayment of the syndicated loan for USD50 million hired for the acquisition of CTEEP, treasury loans for \$82,000 million to finance last quarter's cash flows, and subscription of long-term loans for \$121,000 million.

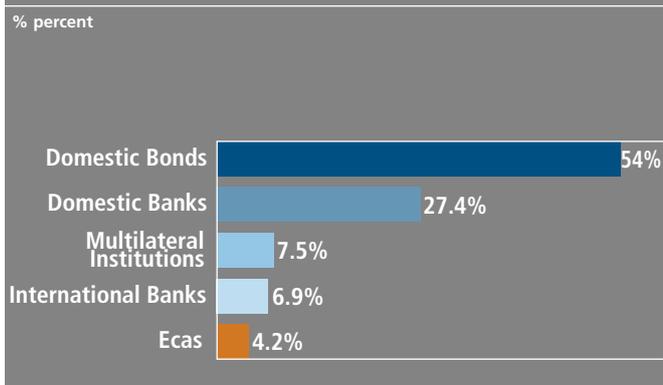
Domestic bonds are the debt portfolio's major financing source with 54% share, equivalent to \$924,803 million.

Since 2004, ISA has an ongoing \$450,000 million bond issue program which was expanded to \$850,000 million in 2006 and to \$1,200,000 million in 2008. In 2008, \$104,500 million were placed with 1.63 over demand, thus confirming our investors trust.

Debt by currency



Debt by financing source



CREDIT RISK RATING

Duff & Phelps de Colombia affirmed AAA rating for ISA's three bond issues and the domestic debt bond program. In the same manner, Standard & Poor's upheld its BB+ rating for ISA's foreign-currency long-term credit (equal to the Republic of Colombia's

sovereign ceiling) and rated BBB- its local-currency credit.

CASH FLOW

The Company had cash flows for \$1,488,444 million as follows: \$205,688 million of initial holdings, \$898,909 million of current revenues, \$380,483 million of capital revenues, and \$3,364 million of delegated administrations. These resources were earmarked as follows:

- \$555,388 million for debt service to pay the USD150 million subordinated loan, the loans from domestic and foreign banks, and the debt acquired through bonds.
- \$363,845 million for operating expenses (personal services, general expenses, taxes, insurance, among others).
- \$147,366 million for payment of dividends.
- \$129,733 million for investment, including capitalization of subsidiaries for \$13,888 million.
- \$34,105 million for non-operating expenses, loans to subsidiaries and nationalization VAT.
- \$14,376 million for delegated administrations.

Ending cash holdings were \$243,631 million, of which \$220,911 million remained as available resources after subtracting specific-purpose funds: delegated administration (\$8,161 million), UPMES \$983 million), and risk withholding fund \$13,576 million).

CASH FLOW BUDGET FOR 2009

To meet its commitments and preserve its financial soundness, the Company's approved budget totals \$1,508,148 million. Such figure includes the following items:

- \$243,631 million of initial cash holdings.
- \$939,406 million of current revenues.
- \$297,501 million of capital revenues represented by \$247,764 million of loan borrowings, and \$49,737 million of loans and dividends received from subsidiaries, financial yields, and amortization of loans from ISA to these companies.
- \$27,611 million of revenues from delegated administration of infrastructure projects for third parties.

These resources will be used for the following commitments:

- \$483,171 million for non-operating costs and expenses.
- \$15,140 million for delegated administrations for construction for third parties of infrastructure projects.

- \$160,274 million for payment of dividends.
- \$604,568 million for debt service.
- \$157,766 million for the investment plan.
- \$2,347 for payment of IVA on capital assets.

At the end of the year, the Company will have \$84,882 million cash balance, of which \$48,432 million are available resources and \$36,450 million are specific-purpose funds.

OUTLOOK

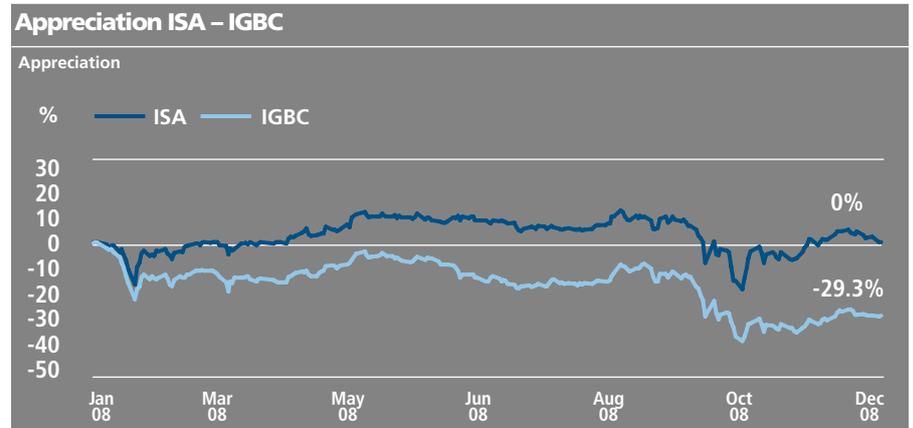
ISA will continue working to direct its actions toward value generation, availing from the new opportunities offered by the market to increase its revenues, enhancing its operating cost and expenses structure, and optimizing its financial management.

In order to generate higher cash surpluses and finance new investments, the Company will seek access to debt management structures and operations that permit considerable improvement of its profile in terms of average term, cost, and concentration of payment.

Stock market EVOLUTION

The year 2008 was characterized by the financial crisis in the United States, and by deteriorated world stock markets, circumstances resulting in economic deceleration that considerably affected investment portfolios, and consequently, the main indices of the variable income market. This situation did not spare the behavior of Colombia's capital markets.

However, despite the fact that the markets situation was difficult and the General Index of the Colombian Stock Market –IGBC– suffered 29.3% devaluation, ISA's share showed stable behavior during the period.



On September 1, ISA's share reached a maximum quote of \$7,990, for an average \$7,277 for the year, and \$7,100 at closing; it was negotiated in the 244 rounds of the BVC, with an average of 359,603 shares, and a value per round nearing \$2,582 million; additionally, it took sixth place in the high market capitalization category (Market Capitalization Index, published by the Superintendency of Securities).

As of December 31, the company's market capitalization stood at \$7,637,196 million.

Monthly quote evolution of ISA's share

Month	Days quoted	Monthly movements				Monthly Variation	Traded Volume	
		Maximum	Minimum	Average	Closing		Share (number)	Amount (pesos)
January	21	7,100	5,890	6,760	6,840	-3.66	16,733,194	110,131,517,720
February	21	7,100	6,600	6,940	7,000	2.34	7,890,074	54,963,189,890
March	18	7,100	6,740	7,013	7,040	0.57	5,746,920	39,913,512,290
April	22	7,790	7,190	7,389	7,790	10.65	14,362,408	106,255,390,550
May	19	7,940	7,740	7,824	7,900	1.41	6,747,697	52,785,689,070
June	19	7,830	7,630	7,734	7,690	-2.66	5,214,871	40,323,568,970
July	23	7,700	7,400	7,563	7,550	-1.82	3,782,149	28,651,532,740
August	19	7,810	7,420	7,527	7,810	3.44	4,596,739	35,038,815,780
September	22	7,990	7,450	7,731	7,730	-1.02	5,606,310	43,489,181,670
October	22	7,660	5,750	6,791	6,820	-11.77	7,265,784	49,090,296,150
November	18	7,170	6,510	6,782	7,160	4.99	3,683,069	24,935,651,250
December	20	7,440	7,000	7,252	7,100	-0.84	6,113,840	44,538,814,390
Total	244					0.00	87,743,055	630,117,160,470



The main stock market indicators for ISA's share during 2008 were:

Main stock market indicators	
Indicators	2008
Outstanding shares (No.)	1,075,661,374
Free-float (%)	29.70
Par value (\$)	32.80
Book value including appreciation (\$)	4,470.98
Yearly dividend (\$)	140
Closing price (\$)	7,100
Average traded volume (\$ million)	2,582
Market capitalization (\$ million)	7,637,196
Dividend yield (%)	1.97
Stock market capitalization index (position No.)	6

ISA LEVEL I AMERICAN DEPOSITARY RECEIPTS –ADR–

So as to improve liquidity while obtaining greater visibility for the company in international markets, ISA started quoting its ADRs through the international electronic platform OTCQX, a tool that provides to Over the Counter –OTC– investors in the United States, continuous online information about the Company and the operations of its ADRs.

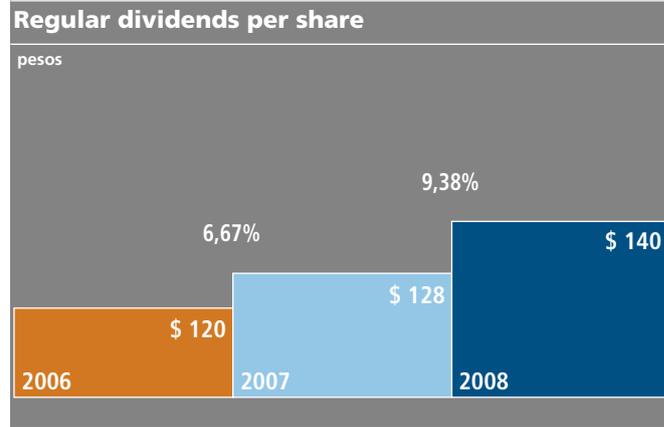
As on December 31 of 2008, ISA's stock composition was:

Shareholding		
Shareholders	Number of Shares	%
State investors	678,823,336	63.11
The Nation	569,472,561	52.94
Empresas Públicas de Medellín	109,350,775	10.17
State-and-private-capital companies	77,373,530	7.19
ECOPETROL	58,925,480	5.48
Empresa de Energía de Bogotá	18,448,050	1.72
Private Investors	319,464,508	29.70
Institutional Investors	181,880,448	16.91
Individuals	106,587,952	9.91
Legal Persons	18,119,708	1.68
Foreign investment funds	9,925,575	0.92
ISA ADR Program	2,950,825	0.27
Total outstanding subscribed capital	1,075,661,374	100.00

DIVIDEND POLICY

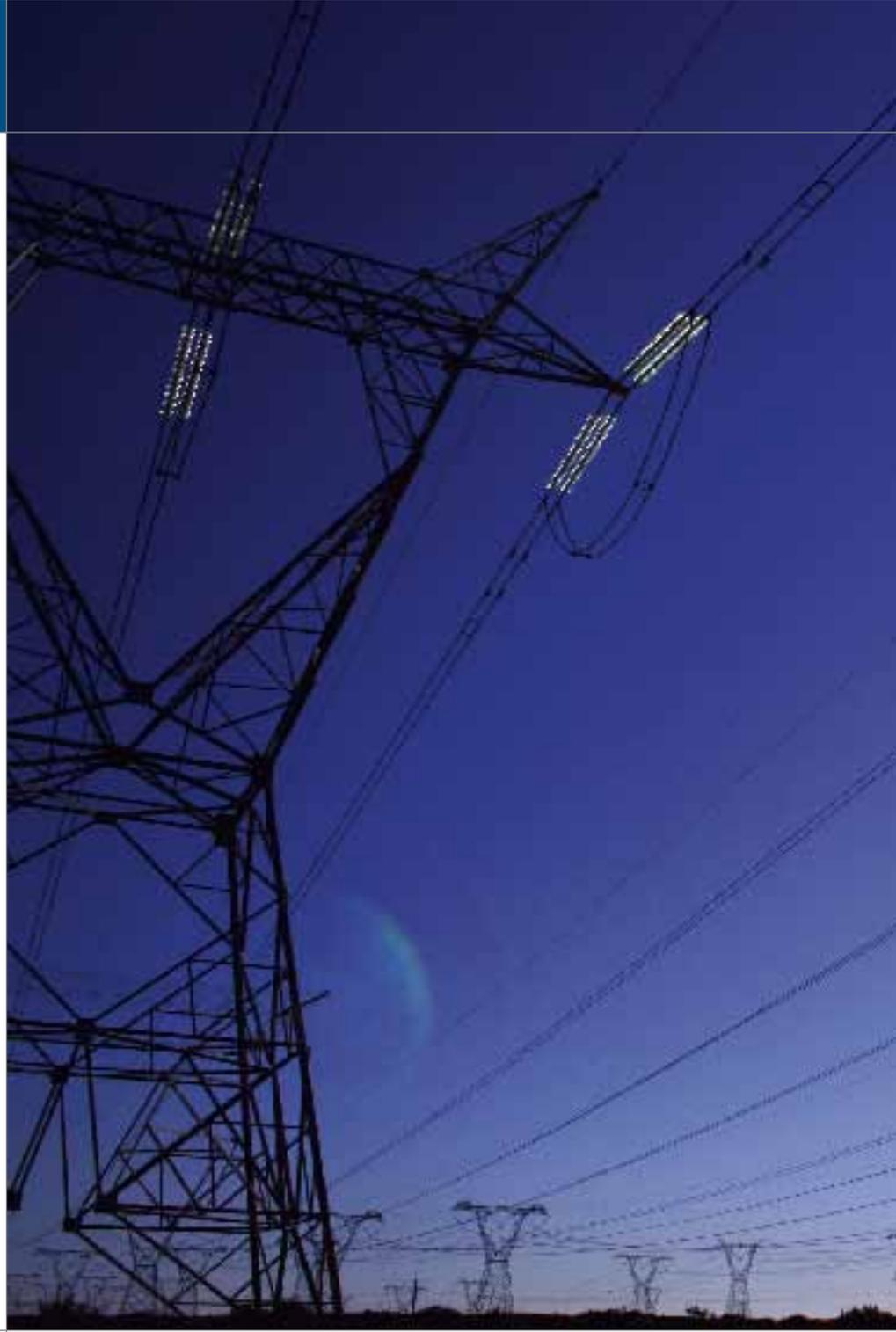
ISA's Shareholders' Meeting held on March 31, 2008, approved the appropriation and distribution of earnings of the year 2007, which meant distribution of earnings and reserves totaling \$150,593 million to pay dividends of \$140 per share. Payment took place in four quarterly installments of \$35 each on April 16, July 16, and October 16 of 2008 and January 27 of 2009.

In this way, for 2008, direct retribution to the shareholder in the form of dividends grew by 9.38% with respect to the regular dividend declared in the immediately previous year, which was \$128 per share.





Financial
Statements





**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2008 AND 2007**

(In millions of Colombian pesos)

	NOTES	2008	2007
ASSETS			
Current assets:			
Cash	(5)	377,376	567,648
Marketable investments	(5)	267,489	219,498
Accounts receivable – Net	(7)	782,578	756,648
Inventories	(8)	57,423	55,136
Deferred charges and other assets	(10)	124,451	38,730
Total current assets		1,609,317	1,637,660
Non-current assets:			
Long- term investments	(6)	72,990	54,110
Accounts receivable – Net	(7)	610,031	511,620
Inventories	(8)	60,891	56,399
Property, plant and equipment – Net	(9)	3,539,150	3,438,172
Deferred charges and other assets	(10)	6,105,302	6,719,648
Reappraisal of assets	(11)	2,442,009	1,469,880
Total non-current assets		12,830,373	12,249,829
Total assets		14,439,690	13,887,489
Memorandum accounts:			
Debit memorandum accounts	(19)	3,580,929	3,390,813
Credit	(19)	2,129,477	1,873,209

The accompanying Notes 1 to 26 form an integral part of these consolidated financial statements


LUIS FERNANDO ALARCÓN M.
 Chief Executive Officer
 (See attached certification)


JORGE ALBERTO BOTERO D.
 Chief Accounting Officer
 T.P.35322-T
 (See attached certification)


CARLOS ENRIQUE GORDILLO B.
 Statutory Auditor
 T.P.33537-T
 PricewaterhouseCoopers
 (See attached report)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	NOTES	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Outstanding bonds	(12)	188,915	88,471
Financial liabilities	(13)	675,902	658,008
Accounts payable	(14)	351,619	426,098
Labor liabilities	(15)	35,300	51,703
Accrued liabilities and estimated provisions	(16)	141,266	147,183
Other liabilities	(17)	199,546	228,290
Total current liabilities		1,592,548	1,599,753
Long-term liabilities:			
Outstanding bonds	(12)	2,468,211	2,821,826
Financial liabilities	(13)	1,321,299	1,313,897
Accounts payable	(14)	295,760	327,691
Labor liabilities	(15)	1,461	1,246
Accrued liabilities and estimated provisions	(16)	707,050	704,344
Other liabilities	(17)	335,024	306,921
Total non-current liabilities		5,128,805	5,475,925
Total liabilities		6,721,353	7,075,678
MINORITY INTERESTS		2,777,292	3,009,365
SHAREHOLDERS' EQUITY:			
Paid-in capital	(18)	35,866	35,866
Additional paid-in-capital		1,062,361	1,062,361
Retained earnings		431,872	356,444
Net income		236,593	226,021
Cumulative translation adjustment		131,782	(30,874)
Equity revaluation		612,192	632,366
Revaluation surplus		2,185,306	1,301,520
Surplus from equity method		245,073	218,742
Total shareholders' equity		4,941,045	3,802,446
Total liabilities, minority interests and shareholders' equity		14,439,690	13,887,489
Memorandum accounts:			
Credit	(19)	2,129,477	1,873,209
Debit	(19)	3,580,929	3,390,813

The accompanying Notes 1 to 26 form an integral part of these consolidated financial statements


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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos except for net income per share that is expressed in Colombian pesos)

	NOTES	2008	2007
OPERATING REVENUES	(20)		
Energy transmission services		2,659,505	2,408,178
Connection charges		269,967	234,024
Dispatch and CND-MEM coordination		32,369	28,844
MEM Services (STN, SIC, SDI)		29,061	32,373
Telecommunications		109,209	107,786
Other operating revenues		64,930	10,470
Total operating revenues		3,165,041	2,821,675
OPERATING COSTS AND EXPENSES			
Operating costs	(21)	1,000,637	950,880
Administration expenses	(22)	448,256	584,492
Total operating costs and expenses		1,448,893	1,535,372
Operating income		1,716,148	1,286,303
NON-OPERATING REVENUES (EXPENSES)	(23)		
Non-operating revenues		793,867	1,081,662
Non-operating expenses		(1,261,921)	(1,103,007)
Non-operating loss		(468,054)	(21,345)
Income before taxes		1,248,094	1,264,958
Income tax provision	(16.2)	(434,723)	(392,927)
Income before minority interests		813,371	872,031
MINORITY INTERESTS		576,778	646,010
Net income		236,593	226,021
Net income per share		219.95	220.91

The accompanying Notes 1 to 26 form an integral part of these consolidated financial statements


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 (See attached certification)


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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

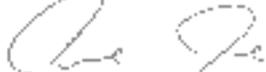
(In millions of Colombian pesos)

	Additional paid-in capital				Reserves							Total	Retained Earnings	Equity revaluation	Surplus from revaluation and equity method	Total
	Subscribed and paid share capital	Premium on capital stock	Received for works	Total	Legal	Mandatory for tax purposes	Repurchase of shares	Reinforcement of equity	For rehabilitation and replacement of STN assets	For dividend payment	Total					
Balances at December 31, 2006	34,016	647,783	17,381	665,164	16,042	192,804	46,600	45,365	37,435	-	338,246	151,775	652,539	1,472,633	3,314,373	
Transfers approved by the Shareholders' Meeting					967	16,043		(5,494)		8,487	20,003	(20,003)			-	
Issuance of 56,394,211 shares at \$7,076 per share formalized by the Board of Directors on December 7, 2007	1,850	397,197		397,197											399,047	
Dividend payment at \$128 per share on 1,019,267,163 outstanding shares payable in four quarterly installments in April, July and October of 2007, and January of 2008												(130,466)			(130,466)	
Transfer for payment of fourth dividend installment \$32 per share for \$56,394,211 shares issued										(1,805)	(1,805)				(1,805)	
Cumulative translation adjustment												(32,180)			(32,180)	
Variation in equity revaluation													(20,173)		(20,173)	
Increase in surplus from equity method															45,112	
Increase in re-appraisals of the year															2,517	
Net income year 2007												226,021			226,021	
Balances at December 31, 2007	35,866	1,044,980	17,381	1,062,361	17,009	208,847	46,600	39,871	37,435	6,682	356,444	195,147	632,366	1,520,262	3,802,446	
Transfers approved by the Shareholders' Meeting					925	6,216	(8,500)	83,469	-	(6,682)	75,428	(75,428)			-	
Dividend payment at \$140 per share on 1,075,661,374 outstanding shares payable in four quarterly installments in April, July and October of 2008, and January of 2009												(150,593)			(150,593)	
Cumulative translation adjustment												162,656			162,656	
Variation in equity revaluation													(20,174)		(20,174)	
Increase in surplus from equity method															26,331	
Increase in re-appraisals of the year															883,786	
Net income year 2008												236,593			236,593	
Balances at December 31, 2008	35,866	1,044,980	17,381	1,062,361	17,934	215,063	38,100	123,340	37,435	-	431,872	368,375	612,192	2,430,379	4,941,045	

The accompanying Notes 1 to 26 are an integral part of these consolidated financial statements


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 (See attached certification)


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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

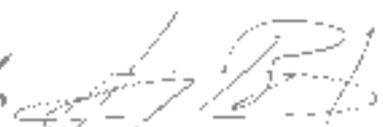
	2008	2007
Cash flow from operating activities:		
Net income	236,593	226,021
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	576,778	646,010
Depreciation of property, plant and equipment	172,575	168,260
Amortization of deferred charges and other assets	333,771	370,989
Amortization of retirement pensions and fringe benefits	29,341	43,901
Allowance for doubtful accounts	3,391	7,053
Provision for inventory protection	374	192
Income tax provision	434,723	392,927
(Gain) loss on sale and retirement of property, plant and equipment	(11,922)	(22,343)
Exchange difference expense	391,346	(314,166)
Recovery of provisions	(4,766)	(79,728)
Interest and commissions accrued	387,148	395,970
	2,549,352	1,835,086
Changes in operating assets and liabilities:		
Debtors	(119,939)	(248,935)
Inventories	(7,153)	1,682
Deferred charges and other assets	199,085	(1,236,309)
Accounts payable	16,783	(69,404)
Labor liabilities	(16,188)	17,828
Accrued liabilities and estimated provisions	(441,085)	(718,933)
Collections in favor of third parties	182,763	213,927
Minority interests	(808,851)	(1,049,689)
Other liabilities	(183,404)	(207,254)
Cash flow in other operations:		
Payment of retirement pensions	(26,190)	(13,810)
Payment of taxes	(215,240)	(58,728)
	1,129,933	(1,534,539)
Cash flow from investment activities:		
(Increase) Decrease in long-term investments	151,537	246,939
Depreciation of property, plant and equipment	(261,631)	(331,769)
	(110,094)	(84,830)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	2008	2007
Cash flow from financing activities:		
Interest received in cash	38,709	46,750
Interest paid in cash	(369,944)	(455,108)
Dividends paid	(147,373)	(126,653)
Increase in financial liabilities	779,883	389,321
Bond issues	104,500	1,692,114
Payment of financial liabilities	(1,119,460)	(412,821)
Payment of bonds	(360,092)	(12,556)
Share issues	-	399,048
Equity variations	(88,343)	(2,795)
Net cash (used in) provided by financing activities	(1,162,120)	1,517,300
(Decrease) in cash and cash equivalents - Net	(142,281)	(102,069)
Cash and cash equivalents at the beginning of the year	787,146	889,215
Cash and cash equivalents at the end of the year	644,865	787,146

The accompanying Notes 1 to 26 form an integral part of these consolidated financial statements

 LUIS FERNANDO ALARCÓN M. Chief Executive Officer (See attached certification)	 JORGE ALBERTO BOTERO D. Chief Accounting Officer T.P.35322-T (See attached certification)	 CARLOS ENRIQUE GORDILLO B. Statutory Auditor T.P.33537-T PricewaterhouseCoopers (See attached report)
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To the Shareholders of Interconexión Eléctrica S. A. E.S.P.

February 27, 2009

1. I have audited the consolidated balance sheets of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries at December 31, 2008 and 2007 and the corresponding consolidated statements of income, of changes in the shareholders' equity and of cash flows for the years then ended, as well as the summary of the main accounting policies set forth in Note 3 and other explanatory notes.
2. These financial statements, which are attached, are the responsibility of the Company's management, both in their preparation and in their correct presentation according to accounting principles generally accepted in Colombia for institutions under the surveillance of the Superintendency of Domiciliary Public Utilities and provisions of the Colombian General Accounting Office. Such responsibility includes: designing, implementing and maintaining the internal control relevant for the preparation and reasonable presentation of the financial statements so that they are free from errors of relative importance due to fraud or error, selecting and applying appropriate accounting policies, and establishing the accounting estimates that are reasonable under the circumstances. I did not audit the financial statements of the subsidiaries included in these consolidated statements, which statements reflect, before eliminations, total assets of \$10,884,751 and \$11,350,666 million at December 31, 2008 and 2007, respectively, and total net income of \$978,846 and \$1,046,847 million for the years then ended. Those financial statements were audited by other public accountants associated to PricewaterhouseCoopers, whose reports thereon have been furnished to me, and my opinion expressed herein, insofar as it relates to the amounts included for the subsidiaries of Interconexión Eléctrica S.A. E.S.P., is based solely on the report of the other public accountants.

3. My responsibility is to audit said consolidated financial statements and express an opinion thereon based on my audits. I obtained the information necessary to comply with my statutory audit duties and carried out my work in accordance with auditing standards generally accepted in Colombia. Those standards require that I plan and perform the audit to satisfy myself that the consolidated financial statements are free from relative importance errors.
4. An audit of financial statements includes, among other things, carrying out procedures to obtain audit evidence on amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an evaluation of the risk of relative importance errors in the financial statements. In evaluating such risks, the statutory auditor considers the entity's internal control relevant for the preparation and reasonable presentation of the consolidated financial statements, in order to design audit procedures appropriate to the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the accounting estimates made by the entity's management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for the opinion on the financial statements that I express in the following paragraph.
5. In my opinion, based on my audit and on the reports of the other public accountants mentioned on the second paragraph hereof, the aforementioned consolidated financial statements , that were faithfully taken from the consolidation entries, present fairly, in all significant aspects, the financial position of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries at December 31, 2008 and 2007, the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia for institutions under the surveillance of the Superintendency of Domiciliary Public Utilities and regulations of the Colombian General Accounting Office , as indicated in Note 3 to the consolidated financial statements, uniformly applied.
6. As indicated in Notes 7 and 16 to the consolidated financial statements, the external auditors of the subsidiary located in Brazil included in their report on the financial statements as of December

31 of 2007 one explanatory paragraph related to the liability for payment of subsidiary 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 subsidiary has not recorded in its consolidated financial statements any liability in this respect. As of the date of this report, management has informed me that such situation is still valid.

7. As indicated in Note 1 to the consolidated financial statements, the Company has considered that the valuation of the swap acquired by subsidiary ISA Capital do Brazil should have been made using the market applicable to hedge instruments and not the trade for profit market. The financial statements of said subsidiary, used in the application of the equity method and in consolidation, include a conciliation entry related to the difference in swap valuation.
8. As indicated in Note 10 to the consolidated financial statements, at December 31, 2008 the subsidiary Internexa S.A. E.S.P. recorded deferred charges and intangible assets for \$4,110 and \$12,513 million, respectively, which are expected to be recovered during the following years. Even though the Company has financial income projections for future years, the recovery of these deferred charges and intangible assets depends on the compliance of these projections.



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

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEET
AT DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	NOTES	2008	2007
ASSETS			
Current assets:			
Cash	(5)	45,326	50,688
Investments and derivatives	(5)	196,778	150,445
Accounts receivable – Net	(7)	201,828	171,216
Inventories	(8)	1,872	3,096
Deferred charges and other assets	(10)	97,230	8,558
Total current assets		543,034	384,003
Non-current assets:			
Long- term investments	(6)	1,735,050	1,691,651
Long-term accounts receivable	(7)	29,017	34,690
Inventories	(8)	60,891	56,586
Property, plant and equipment – Net	(9)	2,442,825	2,487,376
Deferred charges and other assets	(10)	331,574	394,763
Reappraisal of assets	(11)	2,185,306	1,301,520
Total non-current assets		6,784,663	5,966,586
Total assets		7,327,697	6,350,589
Memorandum accounts:			
Debit	(20)	2,681,805	2,669,478
Credit	(20)	1,268,655	1,214,483

The accompanying Notes 1 to 26 are an integral part of these financial statements


 LUIS FERNANDO ALARCÓN M.
 Chief Executive Officer
 (See attached certification)


 JORGE-ALBERTO BOTERO D.
 Chief Accounting Officer
 T.P.35322-T
 (See attached certification)


 CARLOS ENRIQUE GORDILLO B.
 Statutory Auditor
 T.P.33537-T
 PricewaterhouseCoopers
 (See attached report)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEET
AT DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	NOTES	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Outstanding bonds	(12)	102,938	-
Financial liabilities	(13)	269,695	395,167
Hedging operations	(14)	-	137
Accounts payable	(15)	125,807	161,497
Labor liabilities	(16)	6,495	5,354
Accrued liabilities and estimated provisions	(17)	51,708	24,766
Other liabilities	(18)	1,189	1,224
Total current liabilities		557,832	588,145
Non-current liabilities:			
Outstanding bonds	(12)	821,865	817,882
Financial liabilities	(13)	518,876	554,095
Related parties	(13)	259,768	258,355
Accounts payable	(15)	42,753	18,953
Labor liabilities	(16)	1,323	1,085
Accrued liabilities and estimated provisions	(17)	121,136	119,377
Other liabilities	(18)	194,881	159,377
Total non-current liabilities		1,960,602	1,929,124
Total liabilities		2,518,434	2,517,269
SHAREHOLDERS' EQUITY:			
Paid-in capital	(19)	35,866	35,866
Additional paid-in-capital		1,062,361	1,062,361
Retained earnings		431,872	356,444
Net income		236,593	226,021
Revaluation surplus		2,185,306	1,301,520
Surplus from equity method		245,073	218,742
Equity revaluation		612,192	632,366
Total shareholders' equity		4,809,263	3,833,320
Total liabilities and shareholders' equity		7,327,697	6,350,589
Memorandum accounts:			
Credit	(20)	1,268,655	1,214,483
Debit	(20)	2,681,805	2,669,478

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



LUIS FERNANDO ALARCÓN M.
 Chief Executive Officer
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 Chief Accounting Officer
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 (See attached certification)



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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos except for net income per share that is expressed in Colombian pesos)

	NOTES	2008	2007
OPERATING REVENUES	(21)		
Energy transmission services		779,776	663,771
Connection charges		72,186	58,109
Infrastructure Projects		27,290	10,968
Telecommunications		16,403	11,944
Other operating revenues		18,689	17,567
Total operating revenues		914,344	762,359
OPERATING COSTS AND EXPENSES			
Operating costs	(22)	365,971	276,912
Administration expenses	(23)	73,989	89,660
Total operating costs and expenses		439,960	366,572
Operating income		474,384	395,787
NON-OPERATING REVENUES (EXPENSES)	(24)		
Non-operating revenues		253,198	200,136
Non-operating expenses		(396,802)	(323,008)
Non-operating loss		(143,604)	(122,872)
Income before taxes		330,780	272,915
Income tax provision	(17.2)	94,187	46,894
Net income		236,593	226,021
Net income per share		219.95	220.91

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


 LUIS FERNANDO ALARCÓN M.
 Chief Executive Officer
 (See attached certification)


 JORGE ALBERTO BOTERO D.
 Chief Accounting Officer
 T.P.35322-T
 (See attached certification)


 CARLOS ENRIQUE GORDILLO B.
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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	Additional paid-in capital				Reserves							Total	Net income	Equity revaluation	Surplus from equity method	Revaluation surplus	Total
	Subscribed and paid share capital	Premium on capital stock	Received for works	Total	Legal	Mandatory for tax purposes	Repurchase of shares	Reinforcement of equity	For rehabilitation and replacement of STN assets	For dividend payment							
Balances at December 31, 2006	34,016	647,783	17,381	665,164	16,042	192,804	46,600	45,365	37,435	0	338,246	150,469	652,539	173,630	1,299,003	3,313,067	
Transfers approved by the Shareholders' Meeting					967	16,043		(5,494)		8,487	20,003	(20,003)				-	
Issuance of 56,394,211 shares at \$7,076 per share formalized by the Board of Directors on December 7, 2007	1,850	397,197		397,197												399,047	
Dividend payment at \$128 per share on 1,019,267,163 outstanding shares payable in four quarterly installments in April, July and October of 2007, and January of 2008												(130,466)				(130,466)	
Transfer for payment of fourth dividend installment \$32 per share for \$56,394,211 shares issued										(1,805)	(1,805)					(1,805)	
Variation in equity revaluation													(20,173)			(20,173)	
Increase in surplus from equity method															45,112	45,112	
Increase in re-appraisals of the year																2,517	
Net income year 2007												226,021				226,021	
Balances at December 31, 2007	35,866	1,044,980	17,381	1,062,361	17,009	208,847	46,600	39,871	37,435	6,682	356,444	226,021	632,366	218,742	1,301,520	3,833,320	
Transfers approved by the Shareholders' Meeting					925	6,216	(8,500)	83,469		(6,682)	75,428	(75,428)				-	
Dividend payment at \$140 per share on 1,075,661,374 outstanding shares payable in four quarterly installments in April, July and October of 2008, and January of 2009												(150,593)				(150,593)	
Variation in equity revaluation													(20,174)			(20,174)	
Increase in surplus from equity method															26,331	26,331	
Increase in re-appraisals of the year																883,786	
Net income year 2008												236,593				236,593	
Balances at December 31, 2008	35,866	1,044,980	17,381	1,062,361	17,934	215,063	38,100	123,340	37,435	-	431,872	236,593	612,192	245,073	2,185,306	4,809,263	

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


LUIS FERNANDO ALARCÓN M.
 Chief Executive Officer
 (See attached certification)


JORGE ALBERTO BOTERO D.
 Chief Accounting Officer
 T.P.35322-T
 ((See attached certification))


CARLOS ENRIQUE GORDILLO B.
 Statutory Auditor
 T.P.33537-T
 PricewaterhouseCoopers
 (See attached report)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	2008	2007
Cash flow from operating activities:		
Net income	236,593	226,021
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	105,319	98,088
Amortization of deferred charges and other assets	7,241	22,417
Amortization of retirement pensions and fringe benefits	12,851	17,674
Allowance for doubtful accounts	1,255	4,902
Recovery of allowance for doubtful accounts	(3,970)	(3,419)
Provision for inventory protection (recovery)	374	(40)
Recovery of provisions for investments	(2,324)	575
Income tax provision	(94,187)	(46,894)
Loss (gain) on sale and retirement of property, plant and equipment	2,773	3,727
Exchange difference expense	35,015	(101,105)
(Income) loss from equity method	(62,521)	2,492
Interest and commissions accrued	187,576	201,824
	425,995	426,262
Changes in operating assets and liabilities:		
Debtors	(19,399)	(4,559)
Inventories	(3,455)	(1,231)
Deferred charges and other assets	518	5,602
Accounts payable	115,072	151,678
Labor liabilities	1,379	513
Accrued liabilities and estimated provisions	121,129	58,583
Other liabilities	35,469	16,116
Cash flow in other operations:		
Payment of retirement pensions	(11,092)	(10,258)
Payment of taxes	(187,238)	(99,977)
Net cash provided by operating activities	478,378	542,729
Cash flow from investment activities:		
Acquisition of long-term investments	(13,315)	(344,627)
Decrease in long-term investments - dividends received	39,261	44,446
Decrease in long-term investments	24,377	4,705
Product on the sale of property, plant and equipment	143	7,874
Acquisition of property, plant and equipment	(79,105)	(130,094)
Additions to deferred charges and other assets	(17,590)	883
Net cash used in investment activities	(46,229)	(416,813)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Colombian pesos)

	2008	2007
Cash flow from financing activities:		
Interest received in cash	3,587	3,036
Interest paid in cash	(182,570)	(204,216)
Dividends paid	(147,379)	(126,653)
Increase in financial liabilities	203,000	378,153
Bond issues	104,500	-
Payment of financial liabilities	(373,592)	(434,327)
Decrease in hedging operations	(137)	-
Decrease in Related Parties	1,413	-
Increase in equity	-	399,047
Net cash (used in) provided by financing activities	(391,178)	15,040
Increase (decrease) in cash and cash equivalents - Net	40,971	140,956
Cash and cash equivalents at the beginning of the year	201,133	60,177
Cash and cash equivalents at the end of the year	242,104	201,133

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



LUIS FERNANDO ALARCÓN M.
 Chief Executive Officer
 (See attached certification)



JORGE ALBERTO BOTERO D.
 Chief Accounting Officer
 T.P.35322-T
 (See attached certification)



CARLOS ENRIQUE GORDILLO B.
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 PricewaterhouseCoopers
 (See attached report)



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

February 27, 2009

1. I have audited the balance sheets of Interconexión Eléctrica S.A. E.S.P. at December 31, 2008 and 2007 and the corresponding statements of income, of changes in the shareholders' equity and of cash flows for the years then ended, as well as the summary of the main accounting policies set forth in Note 3 and other explanatory notes.
2. These financial statements, which are attached, are the responsibility of the Company's management, both in their preparation and in their correct presentation according to accounting principles generally accepted in Colombia for institutions under the surveillance of the Superintendency of Domiciliary Public Utilities and provisions of the Colombian General Accounting Office. Such responsibility includes: designing, implementing and maintaining the internal control relevant for the preparation and reasonable presentation of the financial statements so that they are free from errors of relative importance due to fraud or error, selecting and applying appropriate accounting policies, and establishing the accounting estimates that are reasonable under the circumstances.
3. My responsibility is to audit said financial statements and express an opinion thereon based on my audits. I obtained the information necessary to comply with my statutory audit duties and carried out my work in accordance with auditing standards generally accepted in Colombia. Those standards require that I plan and perform the audit to satisfy myself that the financial statements are free from relative importance errors.
4. An audit of financial statements includes, among other things, carrying out procedures to obtain audit evidence on amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, and include an evaluation of the risk of relative

importance errors in the financial statements. In evaluating such risks, the statutory auditor considers the entity's internal control relevant for the preparation and reasonable presentation of the financial statements, in order to design audit procedures appropriate to the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the accounting estimates made by the entity's management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for the opinion on the financial statements that I express in the following paragraph.

5. In my opinion, the aforementioned financial statements audited by me, that were faithfully taken from the accounting books, present fairly the financial position of Interconexión Eléctrica S.A. E.S.P. at December 31, 2008 and 2007, the results of its operations, 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 Superintendency of Domiciliary Public Utilities and regulations of the Colombian General Accounting Office, as indicated in Note 3 to the financial statements, uniformly applied.
6. As indicated in Note 6 to the financial statements, the external auditors of the subsidiary located in Brazil included in their report on the financial statements as of December 31 of 2007 one explanatory paragraph related to the liability for payment of subsidiary 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 subsidiary has not recorded in its financial statements any liability in this respect. As of the date of this report, I have been informed by management that such situation is still valid.
7. As indicated in Note 6 to the financial statements, the Company has considered that the valuation of the swap acquired by subsidiary ISA Capital do Brazil should have been made using the market applicable to hedge instruments and not the trade for profit market. The

financial statements of said subsidiary , used in the application of the equity method and in consolidation, include a conciliation entry related to the difference in swap valuation.

8. Based on the results of my remaining statutory audit work, it is also my opinion that during 2008 and 2007 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. 062 of 2007 of the Financial Superintendency which requires implementation of mechanisms to prevent and control laundering, through the securities market, of assets and terrorism financing 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 accounting information contained in the management report agrees with that included in the attached financial statements.



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

In compliance with Article 29 of Law 222 of 1995 and given the existence of the ISA economic group, we present to the Shareholders' Meeting the special report on the economic relationships with the group companies during 2008 and 2007 that have been directed and coordinated by the parent company, INTERCONEXIÓN ELÉCTRICA S.A. E.S.P. –ISA–.

Commercial transactions carried out during 2008 and 2007 among the group companies, either directly or indirectly, abide by the provisions of Law 788 regarding transfer prices in force since January 1st 2004.

The main transactions between ISA and its subsidiaries correspond to:

- Project management
- Sale of operation and maintenance services
- Lease of facilities for operation
- Sale of services of installation and setting up of information systems
- Consulting on process reorganization and area operation
- Cash flow loans
- Other associated services
- Delivery of dividends

It is important to highlight that none of the items below have taken place among the group companies during the same period:

- Offset free-of-charge services
- Loans without any interest or consideration by the mutuary
- Loans that impose upon the mutuary an obligation not corresponding to the essence or nature of the agreement
- Loans with interest rates different from those paid by or charged to third parties
- Operations whose characteristics differ from those carried out with third parties

As to equity participation, ISA updates investments in the subsidiaries through application of the equity method, after homologating accounting rules and practices and translating the 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 ISA and the subsidiaries are eliminated, and

minority interests corresponding to equity and the results of the period, are recognized and presented in the consolidated financial statements, with the exception of TRANSNEXA S.A. E.M.A., in which control is shared and which is consolidated through the proportional consolidation methodology.

Main balances and transactions with subsidiaries during 2008 and 2007 were:

From the Balance Sheet \$ Million	2008	2007
Equity Investments	1,712,399	1,649,493
TRANSELCA S.A. E.S.P.	603,420	490,137
ISA Capital do Brazil	701,933	820,724
REP S.A.	118,534	97,405
INTERNEXA S.A. E.S.P.	142,204	121,679
Consortio TransMantaro S.A.	74,479	56,939
ISA Peru S.A.	15,106	13,906
ISA Bolivia S.A.	30,730	26,242
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,622	22,461
Proyectos de Infraestructura del Peru S.A.C.	2,371	-
Accounts Receivable	10,385	11,054
TRANSELCA S.A. E.S.P.	149	254
INTERNEXA S.A. E.S.P.	4,970	7,179
ISA Peru S.A.	111	159
REP S.A.	1,892	2,481
ISA Bolivia S.A.	1,735	719
XM, Compañía de Expertos en Mercados S.A. E.S.P.	396	262
Proyectos de Infraestructura del Peru S.A.C.	1,103	-
TRANSNEXA S.A. E.M.A.	29	-
Accounts payable	298,112	303,249
TRANSELCA S.A. E.S.P.	231,005	222,938
ISA Capital do Brazil	61,324	62,339
INTERNEXA S.A. E.S.P.	4,375	17,036
REP S.A.	68	143
XM, Compañía de Expertos en Mercados S.A. E.S.P.	814	793
Proyectos de Infraestructura del Peru S.A.C.	279	-
INTERNEXA Peru	247	-
Equity transactions		
Dividends received	39,261	43,720
TRANSELCA S.A. E.S.P.	18,297	23,945
REP S.A.	-	9,433
INTERNEXA S.A. E.S.P.	18,122	-
ISA Peru S.A.	2,089	1,936
Consortio TransMantaro S.A.	-	8,406
XM, Compañía de Expertos en Mercados S.A. E.S.P.	753	-

Transactions related to the income statement	2008	2007
\$ Million		
Revenues	32,547	28,474
TRANSELCA S.A. E.S.P.	1,243	857
INTERNEXA S.A. E.S.P.	19,841	13,739
ISA Peru S.A.	1,819	1,785
ISA Bolivia S.A.	1,914	1,026
REP S.A.	3,548	9,086
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,753	1,981
Consortio TransMantaro S.A.	205	-
Proyectos de Infraestructura del Peru S.A.C.	1,410	-
INTERNEXA Peru (Ingresos operacionales)	146	-
INTERNEXA Peru (Ingresos no operacionales-Reintegro ingresos de ejercicios anteriores)	(894)	-
TRANSNEXA S.A. E.M.A.	562	-
Expenses	41,607	24,740
TRANSELCA S.A. E.S.P.	21,907	13,164
INTERNEXA S.A. E.S.P.	7,508	960
XM, Compañía de Expertos en Mercados S.A. E.S.P.	6,411	5,527
REP S.A.	1,868	1,098
Consortio TransMantaro S.A.	-	6
ISA Capital do Brazil	3,616	3,985
Proyectos de Infraestructura del Peru S.A.C.	297	-

The decisions of major significance that the controlled corporation has made or has omitted to make because of influence or in interest of the controlling corporation, as well as the decisions of major significance that the controlling corporation has made or has omitted to make because of influence or in interest of the controlled corporation are as follows:

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P. –ISA–

With the corresponding authorization from Agência Nacional de Energia Elétrica -ANEEL- of October 14 of 2008 and in compliance with the shareholders' agreement entered into with CYMI Holding S.A., ISA assigned to this company 40% of its stake in INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. –IEMG–, and the remaining 60% to Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, a subsidiary of ISA.

COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA –CTEEP–

On February 28 of 2008, the special shareholders' meetings of ISA Participações do Brasil Ltda. and Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, companies of the economic group, approved merge of ISA Participações do Brasil into CTEEP. This corporate restructuring will allow cash flow improvement at CTEEP, by availing of the fiscal benefit generated from goodwill amortization in CTEEP.

CONSORCIO TRANSMANTARO S.A.

Along the year 2008, loans were approved and executed between REP and TransMantaro thus: in September 2008 REP granted USD20.6-million loan to TransMantaro and in October of the same year, TransMantaro lent REP USD3 million.

ISA BOLIVIA S.A.

To cover the expenses of Arboleda Substation project, TRANSELCA disbursed a short-term loan of USD1 million, which will be paid with the funds from disbursement of BID and CAF loan.

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2008 AND 2007**

(In thousands of US Dollars translated at the exchange rate on closing dates)

	2008	2007
ASSETS		
Current assets:		
Cash	168,202	281,745
Marketable investments	119,224	108,945
Long-term accounts receivable – Net	348,806	375,552
Inventories	25,594	27,366
Deferred charges and other assets	55,470	19,223
Total current assets	717,296	812,831
Non-current assets:		
Long-term investments	32,533	26,857
Long-term accounts receivable – Net	271,900	253,936
Inventories	27,140	27,993
Property, plant and equipment – Net	1,577,450	1,706,492
Deferred charges and other assets	2,721,219	3,335,209
Reappraisals of assets	1,088,438	729,556
Total non-current assets	5,718,680	6,080,043
Total assets	6,435,976	6,892,874
Memorandum accounts:		
Debit	1,596,071	1,682,986
Credit	949,138	929,743

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2008 AND 2007

(In thousands of US Dollars translated at the exchange rate on closing dates)

	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Outstanding bonds	84,202	43,911
Financial liabilities	301,259	326,594
Accounts payable	156,722	211,488
Labor liabilities	15,734	25,662
Accrued liabilities and estimated provisions	62,964	73,052
Other liabilities	88,940	113,309
Total current liabilities	709,821	794,016
Non-current liabilities:		
Outstanding bonds	1,100,117	1,400,577
Financial liabilities	588,922	652,136
Accounts payable	131,824	162,645
Labor liabilities	651	618
Accrued liabilities and estimated provisions	315,142	349,591
Other liabilities	149,325	152,336
Total non-current liabilities	2,285,981	2,717,903
Total liabilities	2,995,802	3,511,919
MINORITY INTERESTS	1,237,879	1,493,659
SHAREHOLDERS' EQUITY:		
Paid-in capital	15,986	17,802
Additional paid-in capital	473,509	527,289
Reserves	192,491	176,916
Net income	105,453	112,183
Cumulative translation adjustment	58,737	(15,324)
Equity revaluation	272,863	313,867
Revaluation surplus	974,023	645,993
Surplus from equity method	109,233	108,570
Total shareholders' equity	2,202,295	1,887,296
Total liabilities, minority interests and shareholders' equity	6,435,976	6,892,874
Memorandum accounts:		
Credit	949,138	929,743
Debit	1,596,071	1,682,986

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In thousands of US Dollars translated at the exchange rate on closing dates)

	2008	2007
OPERATING REVENUES		
Energy transmission services	1,185,379	1,195,268
Connection charges	120,328	116,155
Dispatch and CND-MEM coordination	14,427	14,316
MEM Services (STN, SIC, SDI)	12,953	16,068
Telecommunications	48,676	53,498
Other operating revenues	28,940	5,197
Total operating revenues	1,410,703	1,400,502
OPERATING COSTS AND EXPENSES		
Operating costs	445,998	471,957
Administration expenses	199,794	290,105
Total operating costs and expenses	645,792	762,062
Operating income	764,911	638,440
NON-OPERATING REVENUES (EXPENSES)		
Non-operating revenues	353,838	536,869
Non-operating expenses	(562,456)	(547,463)
Non-operating loss	(208,618)	(10,594)
Income before taxes	556,293	627,846
Income tax provision	(193,762)	(195,024)
Income before minority interests	362,531	432,822
MINORITY INTERESTS	257,078	320,639
Net income	105,453	112,183

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In thousands of US Dollars translated at the exchange rate on closing dates)

	2008	2007
Cash flows from operating activities:		
Net income	105,453	112,183
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	257,078	320,639
Depreciation of property, plant and equipment	76,919	83,514
Amortization of deferred charges and other assets	148,766	184,136
Amortization of retirement pensions and fringe benefits	13,078	21,790
Allowance for doubtful accounts	1,511	3,501
Provision for inventory protection	167	95
Provision for income tax	193,762	195,024
(Gain) loss on sale and retirement of property, plant and equipment	(5,314)	(11,090)
Exchange difference expense	174,428	(155,932)
Recovery of provisions	(2,124)	(39,572)
Interest and commissions accrued	172,557	196,535
	1,136,281	910,823
Changes in operating assets and liabilities:		
Accounts receivable	(53,459)	(123,556)
Inventories	(3,188)	835
Deferred charges and other assets	88,735	(613,626)
Accounts payable	7,480	(34,448)
Labor liabilities	(7,215)	8,849
Accrued liabilities and estimated provisions	(196,598)	(356,833)
Collections in favor of third parties	81,460	106,180
Minority interests	(360,516)	(521,000)
Other liabilities	(81,745)	(102,869)
Cash flows in other operations:		
Payment of retirement pensions	(11,673)	(6,854)
Payment of taxes	(95,936)	(29,149)
Net cash provided by operating activities	503,626	(761,648)
Cash flow from investment activities:		
(Increase) Decrease in long-term investments	67,542	122,565
Acquisition of property, plant and equipment	(116,613)	(164,669)
Net cash used in investment activities	(49,071)	(42,104)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In thousands of US Dollars translated at the exchange rate on closing dates)

	2008	2007
Cash flow from financing activities:		
Interest received in cash	17,253	23,204
Interest paid in cash	(164,889)	(225,887)
Dividends paid	(65,686)	(62,863)
Increase in financial liabilities	347,605	193,234
Bond issues	46,577	839,859
Payment of financial liabilities	(498,959)	(204,898)
Payment of bonds (decreases)	(160,498)	(6,232)
Share issues	-	198,062
Equity variations	(39,376)	(1,387)
Net cash used in financing activities	(517,973)	753,092
Increase (decrease) in cash and cash equivalents - Net	(63,418)	(50,660)
Cash and cash equivalents at the beginning of the year	390,690	441,350
Beginning-of-the-year balance translation effect	(39,846)	
Cash and cash equivalents at the end of the year	287,426	390,690



Medellin, February 27, 2009

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

In connection with the 2008 annual report of ISA economic group, the undersigned, legal agent and acting chief accounting officer of Interconexión Eléctrica S.A. E.S.P., in compliance with Article 37 of Law 222 of 1995, article 46 of Law 964 of 2005, and Title III of Resolution 356 of 2007 of the Colombian General Accounting Office, hereby certify that:

1. The Consolidated Financial Statements and the Individual Financial Statements of ISA as of December 31, 2008 and 2007, have been faithfully taken from the books, and before making them available to you and to third parties, we have verified the following assertions therein contained:
 - a. That facts, transactions and operations have been recognized and carried out during the accounting period.
 - b. That the economic facts are disclosed in compliance with the provisions of the Public Accounting Regime.
 - c. That the total value of assets, liabilities, equity, revenues, expenses, costs and memorandum accounts has been disclosed in the basic accounting statements up to the closing date.
 - d. That assets represent potential services or future economic benefits while liabilities represent past facts that imply an outflow of resources in execution of its activities.
2. That, the financial statements and other reports relevant to the public related to the fiscal years ended December 31, 2008 and 2007, do not contain defects, inaccuracies or errors that prevent ascertaining the true equity position and operations of the economic group.


Luis Fernando Alarcón Mantilla
Chief Executive Officer


Jorge Alberto Botero Díaz
Chief Accounting Officer
T.P. 35322-T

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

Certify:

1. That the Corporation complies with all regulations regarding intellectual property and copyrights, 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.
2. That the Information Direction of the Corporation carries an inventory of all software used and controls its installation according to the type of license purchased.
3. 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
Chief Executive Officer



Olga Lucía López Marín
Information Director

ADR:	American Depositary Receipt
ANEEL:	Agência Nacional de Energia Elétrica
AOM:	Administration, Operation and Maintenance
BNDES:	Banco Nacional de Desenvolvimento Econômico e Social
BRL:	Brazilian Real
BVC:	Colombian Stock Exchange
CIER:	Regional Electric Integration Commission
CREG:	Energy and Gas Regulatory Commission
CTEEP:	Companhia de Transmissão de Energia Elétrica Paulista
EBITDA:	Earnings Before Interest, Taxes, Depreciation and Amortization
EEB:	Empresa de Energía de Bogota
EPM:	Empresas Públicas de Medellin
EPR:	Empresa Propietaria de la Red
ETESA:	Empresa de Transmisión Eléctrica de Panama
FAER:	Financial Support Fund for Electrification of Interconnected Rural Areas
FAZNI:	Financial Support Fund for Electrification of Non-Interconnected Rural Areas
ICONTEC:	Colombian Institute for Technical Standards and Certifications
ICP:	Interconexión Eléctrica Colombia-Panama
IEMG:	Interligação Elétrica de Minas Gerais
IENNE:	Interligação Elétrica Norte e Nordeste
IESUL:	Interligação Elétrica Sul
IGBC:	Colombian Stock Exchange General Index
IGPM:	Índice Geral de Preços do Mercado (Brazil)
IEMADEIRA:	Interligação Elétrica do Madeira
IPC:	Consumer Price Index
IPP:	Producer Price Index
MEGA:	Large and Ambitious Goal
MEM:	Wholesale Energy Market
PDI:	Proyectos de Infraestructura del Peru
GDP:	Gross Domestic Product
REP:	Red de Energía del Peru

CSR:	Corporate Social Responsibility
SIC:	Commercial Settlement System
SIEPAC:	Electric Interconnection System for Central America
SIN:	National Interconnection System
SSPD:	Superintendency of Domiciliary Public Utilities
STE:	Energy Transport Service
STN:	National Transmission System
STR:	Regional Transmission System
TIE:	international electricity transactions
UPME:	Mining and Energy Planning Unit
USD:	United States Dollar

Notes to the

CONSOLIDATED FINANCIAL STATEMENTS

at december 31, 2008 and 2007
(Amounts expressed in millions of
Colombian pesos and original currencies)

I. GENERAL NOTES

NOTE 1: CORPORATE PURPOSE OF PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

Interconexión Eléctrica S.A. E.S.P. –ISA– (Parent Company)

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, and according to the provisions of the Domiciliary Public Utilities Law (Law 142 of 1994) the corporation changed its legal nature 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 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 to a mixed-ownership public utility corporation of the national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994. This process was completed on January 15, 1997, with the arrival of private investment.

As provided by the Constitutional Court in decision C-736 of September 19, 2007, ISA has a special legal nature and is defined as a decentralized mixed-ownership public utility company that is part of the executive branch under a special legal regime of private law.

ISA's main corporate purpose is:

1. The operation and maintenance of its own transmission network.
2. The expansion of the national interconnection grid.
3. The planning and operation coordination of the resources of the National Interconnection System.
4. The administration of the financial settlement system and commercialization of energy in the wholesale energy market.

5. The development of telecommunications systems, activities and services.
6. The direct and indirect participation in activities and services related to the transport of other energy sources, except for those restricted by law.
7. The provision of technical services in activities related to its corporate purpose and professional services required by the group's companies
8. The development for third parties of any other activity related to the provision of electric power and telecommunications services within the regulation in force.
9. The direct and indirect participation in activities, services and investments related to engineering works.

Peru ISA Branch

On September 4, 2002, ISA established a branch in Peru to execute the operation and maintenance agreement for the 220 kV Carhuamayo-Paragsha-Vizcarra and 138 kV Aguaytía-Pucallpa transmission lines subscribed between ISA and ISA Perú S.A. according to the requirements of the concession agreement subscribed with the Peruvian government. 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 Parent Company in Peru.

Argentina ISA Branch

On January 24, 2007, ISA established a branch in Argentina as a first step to participate in that country's power market. The proceedings were carried out at the General Justice Inspection, an official body in charge of Mercantile Register. Creation of this branch originated in the fact that corporations incorporated outside of Argentina willing to have a business presence in that country, must have a registered office there.

ECONOMIC GROUP

In October 2001, the company was filed as economic group with the Mercantile Register of the Chamber of Commerce of Medellín. For such effect the parent company is Interconexión Eléctrica S.A. E.S.P. –ISA– and its subsidiaries are:

ISA Capital do Brasil S.A., and its subsidiary Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–; TRANSELCA S.A. E.S.P, Consorcio TransMantaro S.A., Interconexión Eléctrica ISA Perú S.A., Red de Energía de Perú S.A., Interconexión Eléctrica ISA Bolivia S.A, XM, Compañía de Expertos en Mercados S.A. E.S.P., Proyectos de Infraestructura de Perú S.A.C., INTERNEXA S.A. E.S.P. (merged at the end of 2007 with Flycom Comunicaciones S.A. E.S.P.) with its subsidiary INTERNEXA Perú, and the associate TRASNEXA S.A. E.M.A., in which it has shared control.

Following is a detail for each subsidiary of its date of incorporation, corporate purpose, and main domicile, as well as the group's participation:

SUBSIDIARIES OF THE ELECTRICITY SECTOR

ISA Capital do Brasil S.A.

ISA Capital do Brasil Ltda. was established on April 28, 2006 as an investment vehicle with registered office located in São Paulo. Its corporate purpose includes participation in the capital of other corporations and in other undertakings either as partner or as shareholder, as party in a joint venture, as member of a consortium, or under any other type of business cooperation. On September 19, 2006, the Company was made into a public corporation. ISA has 99.99% participation.

Since July 2006, this company participates as investor in Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, with 50.1% of common shares (21.01% of total shares).

In January 2007, ISA increased by USD148 million the capital of ISA Capital do Brasil S.A. in order to take part in a tender offer, in which it acquired additional 39.28% of CTEEP common shares, thus consolidating ownership of 89.40% of common shares and 37.46% of total capital.

In August and October of 2008, ISA made capital increases in ISA Capital do Brasil of USD3.9 million and USD2.2 million, respectively, equivalent to BRL11,510,800.

Brazilian Comissão de Valores Mobiliários –CVM– issued 15 accounting rules that must be applied by companies in Brazil by the end of 2008; changes must be implemented by April 30, 2009 at the latest. Among other things, these rules provide that swaps must be valued considering the prices of the market where such financial instruments operate. Considering the restrictions and duties imposed by CVM regarding derivatives in Brazil, ISA carried out the valuation of such swap considering that it is a right obtained for hedging purposes and not for profit. The financial statements used in the consolidation will include an item related to this subject.

Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

Compañía de Transmisión de Energía Eléctrica Paulista –CTEEP– has its registered office in the city of São Paulo. It is a corporation with authorization to operate as concessionaire of the electric power utility. Its main activities include planning, construction and operation of electric energy transmission systems, execution of research and development programs related to energy transport and other activities in connection with currently available technology. Its activities are regulated and inspected by the Brazilian Agência Nacional de Energia Elétrica –ANEEL–.

TRANSELCA S.A. E.S.P.

It is a mixed-ownership utility company, incorporated on July 6, 1998, whose activities include the provision of energy transmission services, coordination and control of the Regional Dispatch Center, connection to the National Transmission System and provision of telecommunication services. Its main offices are located in Barranquilla and its term is indefinite. ISA participates with 99.99% of ownership.

Interconexión Eléctrica ISA Perú S.A.

This company was incorporated on February 16, 2001. Its main activities are the transmission of electric energy and the operation and maintenance of transmission grids. Its legal domicile is in Lima, Peru. ISA owns 28.07% and the subsidiary TRANSELCA the remaining 54.86%

Red de Energía del Perú S.A. –REP–

REP was incorporated on July 3, 2002, with the participation of ISA, TRANSELCA and Empresa de Energía de Bogotá –EEB–. Its corporate purpose is to operate and provide maintenance for the electric infrastructure of the Peruvian Transmission Systems for a term of 30 years. Its legal domicile is in Lima, Peru. ISA owns 30%, the subsidiary TRANSELCA S.A. E.S.P. 30%, and EEB 40%.

Consorcio TransMantaro S.A.

Established in Peru in January of 1998; until December 12 of 2006 it was an affiliate of Canadian Hydro-Quebec Internacional, Inc. Since December 13 of 2006, ISA participates with 60% of ownership. Its main activity is the transmission of electric energy from generating companies. It also provides operation and maintenance services to a mining enterprise. Its main domicile is located in the city of Lima, Peru.

The shareholders meeting held on May 22, 2007, agreed to reduce by USD4 million the capital stock of the company, by returning to the shareholders, proportionally to their participation, the contributions they had made. ISA received for this, USD2.4 million, equivalent to \$4,705.

Interconexión Eléctrica ISA Bolivia S.A.

Incorporated under Bolivian Laws by public deed N° 666 of July 14, 2003. Its corporate purpose includes the development of activities of electric energy transmission; construction, operation and maintenance of power grids; development of telecommunication systems, activities and services; integrated provision of technical, administrative and consulting services, as well as any activities related thereto and/or that contribute to fulfill the company's corporate purpose. This corporation, domiciled in La Paz, Bolivia, began operations on September 17, 2005. ISA has 51% direct participation, as well as indirect participation, through subsidiaries TRANSELCA S.A. E.S.P. and INTERNEXA S.A. E.S.P. with 48.99% and 0.01%, respectively.

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

Incorporated on September 1, 2005 by public deed No. 1080 of the Single Notary Public Office of Sabaneta, it started operations on October 1 as a mixed-ownership public utility company of the national order. The company's corporate purpose is the operation planning and coordination of the resources of the National Interconnection System, administration of the Commercial Settlement System in the wholesale energy market, settling and clearing of charges for use of the National Interconnection System's grids, and ancillary and value added activities related thereto. ISA owns 99.73% of subscribed and paid-in capital; its main domicile is located in the city of Medellín, Colombia.

INFRASTRUCTURE PROJECTS

Proyectos de Infraestructura de Perú S.A.C.

Established on November 15, 2007, it has as its purpose the conduction of all kinds of activities related to the construction of transmission lines and electricity projects, and in general, any activity in the construction sector. It started operations in March of 2008 with the construction of the 107km Platanal – Chilca transmission line at 220 kV. ISA owns 99.97%, while other individuals own 0.03%.

The capital of the corporation was increased by PEN 299,000 in March of 2008.

SUBSIDIARIES OF THE TELECOMMUNICATIONS SECTOR

INTERNEXA S.A. E.S.P.

INTERNEXA was incorporated on January 4, 2000. Its corporate purpose is the organization, administration, trading and rendering of telecommunications services. It is currently engaged in development and promotion of the telecommunications transport business locally and internationally.

In October 2007, the special shareholders' meetings of INTERNEXA and Flycom Comunicaciones S.A. E.S.P. approved their merger. INTERNEXA totally absorbed Flycom, and this latter was dissolved without being liquidated. The merger, which was formalized on November 30, 2007 is part of the group's business strategy to attain leadership and recognition as the largest energy and data transporter in Latin America. Total subscribed and paid-in capital of INTERNEXA S.A. E.S.P. is \$34,553 and ISA owns 99.27% participation.

INTERNEXA S.A. Peru

It was incorporated on October 12, 2006. Its main corporate purpose is the organization, administration, trading and rendering of telecommunications services such as: carrier, IP-based, and value added services, as defined in applicable laws and regulations. This company built a modern fiber optic network that will interconnect the Southern region of Ecuador with Lima, improving service availability and quality in Peru. The company started service delivery in the first semester of 2008. ISA owns 99.99% indirectly through its subsidiary INTERNEXA S.A. E.S.P. The corporation's main domicile is located in Lima, Peru.

TRANSNEXA S.A. E.M.A

It was established on November 29, 2002. This corporation domiciled in Ecuador has as its corporate purpose the organization, administration, commercialization and delivery of telecommunication services and activities, such as carrier, IP-based and value added services, as well as ancillary activities, and in general, any service or activity in the telecommunications sector. In this company INTERNEXA owns 50% share participation, which is consolidated through the proportional participation method. Its main domicile is located in the city of Quito, Ecuador.

RELEVANT INFORMATION

In compliance with external circular letter 002 of 1998 issued by the Securities Superintendency, the following table shows the senior level staff and other personnel together with their associated expenses, for the parent company and the controlled companies included in the consolidation of the financial statements:

Parent Company / Subsidiaries	2007					
	Senior-level staff		Other		Total	
	No. of people	Value	No. of people	Value	No. of people	Value
Interconexión Eléctrica S.A. E.S.P. ISA	459	70,296	220	21,691	679	91,986
TRANSELCA S.A. E.S.P.	15	2,556	142	10,810	157	13,366
XM, Compañía de Expertos en Mercados S.A. E.S.P.	167	14,368	0	0	167	14,368
INTERNEXA S.A. E.S.P.	17	3,351	79	6,223	96	9,574
ISA Capital do Brasil S.A.	2	1,142			2	1,142
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	21	5,071	1,290	125,256	1,311	130,327
Interconexión Eléctrica ISA Perú S.A.	2	168	3	96	5	264
Red de Energía del Perú –REP–	100	8,950	233	10,124	333	19,074
Consortio TransMantaro S.A.	1	194			1	194
Interconexión Eléctrica ISA Bolivia S.A.	17	1,153			17	1,153
TOTAL	801	107,249	1,967	174,200	2,768	281,448

Parent Company / Subsidiaries	2008					
	Senior-level staff		Other		Total	
	No. of people*	Value	No. of people*	Value	No. of people*	Value
Interconexión Eléctrica S.A. E.S.P. ISA	460	69,441	216	21,487	676	90,928
TRANSELCA S.A. E.S.P.	15	2,624	142	10,852	157	13,477
XM, Compañía de Expertos en Mercados S.A. E.S.P.	19	3,646	160	13,731	179	17,376
Interconexión Eléctrica ISA Bolivia S.A.	4	532	14	276	18	808
INTERNEXA S.A. E.S.P.	17	2,763	98	7,274	115	10,037
INTERNEXA PERÚ S.A.	2	472	3	304	5	775
TRANSNEXA S.A. E.M.A	2	259	2	91	4	350
ISA Capital do Brasil S.A.	2	1,180	1	53	3	1,233
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	22	6,453	1,298	83,879	1,320	90,332
Interconexión Eléctrica ISA Perú S.A.	5	356	-	-	5	356
Red de Energía del Perú –REP– S.A.	24	5,980	314	22,309	338	28,290
Consortio TransMantaro S.A.	2	96	-	-	2	96
Proyectos de Infraestructura del Perú S.A.C.	1	114	13	173	14	287
TOTAL	575	93,916	2,261	160,428	2,836	254,344

* The figure for 2008 includes retired personnel who worked less than twelve months in the year.

NOTE 2: BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 CONSOLIDATION OF FINANCIAL STATEMENTS

2.1.1 Consolidation principles

The consolidated financial statements include the accounts of Interconexión Eléctrica S.A. E.S.P. (parent company), ISA Capital do Brasil S.A., Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, TRANSELCA S.A. E.S.P, ISA Perú S.A., Red de Energía de Perú S.A. –REP–, Consorcio TransMantaro S.A., ISA Bolivia S.A., XM, Compañía de Expertos en Mercados S.A E.S.P., Proyectos de Infraestructura del Perú S. A., INTERNEXA S.A. E.S.P, INTERNEXA Perú S.A., and TRANSNEXA S. A, corporations in which the parent company has a stake (hereinafter the subsidiaries).

All significant balances and operations between ISA and the subsidiaries were eliminated during consolidation. Consolidation is made through the global integration method, and minority interests corresponding to equity and the period's results are recognized and presented in

the consolidated financial statements. An exception is the case of TRANSNEXA S.A. E.M.A, in which control is shared and which was consolidated through proportional consolidation method.

- Investments in foreign subsidiaries are recorded on the basis of their financial statements at December 31 of each year, homologated to the accounting standards applicable to ISA and translated into Colombian pesos, as provided by NIC 21, using the United States dollar as functional currency previously defined.

The adjusted figures of the subsidiaries in Brazil, Peru, Bolivia and Ecuador are translated into Colombian pesos using each year's representative exchange rate.

The exchange rates used were:

Currency	Code	2008	2007
US Dollar	USD	2,243.59	2,014.76
Euro	EUR	3,119.04	2,961.29
Boliviano	BOB	317.34	262.68
Nuevo sol	PEN	711.24	671.59
Brazilian Real	BRL	961.68	1,137.45

The following figures were taken from the financial statements of ISA and its subsidiaries at December 31, reported in accordance with regulations in force.

Company	Financial information 2007			
	Assets	Liabilities	Equity	Income (Loss)
ISA	6,350,589	2,517,269	3,833,320	226,021
TRANSELCA S.A. E.S.P.	972,586	482,432	490,154	20,331
ISA Perú S.A.	108,815	59,433	49,382	5,177
REP S.A.	755,708	432,094	323,614	35,222
INTERNEXA S.A. E.S.P.	257,467	134,899	122,568	2,622
ISA Bolivia S.A.	159,077	107,923	51,154	9,584
XM, Compañía de Expertos en Mercados S.A. E.S.P.	227,509	204,987	22,522	6,395
CTEEP	5,892,097	1,400,538	4,491,559	995,633
ISA Capital do Brasil S.A.	2,690,106	1,867,894	822,212	(49,023)
Consorcio TransMantaro S.A.	287,301	193,036	94,265	20,906
Company	Financial information 2008			
	Assets	Liabilities	Equity	Income (Loss)
ISA	7,327,697	2,518,434	4,809,263	236,593
TRANSELCA S.A. E.S.P.	1,093,761	490,321	603,440	37,043
INTERNEXA S.A. E.S.P.	323,027	179,784	143,243	5,583
XM, Compañía de Expertos en Mercados S.A. E.S.P.	210,395	186,709	23,686	1,909
REP S.A.	892,306	492,291	400,015	34,745
ISA Perú S.A.	116,246	61,944	54,302	6,882
Consorcio TransMantaro S.A.	344,163	217,329	126,834	19,161
ISA Bolivia S.A.	185,720	125,014	60,706	3,279
ISA Capital do Brasil	2,241,946	1,541,371	700,575	(9,627)
CTEEP	5,398,067	1,232,388	4,165,679	885,846
Proyectos de Infraestructura del Perú S.A.C.	24,878	22,172	2,706	2,136
INTERNEXA Perú	40,617	34,176	6,441	(8,116)
TRANSNEXA	5,857	5,571	286	35

2.1.2 Consolidation effects on isa's assets, liabilities, Equity and results

	2008		2007	
	Figures prior to consolidation	Figures after consolidation	Figures prior to consolidation	Figures after consolidation
Assets	7,327,697	14,439,690	6,350,589	13,887,489
Liabilities	2,518,434	6,721,352	2,517,269	7,075,679
Equity	4,809,263	4,941,045	3,833,320	3,802,446
Minority interests – Equity	-	2,777,292	-	3,009,365
Income before minority interests	236,593	813,371	226,021	872,031
Minority interests – Results	-	576,778	-	646,010
Total year's results	236,593	236,593	226,021	226,021

2.1.3 Reconciliation between isa's net income and Consolidated net income

Below is the reconciliation between ISA's net income and consolidated net income at December 31:

	2008	2007
ISA's net income	236,593	226,021
Subsidiaries' net results (1)	978,846	1,033,961
Total net income of ISA and subsidiaries	1,215,439	1,259,982
Elimination of amounts affecting consolidated results		
Equity Method (2)	(402,068)	(387,951)
Minority interests	(576,778)	(646,010)
Consolidated net income	236,593	226,021

- 1) Includes \$12,886 loss obtained by Flycom from January to November 2007 before the merger.
- 2) Includes the effect of recognition of Flycom's loss in the results of INTERNEXA S.A. E.S.P. for matters of the equity method and consolidation of financial statements, and the new INTERNEXA S.A. E.S.P. participation that increased from 97,178% before the merger to 99,274% after the merger.

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 Income Statement accounts and the surplus from revaluation of assets of ISA and its subsidiaries in Colombia, 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. Law 1111 of 2006 derogated integral inflation adjustments for tax effects beginning fiscal year 2007.

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 Company, as required by law, observes the Public Accounting General Plan and the Procedures Handbook defined by the Colombian General Accounting Office –CGN–, the accounting regulations issued by the Superintendency of Domiciliary Public Utilities –SSPD– and other applicable regulation.

The Company's Financial Statements are identified, classified, registered, valued, prepared and disclosed in accordance with the accounting principles of the CGN contained in Resolutions No. 354, 355 and 356 of September 5 of 2007, through which the Public Accounting Regime was implemented to apply the criteria of international accounting standards currently being adopted by the CGN.

Up to December 30 of 2007, ISA and its subsidiaries in Colombia were ruled by the accounting principles of Resolution No. 400 of December 1 of 2000.

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

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 (other than non-controlled investments abroad) are recorded in the Income Statement. With regard to liability accounts, only exchange differences that are not imputable to costs of acquisition of assets are recorded in the Income Statement. Exchange differences are imputable to the acquisition cost of assets 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, marketable investments redeemable within the next 90 days are considered 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.

According to the new Public Accounting Regime, investments, for matters of their valuation, are classified in three categories: i) liquidity management, including debt titles and securities, intended for profiting from short-term price fluctuations; ii) investments with a political purpose, including debt titles kept until maturity, or at least for one year from purchase date; iii) and equity investments, including securities in controlled and non-controlled companies.

In the Financial Statements, investments are classified as marketable and long-term, and they are reported respectively within current and non-current assets. The former include investments for liquidity management, and the latter for equity investments in controlled and non-controlled companies.

Investments for liquidity management

Liquidity management investments in debt titles and securities, as well as derivatives intended for liquidity management, both right and obligation, are initially recorded to cost, and they are updated monthly through methodology of the Colombian Financial Superintendency. Changes arising from each valuation made in investments for liquidity management are recognized in the income statement.

Investments with a political purpose

Investments with a political purpose include debt securities issued by local or foreign entities acquired in compliance with macroeconomic policies or the Company's internal policies.

Investments for compliance with macroeconomic policies correspond to debt titles acquired under agreed or mandatory subscription.

Investments to comply with the entity's internal policies include investments held to maturity and investments for sale, the latter understood as investments held for at least one (1) year. In both cases, the intention to hold the securities during the stated term, as well as the legal, contractual, financial and operative capacity, are required.

Investments held to maturity are updated on the basis of the internal rate of return foreseen in the methodologies adopted by the Colombian Financial Superintendency.

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, among others, the economic group's companies use derivative instruments such as swaps, forwards and options.

According to the rules issued by the Colombian General Accounting Office, derivative instruments for hedging purposes are recognized for the amount of the right or of the liability on the date of commencement of the contract, are monthly updated using methodologies of recognized technical value, and the difference is recorded as derivative valuation revenue or expense, as the case may be.

Equity investments

a. Equity investment in controlled companies

Equity investments in controlled companies include investments made in order to exercise or to share control, as well as those in which the Company has substantial influence and long-term investments in which the public sector holds over 50% direct or indirect participation. These investments are accounted by the equity method, according to CGN Resolution No. 356 of 2007. Under the equity method long-term investments in subsidiaries are recorded at cost and subsequently adjusted as follows:

- a. Credit or charge to the investment's cost equal to the participation of the Company in profits and losses in the subsidiary, with a matching entry in the income statement.
- b. Credit or charge to the investment equal to the participation of the Company in the subsidiary's equity variation with a matching entry in the surplus from equity method account, in the event of an increase; in the event of a decrease, as surplus from equity method until its exhaustion, and the remaining difference in the income statement.
- c. Credit or charge to the investment equal to the amount of dividends received from the subsidiary that correspond to periods during which ISA 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.

The exchange difference resulting from updating of investments in foreign controlled companies was carried to the income statement; starting 2007 it is taken to surplus from equity method.

b. Equity investments in non-controlled companies

The other variable-income equity investments in non-controlled companies that are not listed in stock exchanges are recorded at cost plus the dividends received in shares. If at year's end, the intrinsic value of investments is greater or lower than the book value, a charge is recorded in the re-appraisals account with a contra entry in re-appraisal surplus in equity, or a provision is charged to the income statement, respectively.

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.

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

For ISA and the Colombian subsidiaries, 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 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 in 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:

Asset	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
Communications equipment	10
Transport, traction and lifting equipment	10
Supervision and Maneuvering Center's equipment	6
Computer equipment and accessories	5

Maintenance expenditures of these assets are charged to the Income Statement, while improvements and additions are added to their costs.

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 has improved as a result of the security policy implemented by Government, the Company continues having difficulties with insurance companies to obtain insurance for the aforementioned assets; accordingly, these damages are accrued in the financial statements as they occur and are not recorded on estimate basis.

Real property intended for generation of revenues from rent is recorded as investment property.

Assets not being used in operations are classified as non-exploited assets, and their depreciation is suspended.

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, tax to preserve democratic security, bond placement commissions, licenses and rights, from which future and quantifiable 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 three years, except for the SAP software, which is being amortized over 10 years. Charges for studies and research of projects in pre-operational stage will be treated as expenses and are not capitalized even when a subsequent decision is made as to execute the project and when the project is intended for internal purposes. Goodwill, rights of way, bond placement commissions, licenses and rights are amortized on a straight-line basis during the periods over which their benefits are expected to be received, according to the feasibility studies for their recovery.

As of 2007, intangible assets can be classified as finite or indefinite useful life assets, where the latter are not amortized.

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 determined by independent appraisers, in the case of real-estate property; by their market value, in the case of transport equipment; and based on technical studies developed by employees of the Company, in the case of other assets. These valuations shall be made at least every three 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 their net cost.

3.9 CURRENT INCOME TAX AND DEFERRED TAX

Income tax provision is calculated on the period's ordinary net taxable income, which is obtained from relevant revenues, costs and expenses.

The credit deferred tax is the lesser current tax calculated during the period, resulting 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, for which differences are expected to be reverted in the future.

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, retirement payments to pensioners, and health, education and other benefits, among others, for which differences are 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 and some of its Colombian subsidiaries have considered inflation adjustments that were recognized only for tax effects of depreciable fixed assets, as temporary differences that result in the accrual of deferred tax, since these generated a greater monetary correction fiscal income during the adjustment's fiscal period, increasing the income tax payable, recoverable during the following years as the fixed assets are depreciated.

As to the effect from exchange difference generated by foreign currency investments in controlled companies, the Company's management considers that such amount is not a temporary difference on which deferred tax shall be calculated, because under current circumstances, despite the impact on income tax determination, it is not possible to establish whether future reversion of the difference will have the opposite tax impact due to the particular conditions of each investment abroad.

For Brazilian subsidiaries, interests on own equity are part of the income statement and are shown directly under net fiscal equity. For tax effects, they are treated as financial expenses, reducing the basis for income tax and social contributions for the period.

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.

Retirement pension payments are charged to the actuarial estimate account.

With respect to amortization of retirement pension liabilities for Colombian subsidiaries, it must correspond to the value resulting from dividing the total actuarial estimate pending amortization by the number of years remaining to complete the term set by regulation in force (December 31 of 2023), applicable to each particular entity, and counted from the actuarial estimate closing date. Up to December 31 of 2006, and through the annual increase of its percentage, amortization was recognized at 0.93%, according to Decree No. 051 of 2003

Likewise, until 2006, amortization methodology for benefits was similar to that of retirement pension liabilities; however, on December 31 of 2007, the companies' management decided to amortize 100% of pending liabilities, closely following international accounting standards, as is the intention of the CGN.

Accounting records for recognition of this liability and associated expenses are carried out in accounts different from those in which actuarial estimates are included.

3.11 SENIORITY COMPENSATION

According to the legislation in force, seniority compensation of the personnel of the Energy Transmission Centers –CTS– of the subsidiaries Interconexión Eléctrica ISA Perú S.A. and Red de Energía del Perú S.A. –REP– is computed for all employees, for the amount of the indemnity rights and should be deposited in financial entities selected by the employee.

3.12 NET INCOME PER SHARE

Net income per share is calculated on the weighted average number of outstanding shares during the year – 1,075,661,374 in 2008 (1,023,129,780 in 2007).

3.13 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the financial statements at December 31, 2007 were reclassified to conform to the presentation of the financial statements for 2008.

3.14 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 preparation of specific-purpose reports, respectively.

Non-monetary memorandum accounts were adjusted for inflation until December 31 of 2000, with charge to a contra memorandum account.

3.15. RECOGNITION OF REVENUES, COSTS AND EXPENSES

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

For the Administrator of the Commercial Settlement System –ASIC– and Account Settling and Clearing –LAC–, revenues regulated by the Energy and Gas Regulatory Commission –CREG– consider among other aspects, costs incurred by XM, Compañía de Expertos en Mercados S.A. E.S.P. to render services, determined on the annual budgets approved by the control entity.

In the case of XM, Compañía de Expertos en Mercados S.A. E.S.P., CREG Resolution 110 of 2006 was applied until May of 2008, while Resolution 048 of 2008 was applied as of June of the same year. CREG Resolution 110 of 2006 establishes annual recognition of revenues for operating and investments costs necessary to render the service, as well as remuneration for shareholders' equity. CREG Resolution 048 establishes remuneration for the regulated services of XM S.A. E.S.P. for the next five years, defining, for each month, the Regulated Maximum Revenue as equal to the total of the following monthly items: operating expenses, investments, adjustment due to regulatory changes or to deviation in investment execution, and equity's return margin.

Based on the above, XM defined the following accounting criteria for recognition of regulated revenues: i) Revenues for operating cost: recorded as revenues at the moment of service delivery. ii) Revenues for investment cost: the latest applicable regulation defined approval of revenues for investment subject to a five-year investment program. All the revenues received corresponding to remuneration of investments and projects shall be treated as deferred revenues at the time of invoicing; such deferred revenues shall be amortized according to the period's depreciation and amortization expense, proportional to the quotient between the deferred revenue for investment and the fixed and intangible assets (net) of the previous fiscal year's balance sheet. The value of non-executed investments is carried over to the next tariff year. iii) Remuneration of shareholders' equity: such revenues are recognized at the time of rendering the regulated service.

At ISA, amounts received to remunerate recovery of investments in UPMES, as well as usage rights not accrued because their respective costs have not been yet incurred or because the related services have not been rendered yet, are recognized as deferred revenues. These deferred revenues are amortized over the periods along which they accrue.

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, costs and expenses reported for such periods. The actual result of certain items may differ from such estimates.

OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2008 and 2007, 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.

3.18 CONTINGENCIES

On the date financial statements are issued certain contingent conditions may exist which might result in a loss for the companies but are only resolved in the future when events actually take place. These contingencies are estimated by the management and its legal counsels. The estimation of loss contingencies is necessarily a matter of judgment and opinion. When estimating contingent losses in legal processes, legal counsels assess the merit of claims, related decisions, and the current state of processes, among other issues.

If evaluation indicates that a material loss has probably occurred and the amount of the liability can be estimated, it is then recorded in the financial statements. If evaluation indicates that loss is improbable but the result is uncertain, or if it is probable but its amount is impossible to estimate, then the nature of the contingency is disclosed in a note to the financial statements together with an estimate of the probable loss. Generally, loss contingencies estimated as remote are not recorded or disclosed.

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 supply and demand. Debts, indebtedness transactions and debt management operations in foreign and local currency require the approval of the Ministry of Finance and Public Credit.

Foreign currency operations and balances are translated at the current exchange rates certified by the Financial Superintendency, previously known as Banking Superintendency. The exchange rates used for the preparation of the financial statements at December 31, 2008 and 2007, expressed in Colombian pesos, were:

Currency	Code	2008	2007
US Dollar	USD	2,243.59	2,014.76
Euro	EUR	3,119.04	2,961.29
Boliviano	BOB	317.34	262.68
Nuevo sol	PEN	711.24	671.59
Brazilian Real	BRL	961.68	1,137.45

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

	2008	2007
Revenues	378,908	497,887
Expenses	(719,057)	(169,124)
Total exchange difference net generated	(340,149)	328,763

NOTE 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

		2008	2007
CASH			
Cash and deposits in banks,			
other financial institutions and trusts	(1)	377,376	567,648
MARKETABLE INVESTMENTS			
Fixed-income investments	(2)	268,737	219,498
Other investments-hedging operations	(3)	(1,248)	-
Total marketable investments		267,489	219,498
Total cash and marketable investments		644,865	787,146

(1) Includes \$151.304 (2007, \$164.770) of funds from agents for administration of the wholesale energy market, managed by XM, Companhia de Expertos en Mercados S.A. E.S.P. Use of these sums is restricted to transactions in the energy pool, as provided by current regulations. Also included, \$100.235 (2007, \$202.329) of financial applications of Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, represented by bank deposit certificates.

Banking reconciliations are prepared monthly and there are no significant reconciliation amounts pending.

(2) Includes ISA's short-term funding and marketable investments for \$198,026 (2007, \$150,445), REP's term deposits for \$12,117 (2007, \$34,487), and TransMantaro's term deposits for \$33,853 (2007: \$24,579).

(3) ISA's Non-deliverable forward derivative instrument for Dollars sale established to reduce cash flow variability associated to calculation of revenues from UPME 01 and 02 of 2003.

NOTE 6: LONG-TERM INVESTMENTS

INVESTMENTS IN THE POWER SECTOR

Below is the information of the companies where ISA economic group has participation:

Interligação Elétrica de Minas Gerais S.A. –IEMG–

On November 24, 2006, in bidding conducted by ANEEL ISA was awarded project D for construction and 30-year operation of the Neves 1- Mesquita 500kV (172km), transmission line, under a concession agreement. For such purpose, IEMG was established on December 13, 2006, as a closed

corporation to exploit concessions of transmission services, with ISA holding 99.99% and registered offices located in the city of São Paulo, Brasil. Later, under a shareholders agreement entered with CYMI Holding S.A, ISA transferred to this company 40% of its participation, and the remaining 60%, to CTEEP, ISA's affiliate.

Interligação Elétrica Norte Nordeste S. A. –IENNE–

IENNE was established on December 3, 2007 to exploit concession of the electric power transmission service, particularly the transmission lines Colinas (Tocantins) - Riveiro Gonzalves (Piauí) and Riveiro Gonzalves – São João do Piauí (Piauí), both at 500 kV; CTEEP owns 25% participation in this company.

Interligação Elétrica Pinheiros S. A.

Established on July 22, 2008 to exploit concession of the electric power transmission service, particularly the transmission lines and substations of groups E, H and K of ANEEL's public bidding No. 004 – 2008, Interlagos-Piratininga II transmission line, and Piratininga II, Mirassol II, Getulina, Araras and Atibada II substations. CTEEP owns 99.99% participation in this company.

Interligação Elétrica Sul S. A. –IESUL–

Established on July 23, 2008 to exploit concession of the electric power transmission service, particularly the transmission lines and substations of groups F and I of ANEEL's public bidding No. 004 – 2008: Nova Santa Rita–Scharlau transmission line and Scharlau substation, Joinville Norte – Curitiba, Jorge Lacerda B – Siderópolis transmission line and Forquilha substation. CTEEP owns 99.99% participation in this company.

Interligação Elétrica do Madeira S.A. –IEMADEIRA–

Established on December 18, 2008 to execute the electric power transmission projects Porto Velho (Rondônia) - Araraquara 2 (São Paulo) HVDC transmission line awarded in November 2008. CTEEP has 51% shareholding, Furnas Centrais Elétricas S.A. 24.5%, and Companhia Hidro Elétrica do São Francisco –CHESF– 24.5%.

Interconexión Elétrica Colombia – Panamá S.A.

Corporation established by public deed 6875 of May 14, 2007. Each of its current shareholders, ISA and ETESA, holds 50% of issued, outstanding and voting shares. Its main activities are electric power transmission, operation and maintenance of electricity lines and grids and infrastructure for associated voltage transformation, telecommunications services,

data transmission services, technical services, and consulting services in such areas and in general engineering matters. The corporation has authorized opening a branch in Colombia.

INVESTMENTS RELATED TO INFRASTRUCTURE PROJECTS

Infra-Estruturas do Brasil Ltda.

Established on December 14, 2006 to deliver civil engineering services such as preparation 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 execution of civil works, cartography, construction and set-up of electric equipment, representation, manufacture, installation, 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. ISA owns 99.90%.

INVESTMENTS IN THE TELECOMMUNICATIONS SECTOR

INTERNEXA Participações S.A.

Corporation located in the state of São Paulo, Brazil, established on July 21, 2008. Its corporate purpose includes: i) management of telecommunications assets in different forms and modalities; ii) study, development, implementation and administration of telecommunications initiatives in different forms and modalities; (iii) assistance and consulting services for telecommunications initiatives; and (iv) participation, as partner or shareholder, in other corporations, consortiums, and commercial initiatives of any kind. The company initial capital was BRL1,000 represented by 1,000 registered shares, all of them common and without par value. Initially, INTERNEXA S.A. E.S.P. had 89% participation; after BRL216,310 capital contribution in November, its stake equals 99.95%.

OTHER INVESTMENTS

Financiera Energética Nacional –FEN–

FEN is a financial institution of national order established by Law 11 of 1982 as a state-owned corporation ascribed to the Ministry of Mines and Energy with the purpose of acting as financial and credit organism for the Colombian power sector. Until April 2008, ISA had 33.160 shares of FEN equivalent to 0.7884% participation. As of December 31, 2008, the investment is represented by nine shares equivalent to 0.00069% participation.

Empresa Propietaria de la Red S.A. –EPR–

Established in 1998 in Panama City, Empresa Propietaria de la Red S.A. –EPR– is a company ruled by private law that has the endorsement of the “Parent Treaty of Central America’s Power Market” and its protocol, through which, each government grants the corresponding permission, authorization or concession, as fits construction and exploitation of the first regional electric interconnection system that will link Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and Panama. As of December 31, 2007, investment in this corporation is represented by 5,000 common shares equivalent to 12.5% participation. After USD625,000 capitalization made in 2008, investment as of December 31, 2008 is represented by 5,625 common shares equivalent to 11.11% participation.

Cámara de Riesgo Central de Contraparte de Colombia S.A. –CRCC–

Its main purpose is to administer the Operations Settling and Clearing System, that is the organized array of activities, agreements, counterparties, agents, third parties, accounts, rules, procedures, mechanisms and technological components for accepting, settling and clearing operations with assets, either as a counterparty or not. XM, Compañía de Expertos en Mercados S.A. owns 1,582,239,480 shares equivalent to 5,456% of subscribed and paid capital.

		2008	2007
Investments in shares			
FEN S.A.	(1)	3	7,147
EPR S.A.		12,620	10,074
TRANSNEXA	(2)	-	787
INTERNEXA Perú	(2)	-	10,030
Cámara de Riesgos Central de Contraparte de Colombia S.A.		1,586	1,564
Electricaribe	(3)	12,114	9,766
Electrocosta	(3)	-	2,348
Interligação Elétrica de Minas –IEMG–	(4)	25,753	14,432
Interligação Elétrica Norte Nordeste S. A. –IENNE–	(4)	14,667	-
Interligação Elétrica Pinheiros S. A.	(4)	6,395	-
Interligação Elétrica Sul S. A. –IESUL–	(4)	1,587	-
Other		354	27
Provision for investment protection	(5)	(3,066)	(6,021)
Total investment in shares		72,013	50,154
Other long-term investments			
In trust rights		977	3,956
Total other long-term investments		977	3,956
Total long-term investments		72,990	54,110

(1) Sale of shares and decrease in subscribed capital paid in cash, reimbursement of shareholders' contributions, as approved by FEN's shareholders' meetings of March 13 and November 7 of 2008, respectively.

(2) As of December of 2008 part of consolidated report.

(3) Corresponds to shares received as payment. These companies merged on December 31, 2007.

(4) Increase corresponds to contributions made by CTEEP in 2008.

(5) Variation corresponds to recovery of provision in ISA, resulting from the merger of Electrocosta and Electricaribe.

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

	2008	2007
Customers		
Energy services	578,091	506,427
Telecommunications	56,537	44,932
Market Administration	8,001	6,609
Constructions	(1) 20,552	-
Other technical services	605	-
Total customers	663,786	557,968
Interest receivable		
From customers	1,230	1,595
Other interest receivable	96	34
Total interest receivable	1,326	1,629
Loans extended	459	353
Advances		
Taxes and contributions	(2) 88,585	138,670
Contractors	4,143	820
Purchases of goods and services	1,611	1,217
Advances for per-diem and travel expenses	2,801	1,864
Advances for subscription of shares	(3) 8,773	-
Other	192	461
Total advances	106,105	143,032
Other accounts receivable		
Related parties	(4) -	24,884
Loans to employees	19,920	21,086
Deposits made	50,646	56,716
Accounts receivable from Brazilian government - Law 4819	(5) 456,243	392,640
Deposit for payment of bond interests	(6) 53,093	47,508
Other accounts receivable	57,072	39,868
Total other accounts receivable	636,974	582,702
TOTAL ACCOUNTS RECEIVABLE	1,408,650	1,285,684
Less - Allowance for doubtful accounts	(16,041)	(17,416)
TOTAL ACCOUNTS RECEIVABLE NET	1,392,609	1,268,268
TOTAL LONG-TERM ACCOUNTS RECEIVABLE	610,031	511,620
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE	782,578	756,648

- (1) Corresponds to account receivable for construction services for third parties delivered by ISA starting in 2008.
- (2) Includes income tax advance of ISA Capital do Brasil for 15% withholding on interest on own capital in CTEEP for \$23,689 (2007, \$15,335). It also includes tax advances and credit balances of CTEEP for \$3,024 (2007, \$65,764), of ISA for \$5,200 (2007, \$36,113), of INTERNEXA Perú for \$13,912, and of TRANSELCA \$10,248 (2007, \$4,633).
- (3) Corresponds to advance for future share capitalization by CTEEP in the company Control y Montajes Industriales –CYMI–.
- (4) In 2007 corresponds to loan extended by INTERNEXA to subsidiary INTERNEXA Perú, which is consolidated starting in 2008.
- (5) CTEEP's accounts receivable from the Brazilian Government for labor benefits (Law 4819 of 1958). No monetary updating whatsoever is applicable to this balance.
- (6) Deposits in Bank of New York to guarantee interest payment on bonds of ISA Capital do Brasil.

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

	2008	2007
Shareholders		
Empresas Públicas de Medellín (EPM)	14,493	10,236
Empresa de Energía de Bogotá (EEB)	254	560
Empresa Colombiana de Petróleos (ECOPETROL)	74	-
Total shareholders	14,821	10,796
Other customers	648,965	547,172
Total accounts receivable from customers	663,786	557,968

Classification of accounts receivable from customers according to maturity date:

	2008	2007
Current	559,151	517,568
Overdue		
Between 1 and 90 days	21,442	5,178
Between 91 and 180 days	1,318	14,213
Between 181 and 360 days	52,707	1,176
More than 360 days	29,168	19,833
Total overdue	104,635	40,400
Total	663,786	557,968

Accounts receivable are mostly from power sector companies in the countries where the group has coverage, and correspond mainly to services of use and connection of the National Transmission System. Interests are invoiced on past due accounts at the highest rate allowed by law.

Power sector companies, Electribolívar, Caucasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities –SSPD–, owed ISA as of December 31, 2008, \$3.728 (2007, \$3.410); these overdue accounts receivable are 100% provisioned.

NOTE 8: INVENTORIES

Inventories at December 31 included:

	2008	2007
Short-term inventories		
Materials to render services	58,572	54,876
Inventories in transit	54	1,122
Provision	(1,203)	(862)
Total short-term inventories	57,423	55,136
Long-term inventories		
Materials to render services	60,891	56,399
Total long-term inventories	60,891	56,399
TOTAL INVENTORIES	118,314	111,535

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

The group's companies conduct actions to guarantee adequate preservation and safeguarding of inventories, and take periodic stock count with no significant differences found.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	2008	2007
Property, plant and equipment		
Networks, lines and cables	2,832,351	2,714,279
Plants and ducts	2,073,352	2,005,153
Buildings (1)	74,099	66,947
Machinery and equipment	74,792	68,531
Computer and communications equipment	42,565	32,807
Equipment and materials under deposit and goods in warehouse	118	118
Transport, traction and lifting equipment	12,075	10,520
Furniture, fixtures and office equipment	15,524	15,573
Roads	265	265
Land	28,804	29,216
Subtotal property, plant and equipment	5,153,945	4,943,409
Less – accumulated depreciation	(1,759,918)	(1,579,396)
Less – provisions	(9,978)	(36,436)
Total property, plant and equipment in operation	3,384,049	3,327,577
Constructions in progress (2)	109,266	48,687
Machinery, plant and equipment in assembly	40,066	59,956
Machinery and equipment in transit	5,769	1,952
Total property, plant and equipment-Net	3,539,150	3,438,172

(1) Includes investment properties corresponding to ISA's real property worth \$3,532 leased to subsidiaries XM and INTERNEXA.

(2) Includes in ISA, \$8,895 of constructions received as payment of Global Crossing, assets which are for sale.

Assets have no restrictions, or pledges or guarantees for obligations.

In January, 2008, Caño Limón substation expansion project was activated in ISA for \$17,474; also, Anillos Comcel fiber-optic project was capitalized for \$19,452, and Sabanalarga – Nogales fiber optics for \$1,617.

In July 2008, ISA Bolivia started commercial operations of 230/115kV Arboleda substation.

Retirement and sales of property, plant and equipment during the year generated net gain for \$11,922 (2007:\$22,343). The movement in accumulated depreciation during 2008 corresponds to the accrual of depreciation expense for \$172,575 (2007, \$168,260) which was charged to the income statement.

ISA contracts insurance for Combined Material Damages, Terrorism, and Consequential Loss every year to cover against all risk of damage to the Company's fixed assets.

On July 2 of 2008, the Mining and Energy Planning Unit –UPME– in public bidding awarded Interconexión Eléctrica S.A. E.S.P. –ISA– the construction of works for electric interconnection of Porce III project. ISA will be responsible for construction, assembly, commissioning, administration, operation and maintenance, along 25 years, of 500kV Porce substation and two 500kV line circuits, each 22km long, which will interconnect Porce III generation project to the National Transmission System. The project's expected commissioning date is July of 2010.

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

Deferred charges and other short-term assets	2008	2007
Prepaid expenses	20,382	23,981
Deferred tax (1)	103,358	14,709
Other deferred charges	711	40
Total deferred charges and other short-term assets	124,451	38,730
Deferred and other long-term assets	2008	2007
Deferred charges		
Deferred tax (1)	102,403	189,818
Goods received as payment (foreclosed assets)	17,975	11,716
Bond issues discounts (2)	14,449	-
Studies and research	226	5,118
Other deferred charges (3)	25,101	17,995
Total deferred charges	160,154	224,647
Intangibles		
Software	61,618	57,035
Licenses	56,465	54,104
Rights of way	59,461	59,188
Rights (4)	7,891,882	8,751,463
Goodwill and trademarks (5)	1,173,800	1,155,919
Less – Amortization of intangible assets	(3,312,242)	(3,599,142)
Total Intangible assets	5,930,984	6,478,567
Actuarial financial reserve (6)	447	7,842
Miscellaneous	13,717	8,592
Total deferred charges and other long-term assets	6,105,302	6,719,648

(1) Variation explained by reclassification in ISA of deferred tax for \$92,476 from long to short term.

(2) Discount in bond placement conducted by ISA in December 2008.

(3) Variation explained mainly by premium of legal stability agreement entered into by ISA and the Ministry of Mines and Energy.

(4) Includes CTEEP's Right for \$7,195,517 according to concession agreement subscribed with the Brazilian Government through ANEEL on June 20, 2001 extended for a 20-year term starting on July 8, 1995, for exploitation of the electric energy transmission

public service, including the basic grid and transmission facilities. According to articles 63 and 64 of Brazilian Decree No. 41.019 of February 26, 1957, assets and facilities used in transmission are allocated to such services and cannot be retired, sold, assigned or given as mortgage collateral, without prior express authorization of the regulator. ANEEL Resolution No. 20/99 sets rules for de-allocation of assets of the electric energy public utility concessions and grants prior authorization to de-allocate unproductive assets.

- (5) Includes: CTEEP's goodwill for \$251,521 generated by fiscal optimizing of ISA Capital Do Brasil's goodwill, through corporate restructuring with CTEEP of ISA Participações ; ISA Capital's goodwill for \$656,217 generated by CTEEP purchase and added by the increased participation after acquisition through tender offer; ISA's goodwill for \$103,631 generated for purchase of 60% of TransMantaro S.A. It also includes loan for \$130,464 to purchase 34% of TRANSELCA S.A. E.S.P. through share exchange with Ecopetrol which is not amortized according to CGN regulation, and because TRANSELCA is an indefinite term company.
- (6) XM's resources to pay retirement pensions of personnel transferred under employer substitution with ISA; these sums cannot be used by the company for payments other than the initial purpose.

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

		2008	2007
Investments	(1)	10	2,281
Property, plant and equipment	(2)	2,441,999	1,467,599
Total re-appraisals		2,442,009	1,469,880

- (1) Re-appraisal of Electrocosta was absorbed after merger with Electricaribe.
- (2) For Colombian subsidiaries, economic appraisal was conducted in 2008 for main components of property, plant and equipment, in compliance with the provisions of the Public Accounting Regime - Resolution 354 of September 5 of 2007.

Technical appraisals of operational assets for Colombian subsidiaries were made by using the technically recognized Straight-line Depreciated Replacement Cost method approved by the Colombian General Accounting Office as stated in number 18 of accounting procedure for recognition and disclosure of facts related to property, plant and equipment, issued by Resolution 356 of September 5, 2007. The methodology consists of determining the present value of operational equipment, based on the actual cost of an asset with the same characteristics that provides the same service (the as-new replacement value –VRN⁻¹), proportionally affected by the remaining time of service (remaining useful life) with respect to the useful life initially established. This criterion is applied to every specialized asset² that ISA has in operation for energy transmission (use and connection). Market value is used for non-specialized³ assets such as vehicles.

1. Values determined according to regulation applicable to its remuneration.

2. Assets not frequently bid or demanded in the market.

3. Assets frequently bid or demanded in the market.

NOTE 12: OUTSTANDING BONDS

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

Issue	Series	Currency	Term (Years)	Interest Rate	Maturity	2008	2007
First	A	USD	8	8.13%	2009	33,654	30,221
First	B	USD	9	8.34%	2010	33,654	30,221
Second	A	USD	8	6.00%	2011	22,436	20,148
Second	B	USD	9	6.25%	2012	22,436	20,148
Second	C	COP	10	DTF + 2.5%	2009	59,700	59,700
Second	D	COP	10	IPC + 10%	2009	30,879	30,879
Third	Single	COP	10	IPC + 8.10%	2011	130,000	130,000
First	C	COP	10	IPC + 7.50%	2012	35,000	35,000
First	C	COP	10	IPC + 7.50%	2012	62,000	62,000
First	A	COP	7	IPC + 7.00%	2009	16,000	16,000
First	A	COP	7	IPC + 6.14%	2011	50,000	50,000
First	B	COP	12	IPC + 6.95%	2016	50,000	50,000
First	A	USD	10	5.75%	2013	43,444	45,606
Second	Single	PEN	10	VAC + 5.13%	2013	39,604	40,501
Third	A	USD	12	7.75%	2016	26,124	25,749
Third	B	USD	12	7.63%	2017	10,671	10,517
Fifth	A	USD	10	Libor + 2.56%	2014	42,067	42,310
Third	A	USD	12	5.88%	2019	17,770	17,125
Third	B	USD	12	6.19%	2019	67,308	60,443
Fourth	A	USD	12	Libor + 0.75%	2019	43,264	43,318
Program Tranche 1		COP	7	IPC + 7.00%	2011	100,000	100,000
Program Tranche 2		COP	10	IPC + 7.30%	2016	150,000	150,000
Program Tranche 3		COP	15	IPC + 7.19%	2019	108,865	108,865
Program Tranche 4 Lote 1		COP	20	IPC + 4.58%	2026	118,500	118,500
Program Tranche 5		COP	7	IPC + 4.84%	2013	110,000	110,000
Program Tranche 4 Lote 2		COP	18	IPC + 4.58%	2026	104,500	
Program Tranche 1		USD	5	7.88%	2012	449,489	402,952
Program Tranche 2		USD	10	8.80%	2017	795,591	713,225
Capitalized interest						12,359	50,233
Bond hedging						(128,189)	336,636
TOTAL						2,657,126	2,910,297
Less current portion						188,915	88,471
Total long- term						2,468,211	2,821,826

Bonds accrued interests during 2008 for \$275,275 (2007, \$243,647).

Below is the detail of maturities for outstanding bonds:

Year	Capital	Interest	Hedging	Total
2009	176,556	12,359		188,915
2010	75,191			75,191
2011	343,973			343,973
2012	610,462			610,462
2013 onwards	1,566,775		(128,190)	1,438,585
Total	2,772,957	12,359	(128,190)	2,657,126

ISA's bonds issues were used as follows:

Of the second issue for \$180,000, series C and D were outstanding at year's end with a balance of \$102,938. The balance increases due to the capitalization of the 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.

The \$450,000 bond program (initial issue February 2004) was expanded to \$850,000 in 2006 and to \$1,200,000 in 2008. In 2006, the Company offered Tranche 4 with 20-year term for \$380,000, of which \$104,500, maturing in April 2026, was placed in 2008. 50% of this program is earmarked for debt management operations and 50% for cash flow and investment financing.

Subsidiary TRANSELCA S.A. E.S.P., duly authorized by the Shareholders' Meeting and by the Securities Superintendency, issued bonds during 2002 and 2004 for \$113,000 and \$100,000, respectively, to finance expansion projects, working capital and corporate cash flows.

The bonds issued by affiliate Red de Energía del Perú S.A. –REP– have the following characteristics:

First Corporate Bond Issue Program:

- The first issue of 30,000 Series-A corporate bonds with USD1,000 unit par value and 10-year redemption term was placed in the financial market in July 2003 at 5.75% yearly nominal rate.
- The second issue of 20,000 Single Series bonds with PEN3,477 unit par value and 10-year redemption term was placed in the financial market in November 2003 at 5.125% yearly nominal rate. Balance pending amortization is adjusted with the constant actual value.



- The third issue of 14,200 Series-A and 5,800 Series-B corporate bonds with USD1,000 unit par value and 12-year redemption term was placed in the financial market in July and August 2004 at 7.75% and 7.625% yearly nominal rate, respectively.
- The fourth bond issue was de-listed.
- The fifth issue of 30,000 series-A bonds with USD1,000 unit par value and 10-year redemption term was placed in the financial market in December 2004 at 3-month Libor + 2.5625%.

Second Bond Program:

- The third issue of 8,500 series-A bonds and 30,000 series-B bonds had a par value of USD1,000 and 12-year redemption term. These bonds were placed in the financial market in February and October 2007, at 5.875% and 6.1875 % annual nominal interest, respectively.
- The fourth issue of 21,500 Series-A bonds had a par value of USD1,000 and 12-year redemption term. These bonds were placed in the financial market in February 2007, at 3-month Libor + 0.75% interest.

These bonds are guaranteed by first mortgage collateral on the transmission lines concession.

ISA Capital do Brasil's bond issue had the following characteristics:

- January 29, 2007 issue, for USD554 million. The issue was carried out in two tranches: a first one for USD200 million, at 5-year term and 7.88% yearly interest rate with Call option in the years 2010 and 2011; the second for USD354 million at 10-year term and 8.80% yearly interest rate with Call option during the bonds' term. Of the total bonds issued, 60% were placed in the USA, 36% in Europe, 2% in Latin America, and 2% in Asia.

TransMantaro's bond issue has the following characteristics:

First Corporate Bond Program:

- First series-A and Series-B issue for USD15 each, placed in November 2001, with 8.13% and 8.34% interest rate and maturity in November 2009 and 2010, respectively. Second series-A and Series-B issue for USD10 each, placed in November 2003, with 6.00% and 6.25% interest rate and maturity in November 2011 and 2012, respectively.

These bonds are guaranteed by first mortgage collateral on the transmission lines concession.

NOTE 13: FINANCIAL LIABILITIES

The balance of financial liabilities at December 31 included:

Credit Facility		Currency	Interest Rate	2008	2007
Domestic financial liabilities					
BBVA	(1)	COP	DTF + 4.00%	96,638	96,638
BBVA	(1)	COP	DTF + 3.40%	100,000	100,000
Bancolombia	(1)	COP	DTF + 2.60%	70,000	70,000
Davivienda	(1)	COP	DTF + 3.88%	25,000	
BBVA	(1)	COP	DTF + 3.89%	75,000	
Banagrario	(1)	COP	DTF + 3.00%	30,000	
BBVA	(1)	COP	DTF + 4.25%	52,000	
Banagrario	(1)	COP	DTF + 4.50%	21,000	
Davivienda	(1)	COP	DTF + 1.50%		22,000
Citibank Colombia	(1)	COP	DTF + 3.05%		19,000
ABN Amro Colombia	(1)	COP	DTF + 3.30%		13,000
BBVA	(1)	COP	DTF + 4.25%	837	837
Occidente	(1)	COP	DTF + 4.00%	727	
Bancolombia	(1)	COP	DTF + 3.50%	3,495	5,649
Banco de Bogotá	(1)	COP	DTF + 3.50%	7,000	
Banco de Occidente	(1)	COP	DTF + 4.75%	6,000	
Davivienda	(1)	COP	DTF + 3.00%	10,667	11,000
BBVA	(1)	COP	DTF + 2.50%	15,000	15,000
Bancolombia		COP	DTF + 1.93%	42,332	57,067
Banco de Bogotá		COP	DTF + 4.73%	20,000	38,799
Banco de Crédito		COP	DTF + 4.50%-5.00%	44,000	26,000
Total domestic financial liabilities				619,696	474,990
Foreign financial liabilities					
BNDES	(2)	BRL	TJLP + 2.30%	582,130	457,320
Banco Safra	(1)	BRL	CDI + 3.00%		79,817
Banco Alfa	(1)	BRL	CDI + 3.85%		56,872
Banco do Brasil	(1)	BRL	CDI + 3.00%		11,468
BIRF-3955-CO.		USD	Libor + 0.28%	127,593	139,260
Banco de Crédito del Perú BCP		USD	Libor + 2.13%	61,146	62,280
BID		USD	Libor + 4.00%	56,176	55,251
CAF		USD	Libor + 5.00%	41,679	40,993
IFC		USD	6.10%	28,489	27,812
Scotiabank		USD	7.20%	26,923	
BIRF-3954-CO.		USD	6.32%	1,184	4,865
Mediocredito - Artigiancassa		EUR	1.75%	5,676	8,981
BBVA Banco Continental		USD	Libor + 1.45%	29,123	27,900
BNP Paribas		USD	Libor + 0.35%	72,302	72,566
ABN_Amro y JPMorgan		USD	Libor + 1.00%	112,180	402,952
Citibank N.A.		USD	Libor + 3.13%		48,441
HSBC		BRL	120.00% CDI	96,575	
ITAU		BRL	120.00% CDI	96,575	
Banco Real		BRL	CDI + 6.50%	39,754	
Total foreign financial liabilities				1,377,505	1,496,778
Hedging operations					137
Total financial liabilities				1,997,201	1,971,905
Less – current portion				675,902	658,008
Total long-term				1,321,299	1,313,897

- (1) These loans were hired to cover cash flows.
 (2) These loans were hired to finance expansion plans.

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

CURRENCY	Balance in original currency (thousands)		Balance in local currency (millions)	
	2008	2007	2008	2007
US Dollar	248,171	437,928	556,795	882,320
Euro	1,820	3,033	5,676	8,981
Brazilian Reais	848,967	532,311	815,034	605,477
Colombian Pesos	619,696	475,127	619,696	475,127
Total financial liabilities			1,997,201	1,971,905

Maturity of financial liabilities at December 31, 2008:

YEAR	TOTAL
2009	675,902
2010	411,918
2011	178,460
2012	236,739
2013 onwards	494,182
Total	1,997,201

COMMITMENTS RELATED TO LOANS

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

ABN Amro and JP Morgan Bank:

ISA subscribed financial commitments for the USD200 million loan obtained from ABN Amro and JP Morgan banks. This loan includes: a) The ratio net debt/EBITDA must be equal to or lower than 5.50 for 2006, 5.00 for 2007, 4.5 for 2008 and 2009. b) The ratio EBITDA/interest must be equal to or greater than 2.0 for 2006, 2.25 for 2007, and 2.50 for the period 2008-2009.

As of December 31 of 2008 and 2007, the Company had satisfactorily met the above commitments.

The financial commitments of the economic group are: debt / EBITDA 4.3 for 2006-2009; EBITDA / interest greater than or equal to 2.0 for 2006, 2.25 for 2007, and 2.5 for 2008-2009.

IFC Loans:

During the term of the loan contracts, subsidiary ISA Peru may not, among others:

- Declare or pay dividends or make any capital distribution, or purchase, redeem or acquire its own shares, when the covenants agreed to in the contract are not complied with.
- Enter agreements with limited partnerships, distribute earnings or royalties or any other similar agreement under which the revenues or income of the subsidiary are or could be shared with any other person.
- Establish or hold an affiliate or start or permit a merger through absorption, spin-off or merger through incorporation or reorganization.
- Incur, assume or permit any debt other than as specified in the contract.

Commitments of affiliate REP S.A.:

On August 29, 2002, a trust agreement for cash flows was subscribed by the affiliate (trustor), Banco Continental (beneficiary) and Bank Boston, Peruvian Branch (trustee) to guarantee compliance of the obligations in favor of the preferential creditors (Banco Continental and Citibank N.A. Lima Branch). On March 31, 2005, the assignment of contractual position in the Bank Boston, Peruvian Branch Trust Agreement of Cash Flows in favor of Banque BNP Paribas Andes S.A. was signed. Then on June 28, 2006, Banque BNP Paribas Andes S.A. assigned its contractual position in such agreement to Banco Internacional del Perú S.A.

Commitments of subsidiary ISA Capital do Brasil:

- The structuring of the bond issue incorporated covenants upon ISA Capital do Brasil that restrict its condition to special purpose vehicle, not having greater indebtedness, and only performing additional investments in purchase of CTEEP shares.
- As a consequence, ISA Capital do Brasil only receives the dividends from CTEEP and pays the debt incurred for its acquisition.

NOTE 14: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

	2008	2007
Suppliers	90,545	119,929
Financial expenses	96,762	42,495
Creditors	(1) 118,310	263,729
Dividends	43,054	66,576
Other accounts payable	(2) 156,138	91,511
Taxes	142,570	169,549
Total accounts payable	647,379	753,789
Total long-term accounts payable	295,760	327,691
Total short-term accounts payable	351,619	426,098

- (1) Includes in CTEEP BRL68.5 million equivalent to \$65,878 (2007, BRL129.0 million equivalent to \$146,756) for amounts payable to CESP foundation regarding updated liability for supplementary pension plans and medical care. In 2008, BRL68.4 million gain equivalent to \$73,222, according to actuarial study. Also includes BRL24 million of withholding of funds and amortization of loans carried out in CTEEP before December 31, 1971 for expansion of the electric power utility. The Brazilian government has not defined the way to settle these liabilities.
- (2) Includes revenues received in advance in INTERNEXA for \$129,034 (2007: 83,989). These advances include:

Customer	Year advance is received	Term (years)	2008	2007
Skyonline	2001	15	1,809	2,047
Telefónica	2005	8	9,378	11,421
Columbus Network de Colombia	2004	25	643	681
Orbitel	2004	10	894	1,052
Ufinet	2005	25	523	553
TRANSELCA	2005	15	402	443
ETB	2005	15	1,168	1,270
Telmex Colombia S.A.	2006	22	37,048	26,237
Comunicación Celular S.A.	2006	22	64,463	36,536
Sprint International Colombia Ltda	2007	15	2,037	2,209
Fondo Financiero de Proyectos	2008	1	6,255	-
Other			4,414	1,540
Total advances received			129,034	83,989
Less – current portion			12,481	10,022
Total non-current			116,553	73,967

NOTE 15: LABOR LIABILITIES

Labor liabilities at December 31 included:

Labor liabilities	2008	2007
Severance payments and interests	4,763	4,499
Vacations	9,664	10,203
Agreed fringe benefits	6,266	6,882
Early retirement plan provision	13,994	30,216
Other	2,074	1,149
Total labor liabilities	36,761	52,949
Less – long-term portion	1,461	1,246
Short-term labor liabilities	35,300	51,703

NOTE 16: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

		2008	2007
Retirement pensions	(1)	138,654	141,250
Provision for income tax and surtax		46,578	23,175
Provision for contingencies	(2)	546,845	567,873
Actuarial estimate of fringe benefits for pensioners	(3)	83,826	78,079
Other estimated liabilities and provisions	(4)	32,413	41,150
Total estimated liabilities and provisions		848,316	851,527
Less – long-term portion		707,050	704,344
Total short-term estimated liabilities and provisions		141,266	147,183

- (1) Corresponds to the amortized present value of pension liabilities at December 31 of 2008 and 2007, according to actuarial studies.
- (2) Includes \$332,148 (2007, \$367,783), values to be paid by ISA Capital Do Brasil to Secretaria de Fazenda, Gobierno de Brasil, as payment commitment for the difference between the purchase price of the shares of CTEEP and labor liability payments established in Law 4819 of 1958 in case CTEEP is exonerated. Also includes in CTEEP \$169,521 (2007, \$171,541) of provisions for liability in labor suits in partial assignment of Companhia Energética de São Paulo –CESP– and Empresa Paulista de Transmissão de Energia Elétrica S.A. –EPE–.
- (3) Estimated liabilities of ISA, TRANSELCA and XM, to show present value of future health, education and aging benefits recognized to pensioners. 2008 increase up on 2007 is accounted for by 100% amortization of pension liabilities for health and education fringe benefits.
- (4) Includes \$7,559 for FAER provision (2007, \$6,179), PRONE provision \$9,021, infrastructure projects estimated costs \$2,100, variable compensation results incentive \$1,228 (2007, \$2,182) and payroll estimated for days pending payment at December 31, 2008 for \$1,623 of ISA.

16.1 RETIREMENT PENSIONS AND AGREED LABOR BENEFITS

Retirement pensions

Under collective bargaining agreements and labor contracts, ISA, TRANSELCA S.A. E.S.P. and XM, Companhia de Expertos en Mercados S.A. E.S.P. are 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 upon compliance with certain legal requirements.

The present value for pension liability as of December 31, 2008 and 2007 was determined using actuarial calculations that comply with the law and specifically with labor contracts and collective bargaining agreements.

To determine pension liabilities, ISA included fringe benefits of pensioners, as different from mandatory benefits. This practice was adopted in 2005 as a prudent policy seeking alignment with International Accounting Standards –IAS–. Present value of estimate was \$35,002 (2007, \$34,713) which is completely amortized.

Present value of health, education and electric power benefits of TRANSELCA pensioners, for \$\$48,824, was fully amortized in 2008, with \$9,243 charge to the income statement.

The estimates used were as follows:

	2008			2007		
	ISA	TRANSELCA	XM	ISA	TRANSELCA	XM
Actual interest rate	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
Future increase in pensions and salaries	5.15%	5.15%	5.15%	4.77%	6.00%	4.77%
Number of people covered by the plan	444	189	19	450	187	19

As of December 31, 2008, ISA had amortized 77.87% of the pension liability projected to cover monthly pension payments; amortization is calculated with methodology set forth in Resolution No. 356 of September 5 of 2007 issued by CGN.



The movements in the actuarial estimate and the deferred liability at December 31, 2008 are as follows:

	Projected liability	Deferred cost	Commuted Pension Liability	Net liability
Balance at December 31 2006	160,136	(22,887)		137,249
Increase in actuarial estimate	5,568	(1,567)		4,001
Pension payment expense during the year				13,810
Total pension expenses in income statement				17,811
Pension payment				(13,810)
Balance at December 31 2007	165,704	(24,454)		141,250
Increase in actuarial estimate	12,353	(6,907)		5,446
Pension payment expense during the year				18,148
Total pension expenses in income statement				23,594
Pension payment				(18,148)
Partially commuted pension liability			(8,042)	(8,042)
Balance at December 31 2008	178,057	(31,361)	(8,042)	138,654

16.2 INCOME TAX

Income tax and surtaxes

Tax regulations applicable to the Colombian companies provide:

- a. Taxable income is subject to 33% for 2008 and following years. 34% rate for year 2007. Windfall profits are separated from ordinary taxable income and are taxed at the rates previously mentioned. Profits obtained in the sale or transfer of fixed assets owned for more than two years are considered windfall profits.
- b. The basis to determine income tax for the year shall not be lower than 3% of net fiscal equity on the last day of the preceding taxable year, calculated as established by tax regulations in force.
- c. The system of integral inflation adjustments has been suspended for fiscal effects as of fiscal year 2007.
- d. Law 863 of 2003 established that income tax payers could deduct 30% of the effective investments made only in productive real fixed assets. According to changes made in Law 1111 of 2006, starting 2007, the percentage is 40% and its application does not result in income taxable for shareholders. Taxpayers that acquire productive

fixed assets to be depreciated from January 1, 2007 onwards and avail of the deduction herein established can depreciate such assets only through the straight-line method and are not entitled to the audit benefit, even when complying with requirements established. After applying this regulation, and based on investments made by the Company during the year, the period's ordinary net taxable income was decreased by \$16,922 (2007, \$44,041).

- e. As of 2004, income tax payers performing transactions with foreign related or associated parties and/or with residents of countries considered as tax haven, 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 updating study for 2008; however, based on the satisfactory results of the study conducted for 2007, their opinion is that no significant additional income tax provisions shall be required as a result of the study.
- f. As a result of application of CGN Resolution No. 356 of September 5 of 2007 (to be applied retroactively as of January 1 of 2007), change arises in accounting treatment of equity investments of controlled entities on which the corporation has important influence, particularly for recording of updating through equity method, according to which, all exchange difference variations are considered equity variations until disposal of investment, therefore affecting equity instead of fiscal year's results. Pursuant to the provisions of fiscal regulation of investment in foreign currency, application of the above accounting rule generates a conciliatory entry between accounting and fiscal results, arising from the exchange difference from investments in foreign currency in controlled entities.
- 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 using an exoneration mechanism. Based on this decision and on the opinions of tax advisors, the income earned in CAN member countries are considered to be tax exempt.
- h. On June 27, 2008, ISA and the Ministry of Mines and Energy subscribed the legal stability agreement for the activity of electric energy transmission during 20 years. The agreement provides for legal stability regarding income tax regulations, among which: income tax rate, deduction of inflation component of financial expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in import of machinery for energy

transport, presumptive income equal to 3% of net fiscal equity, and transitoriness of equity tax.

This agreement guarantees that, in the event of adverse modification to the regulations stabilized under the agreement, unmodified regulations shall continue to apply during the term of the agreement.

- i. Effectiveness of Law 1111 of 2006 on January 1, 2007 produced the following changes related to taxes:

The percentage of presumptive income over net fiscal equity was lowered from 6% to 3%.

Article 254 of Fiscal Law was amended and no longer requires the subscription by Colombia of integration agreements or conventions for deduction of taxes paid abroad.

Starting 2007, inflation adjustments for fiscal effects are no longer valid, which means that rules for determining windfall profits and losses are again applicable. Additionally, the phasing out of integral inflation adjustments means that exchange difference revenues are to be part of the taxable base for turnover tax.

On September 2 of 2007, TRANSELCA S.A. E.S.P. filed a claim against DIAN with the Administrative Tribunal of Atlántico for official calculation of income tax return of fiscal year 2002, where the Tax Administration disavows tax deductions for \$4,616 and calculates tax in excess of \$1,616. The claim was accepted by the tribunal on February 5, 2008. TRANSELCA presented final pleadings on September 15, 2008. On the date of this report, this claim was in the tribunal pending judgment.

Regarding the action related to income tax return for 2002, the Company's management and its fiscal counsels consider that the arguments set forth reasonably support deductibility of the expenses denied by DIAN.

Equity tax

Under Law 1111 of 2006, equity tax was established for fiscal years 2007, 2008, 2009 and 2010, payable by individuals, legal entities and unincorporated associations who pay income tax in Colombia. For matters of this tax, wealth is equivalent to the obligor's total net fiscal equity that exceeds \$3,000 million.

This tax shall be calculated on the basis of net fiscal equity as of January 1 of 2007, at a rate of 1.2%.

During 2008 and 2007, the management, based on article 25 of Law 1111 of 2006, and with approval of the Shareholders' Meeting of March 30 of 2007, recorded on the equity revaluation account, \$20,173 equity tax for ISA, and \$4,547 for TRANSELCA.

NOTE 17: OTHER LIABILITIES

Balance of other liabilities at December 31:

Other short-term liabilities		2008	2007
Collection for third parties	(1)	182,763	213,927
Other		16,783	14,363
Total other short-term liabilities		199,546	228,290
Other long-term liabilities			
Deferred taxes		201,070	167,130
Deferred income		66,813	42,254
Other minor	(2)	67,141	97,537
Total other long-term liabilities		335,024	306,921

- (1) Includes \$151,304 (2007, \$164,770) in XM for collections in favor of energy market agents, and \$27,520 in CTEEP for regulatory trust fund.
- (2) Includes \$63,675 (2007, \$94,988) of affiliate CTEEP for other liabilities related to goodwill liability from purchase of 49% of common shares of Empresa Paulista de Transmisión de Energía S.A. –EPTE–, incorporated in November of 2001 to CTEEP. Monthly amortization of this goodwill liability is done under the straight-line methodology along the concession period of EPTE until December of 2012.

NOTE 18: SHAREHOLDERS' EQUITY**SUBSCRIBED AND PAID-IN CAPITAL**

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

	2007		
SHAREHOLDER	Number of Shares	Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	52.942
Empresas Públicas de Medellín –EPM–	109,350,775	3,587	10.166
Subtotal	678,823,336	22,266	63.108
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.478
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.715
Subtotal	77,373,530	2,538	7.193
Subtotal	756,196,866	24,804	70.301
Private investors			
Fondo de Pensiones Obligatorias Protección	45,539,999	1,494	4.234
Fondo de Pensiones Obligatorias Porvenir	30,000,626	984	2.789
Fondo de Pensiones Santander	23,217,553	762	2.158
Fondo de Pensiones Horizonte	23,014,895	755	2.140
Fondo de Pensiones Obligatorias Colfondos	18,206,577	597	1.693
Foreign investors	9,487,546	311	0.882
Fiducolumbia - ISA ADR Program	3,424,875	112	0.318
Other shareholders	166,572,437	5,462	15.485
Subtotal	319,464,508	10,477	29.699
Total outstanding subscribed capital	1,075,661,374	35,281	100.000
Repurchased own shares	17,820,122	585	
Total subscribed and paid-in capital	1,093,481,496	35,866	

	2008		
SHAREHOLDER	Number of Shares	Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	52.942
Empresas Públicas de Medellín –EPPM–	109,350,775	3,587	10.166
Subtotal	678,823,336	22,266	63.108
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.478
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.715
Subtotal	77,373,530	2,538	7.193
Subtotal	756,196,866	24,804	70.301
Private investors			
Fondo de Pensiones Obligatorias Protección	53,266,156	1,747	4.952
Fondo de Pensiones Obligatorias Porvenir	32,377,490	1,062	3.010
Fondo de Pensiones Horizonte	28,004,084	919	2.603
Fondo de Pensiones Obligatorias Colfondos	24,552,489	805	2.283
ING Fondo de Pensiones	22,390,518	734	2.082
Foreign investors	9,925,575	326	0.923
Fondo de Pensiones Obligatorias Skandia S.A.	7,581,304	249	0.705
Fiducolumbia - ISA ADR Program	2,950,825	97	0.274
Other shareholders	138,416,067	4,538	12.867
Subtotal	319,464,508	10,477	29.699
Total outstanding subscribed capital	1,075,661,374	35,281	100.000
Repurchased own shares	17,820,122	585	
Total subscribed and paid-in capital	1,093,481,496	35,866	

- (1) Participation percentage on outstanding shares.
(2) Shares initially held by Corelca, reacquired in August of 1998. To date, all rights inherent to these shares have been suspended; consequently, they do not participate in dividend distributions nor are they taken into account for establishing quorum to deliberate and decide.

ISA can issue common and preferred shares, and shares with preferred dividend but without voting rights. All shares are registered and circulate either in a materialized or dematerialized manner, as decided by the Board of Directors in the corresponding ruling. Outstanding shares are common, registered and dematerialized. Depósito Centralizado de Valores de Colombia –DECEVAL S.A.– is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

SHARE ISSUE 2007

Between November 16 and December 6 of 2007 ISA made a public offer for issuance of common, registered, capital stock shares; this offer used the Book Building methodology, as approved by Decree 3780 of October 1 of 2007 of the Colombian Financial Superintendency. Such mechanism allowed investors to propose the price and number of shares they were interested in buying, reaching demand for 178 million shares.

ISA's Board of Directors, in special meeting of December 7 of 2007, formalized the public offer of the Company's shares and defined the total offer size at 56,394,211 shares, at a subscription price of \$7,076 pesos per share.

Proceeds from this process shall be earmarked to finance the Company's investment plan and to optimize ISA's capital structure.

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 2007 it increased by \$397,197, corresponding to share issuance held on December 7 of 2007.

- **Received for works**

This account represents amounts delivered by the National 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 of the year. Any balance of the reserve in excess of 50% of subscribed capital is at the disposal of the shareholders.

- **Mandatory reserve for tax purposes**

The Shareholders' Meeting approved appropriation of this reserve from net income, in compliance with Article 130 of the Tax Law, 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 repurchase of shares**

The Shareholders' Meeting of March 22, 2001 approved \$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 \$38,100 special reserve to acquire own shares held by EPM.

- **Reserve for reinforcement of equity**

On March 26, 1999, the Shareholders' Meeting approved an occasional reserve in accordance with Article 47 of the bylaws. This reserve was ordered so that the Company could retain its solid financial position and maintain the financial indicators required by the rating agencies, in order to obtain the investment degree and comply with contractual commitments to lenders.

- **Reserve for rehabilitation and replacement of STN assets**

The Shareholders Meeting held on March 30, 2000, approved \$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.
- As of year 2007, and according to regulations in force, the tax on equity is accrued by decreasing this account.

SURPLUS FROM EQUITY METHOD

- Relates to the contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method (See Note 3.3).
- As of year 2007, it includes the effect of exchange difference from translation of investments abroad.

NOTE 19: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

		2008	2007
Debit memorandum accounts			
Fiscal-over-accounting excess		62,090	60,552
Other contingent rights		108,925	116,115
Other debit control accounts	(1)	453,611	333,236
Effect application of			
Resolution No. 364/2000	(2)	2,956,303	2,880,910
Total debit memorandum accounts		3,580,929	3,390,813
Credit memorandum accounts			
Claims and lawsuits (See Note 19.1)	(3)	771,050	607,764
Guarantees granted		334,070	332,931
Fiscal		661,946	563,338
Optic fiber availability agreement	(4)	345,538	362,069
Other credit control accounts		16,873	7,107
Total credit memorandum accounts		2,129,477	1,873,209

- (1) Includes collections for third parties by XM, Compañía de Expertos en Mercados S.A. E.S.P, the subsidiary in charge, since October 1, 2005, of the duties of Administrator of the Commercial Settlement System –ASIC–.
- (2) Represents differences with accounting, resulting from application of inflation adjustment system for tax effects and differences in accounting and tax deductions to determine ordinary net taxable income.
- (3) ISA and its subsidiaries currently appear as party, 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 they appear as a defendant or as an intervening third party could affect the group companies' stability. The companies' management and their legal counsels consider remote any loss as a result of such claims and lawsuits. Likewise, the Group's companies, in their own name, brought the legal actions necessary to carry out their corporate purpose and to defend their interests (See Note 19.1).

(4) Includes agreement for optic-fiber capacity availability under which ISA granted INTERNEXA S.A. E.S.P. availability over the capacity of its own fiber optic installed on its own infrastructure and on third parties' infrastructure, and those under usufruct. The agreement was subscribed in order to allow INTERNEXA S.A. E.S.P. to meet the coverage, quality, reliability and capacity requirements of telecommunications carriers and other customers. Below is a table with the bases for annual invoicing:

Year	Value
2009	12,757
2010	14,416
2011	16,290
Onward	294,543
Total	338,006

19.1 CLAIMS AND LAWSUITS

CLAIMS AND LAWSUITS

Interconexión Eléctrica S.A. E.S.P. –ISA–

ISA currently appears as party, 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 its stability. In its own name, it has taken the necessary judicial measures to carry out its corporate purpose and the defense of its interests.

Below is the information regarding the judicial processes which ISA is a party to:

- a. At December 31, 2008, ISA has filed administrative claims 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. It 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.
- c. Cundinamarca Administrative Tribunal, first section. ISA has sued the Superintendency of Public Utilities for \$1,425 as a result of

administrative acts that prevented ISA (ASIC) from exercising its rights to limit power supplies and the collection of billings to Empresas Públicas de Cauca.

- 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 reimbursing excess income tax paid in 1995. The process is currently awaiting judgment from the Tribunal.
- e. Administrative Tribunal of Antioquia. ISA challenged Resolution 1233 of 2001, by which the Municipality of San Carlos requested payment of taxes by the public space occupation for \$1,839 for the year 2000.
- f. Nullity and redress process No. 064. Flores III LTDA & CIA. S.C.A. E.S.P. has sued the State - 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.
- g. Administrative Tribunal of Antioquia. Termocandelaria has filed a nullity and redress lawsuit against ISA, the State, 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$58,598 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$198,662 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$92,008 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 State, 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$135,848 regarding application of CREG Resolutions 034 and 038 of 2001.

The lawsuits for application by ISA, as the Administrator of the Commercial Settlement System –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, the parent company has enough grounds to consider that it will be released in these processes, because of as 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, the parent company could request compensation or account settling between the market agents taking part in these transactions, which would permit the Company’s equity to remain unharmed.

- m. Gomez Cajiao y Asociados has filed a contractual lawsuit in the amount of \$2,000 requesting the nullity of act awarding Public Bid C002, the nullity of BL98 contract, and redress of its right as proponent.
- n. Empresas Públicas de Medellín has filed a nullity and redress lawsuit against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$947 for recording of customer metering points.
- o. Ninth Circuit Civil Court, Barranquilla. Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim against ISA and other for \$4,000 for the accident of a family member during the performance of a contract.
- p. Cundinamarca Administrative Tribunal, first section. ISA has sued the Superintendency of Public Utilities for \$923 for resolutions SSPD-

20082400007415 of March 26 of 2008 and SSPD-20082400018105 of June 18 of 2008, which imposed and confirmed a fine against ISA for the event happened on April 26, 2007.

As of December 31, 2008, there exist other labor, civil and administrative claims pending decision for a total amount close to \$2,100 that are related to the normal course of operations of ISA. The Company's management and its legal counsels consider remote the possibility of loss as a result of such claims.

Interconexión Eléctrica ISA Perú S.A.

As a result of the audit to the 2002 income tax return of the subsidiary ISA Peru, tax authority SUNAT issued on August 26, 2004, Resolution No. 012-003-0004229, objecting the deduction of pre-operating expenses related to the Concession Contract. Such objection resulted in a decrease of year 2002 tax loss from PEN9,013,992 a PEN6,352,955, in favor of the company. On September 23, 2004 the company filed a claim with SUNAT; at the date of this report it is pending decision. The company's management and its legal advisors consider that there are solid legal grounds for the claim to be decided in its favor, so no provision has been made in the financial statements at December 31, 2008 and 2007.

CTEEP

In 1989, Centrales Eléctricas Brasileñas S.A. –ELECTROBRÁS– filed declaratory action for collection of the outstanding balance in a financing contract owed by Eletropaulo Metropolitana Eletricidad de São Paulo S.A. –Eletropaulo–. Eletropaulo had objected the criterion used for monetary updating and made the payments related to the contract through deposits in court only for the amounts it considered really owed. Judgment entered in 1999 ordered Eletropaulo to pay the balance claimed by ELECTROBRÁS.

Based on the legal documents supporting the partial spin-off of Eletropaulo, CTEEP's management and its legal counsels consider that CTEEP is only liable for paying the updated amount of the court deposit it had made in 1988, which is currently included in its assets, and that the company must carry on with the legal process.

The company did not establish any provision for the remaining contingency, currently estimated at BRL949,696,000, which it understands is a Eletropaulo's liability, and as such is being demanded by ELECTROBRÁS.

19.2 GUARANTEES IN FORCE

At 2008 year's end the following bank guarantees were in force:

a. Guarantee established in September 2008 to secure compliance by ISA of obligations assumed under contract E-514, whose purpose is to provide ETESAL with remote consulting services for preparation of the Expansion Plan of El Salvador's Transmission System for the period 2009-2018, and the associated Five-Year Investment Program.

Guaranteed contract	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Correspondent bank	Initial date	Maturity	Object
E-514	ETESAL S.A.	1,600	Bancolombia	Banco Agrícola de El Salvador	18-Sep-08	04 Jun-2009	Performance guarantee

b. Performance guarantee by ISA for ETESA GG-123-2007-ISA4500033541 agreement whose purpose is the preparation of pre-design and engineering for the Colombia-Panama HVDC (High Voltage Direct Current) Interconnection, and technology transfer for ISA and ETESA. This guarantee was extended until July 29, 2009 to comply with Clause 1 of the contract.

Guaranteed contract	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Correspondent bank	Initial date	Maturity	Object
ETESA GG-123-2007 SA4500033541	Cesiterna	423,816	Banco de Bogotá	Intesa BCI Comit (Italia)	20-Dic-07	29-Jul-09	Garantía de Cumplimiento

Guarantees established by ISA include:

- Leasing payment liability; infrastructure leasing established by Leasing de Crédito, transferred by Flycom Comunicaciones S.A. E.S.P. to INTERNEXA S.A. E.S.P. in December 2007. This guarantee was established by 75.4% of total, equivalent to \$2,031. Balance as of December 2008 is \$1,487 in force until September 17, 2016.
- Pledge to lenders of 100% of current and future shares in subsidiaries Red de Energía de Perú and ISA Perú. The term of the pledge equals that of the loans. Operation was approved by the Company's Board of Directors, and it needed the favorable opinion of the National Planning Department –DNP–, plus authorization resolution from the Ministry of Finance and Public Credit.

- c. Guarantee signed on June 29 of 2007 between the parent company as guarantor and Banco Centroamericano de Integración Económica –BCIE– as beneficiary; according to which, ISA guarantees the obligations of EPR under loan agreement signed with BCIE, for USD40 million, related to financing of the SIEPAC project. The guarantee must be valid until total principal is paid off (June 29 of 2027).

As support for the commitments acquired by ISA Bolivia S.A. with BID and CAF, shareholders posted the following guarantees:

- Lien on shares of ISA Bolivia by shareholders TRANSELCA and INTERNEXA, and granting of power of attorney by ISA as guarantee for repayment of loans.
- Share Retention and Subordination Agreement under which ISA and TRANSELCA are bound to maintain their stock ownership in ISA Bolivia S.A., and to maintain any loans extended to the latter, subject to compliance with BID and CAF loan agreements, in accordance with the agreement of common terms.
- Custody agreement subscribed among BID, CAF, Banco de Crédito de Bolivia S.A., ISA and ISA Bolivia, under which, ISA delivers under custody to Banco de Crédito de Bolivia S.A. the totality of its shares in ISA Bolivia.
- Support and Guaranty Agreement under which, ISA and TRANSELCA are bound to, among other things, guarantee the loan extended by BID and CAF until the date of completion of the project. Likewise, ISA and TRANSELCA are bound to pay the debt's outstanding balance, in the event of intervention of termination of the license agreement entered into with the Superintendency of Electricity.

The guarantees that required authorizations were previously approved by the ISA's Board of Directors and by the entities that regulate public debt.

19.3 COMMITMENTS

ISA Perú:

- a. On September 2, 2002, ISA Perú subscribed a Shares Pledge Agreement with Interconexión Eléctrica S.A. E.S.P. –ISA–, TRANSELCA S.A. E.S.P., International Finance Corporation –IFC–, Nederlandse Financierings- Maatschappij Looor Ontwikkelingslanden N.V., –FMO– and Citibank N.A., Lima Branch (collateral agent). The agreement

guarantees total and timely payment of and compliance with each and all liabilities to IFC and FMO, under the following terms:

- Shareholders establish a first lien in favor of the collateral agent on all the shares owned by them, as well as on all the shares acquired or owned by them after the subscription of the agreement.
 - Pledged shares include each and every share of capital stock, either voting or non-voting, and include all rights, title and interest that shareholders may hold.
 - The lien includes political and economic rights enjoyed by shareholders as holders of the pledged shares.
- b. On August 26, 2002, the company subscribed with ISA, TRANSELCA, IFC, FMO and Citibank del Perú S.A. an agreement that provides for a lien on cash and grants an irrevocable power of attorney. Under the agreement, Citibank del Perú S.A. acts as collateral agent for the loan agreements with IFC and FMO. The lien on cash only guarantees payment of liabilities that constitute guaranteed debt of IFC and FMO and binds the company to:
- Transfer any amounts of money received by the company, including tariffs or any other amount related to the Concession Contract, to one of the bank accounts with Citibank del Perú S.A.
 - Citibank del Perú S.A. is the only person or entity authorized to administer the bank accounts and any sums deposited therein.
 - The subsidiary shall not carry out any legal act or operation with the amounts deposited in the bank accounts, either in part or in whole, except upon written express authorization of the guaranteed creditors (IFC and FMO) and/or the collateral agent (upon instructions of the guaranteed creditors)
- c. On June 24, 2002, the subsidiary subscribed a Share Retention Agreement with ISA, Transelca S.A. E.S.P., IFC, FMO and Citibank del Perú S.A., which sets the following limitations on transfers of the company's shares:
- During the thirty-six (36) months following the date of financial or technical closing, neither Interconexión Eléctrica S.A. E.S.P. nor TRANSELCA S.A. E.S.P. are allowed to transfer the shares they currently own, or their preemptive rights to any person, except as otherwise specifically established in the agreement.

- During the ten (10) years following the closing date, as such term is defined in the concession contract, Interconexión Eléctrica S.A. E.S.P. –ISA– cannot transfer any share, if, as a result of the transfer, its ownership is less than 25% of the corporation’s shares, except as otherwise provided in Clause 2.1 (b) of the agreement.
 - Following the end of the 36-month period referred to above, neither Interconexión Eléctrica S.A. E.S.P. nor TRANSELCA S.A. E.S.P. are allowed to transfer their shares if (i) as a result of the transfer the aggregate ownership of both companies is less than 51% of the total number of shares of the company, or (ii) they cease to exercise control over the company, except as otherwise provided in the agreement.
- d. On July 3, 2003, the subsidiary requested authorization from IFC and FMO to subscribe a loan agreement with Banco de Crédito del Perú –BCP–. On July 4, 2003, the company subscribed an Adhesion Agreement with BCP, IFC, FMO and Citibank del Perú S.A. (collateral agent) that recognizes BCP as guaranteed creditor. On July 9, 2003, it subscribed a USD4,000,000 loan agreement with Banco de Crédito del Perú as financing replacement to pay liabilities to TRANSELCA S.A. E.S.P. Likewise, under the same agreement, the company granted guarantees in favor of BCP for liabilities assumed by it.
- e. On May 31, 2006, enactment in Peru of the Security Law (Law 28677, hereinafter “LGM”), which derogated the pledge regime, regulated under the Civil Code. Liens established under LGM can be enforced by third parties through filing in the Public Register. In order to grant BBVA Banco Continental the status of Secured Creditor, with the same faculties, powers, rights and interests granted to IFC, the company and its creditors signed on December 11, 2007 the agreements of Establishment of Security and Pre-Establishment of Security to replace the Pledge on Cash Contract.
- f. On October 15, 2007, the company requested authorization from IFC, FMO and BCP to enter into an agreement with BBVA Banco Continental, to replace the loans from IFC (tranche B only) FMO and BCP. Under the agreement, subscribed on that date, the company committed to make BBVA Banco Continental a guaranteed creditor for certain guarantees held by IFC; no new guarantees have been granted to the lenders.

REP:

- a. On February 10, 2003, REP subscribed the Trust Agreement for Collection and Administration of Funds with Gas Natural de Lima y Callao S.R.L and Transportadora de Gas del Perú S.A (trustors), La Fiduciaria S.A (trustee), and Bank Boston, Sucursal del Perú (beneficiary) for collection of the main grid guarantee, as provided in the concession contract.
- b. Surety bond and promissory notes with local financial institutions for USD5,376,792 and USD39,200,000, respectively (USD5,813,625 and USD30,600,000, respectively, as of December 31, 2007) related to liabilities incurred with third parties.

INTERNEXA:**Agreement on the Use Rights for the Submarine Cable "ARCOS 1"**

Subsidiary INTERNEXA S.A. E.S.P. participates with 1.041666% in this cable through an ownership agreement. This submarine cable, denominated ARCOS, has been designed with a ring-shaped topography that through 8,600 km of fiber optic connects the United States, Bahamas, Turku & Caicos, Dominican Republic, Puerto Rico, Curaçao, Venezuela, Colombia, Panama, Costa Rica Honduras, Nicaragua, Guatemala, Belize and Mexico. The initial investment was USD400 million.

Agreement for the use of infrastructure. Joint project between INTERNEXA S.A. E. S. P., Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. and Orbitel S.A. E.S.P.

On January 7, 2003, the company signed an agreement for the use of infrastructure with Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. and Orbitel S.A. E.S.P. The subject of the agreement is the construction, equipping and commissioning of an optic-fiber ring on the Atlantic Coast for the joint use, operation and maintenance by the three companies, which will determine the bases for its free commercial use. On March 30, 2007, the parties subscribed and Understanding Memorandum that will end in an amendment to the agreement to include a determination of a fixed monthly remuneration for INTERNEXA regardless of the traffic sent through the ring, the possibility for each company to carry out independent equipping, the operation of the Northeastern branch by INTERNEXA, and the operation of the Northwestern branch by ETB and UNE.

Agreement on provision of carrier services between INTERNEXA S.A. E.S.P. and Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. –ETB–

In November 2004, the subsidiary INTERNEXA subscribed an agreement to provide fiber optic connection service under the national carrier scheme with rights of use for fifteen years.

The services will be provided by the subsidiary by furnishing an optical band or channel with a maximum capacity of 2.5 Gbps to ETB, or in STM1 capacities configured in a physical optic-fiber ring that connects Bogotá, Medellín and Cali.

Contract for the leasing of the Cartagena-Riohacha stations for the ARCOS project

On June 16, 2004, subsidiary INTERNEXA S.A. E.S.P. subscribed a leasing contract with New Network de Colombia Ltda., under which, the subsidiary commits to offering space in the Cartagena and Riohacha facilities in advance lease for 25 years.

Irrevocable rights for Comcel S.A. and Telmex Colombia S.A. to use the fiber optics

On December 5, 2006, INTERNEXA S.A. E.S.P. received from Comcel S.A. and Telmex Colombia S.A. a purchase order for the irrevocable rights of use over three optic-fiber pairs for a total length of 4,394.73 kilometers and for the provision of operation and maintenance services for a period of 20 years.

Fiber optics capacity availability agreements with Interconexión Eléctrica S.A. E.S.P.

On December 2004, the company subscribed agreement with Interconexión Eléctrica S.A. E.S.P. under which this company granted INTERNEXA S.A. E.S.P., for value, availability over the capacity of its own fiber optic installed on its own infrastructure and on third parties' infrastructure, and those under usufruct. The agreement was subscribed in order to allow INTERNEXA S.A. E.S.P. to meet the coverage, quality, reliability and capacity requirements of telecommunications carriers and other customers. See base of annual invoicing.

Similarly, on December 4 of 2007 an agreement for a term of 20 years and one month was signed, under which Interconexión Eléctrica S.A. E.S.P. grants INTERNEXA S.A. E.S.P. availability of capacity of the fiber optic network of its ownership, installed on its infrastructure and on that of third parties, as long as these latter expressly authorize so, between the Substations of Copey-Valledupar, Valledupar-Cuestecita, and between Cuestecita-Venezuelan Border, and Valledupar Substation-Caja Agraria

Building in Valledupar. Annual invoicing base is as follows (susceptible of minor fluctuations, as determined by inflation in Colombia):

Year	Value
2009	294,505
2010	306,383
2011	317,923
Onward	6,841,512
Total (USD)	7,760,323

Lastly, also in 2007, an agreement was subscribed under which Interconexión Eléctrica S.A. E.S.P. grants INTERNEXA S. A. E.S.P. availability of the fiber optic network of its ownership, installed on its infrastructure and on that of third parties, as long as these latter expressly authorize so, in different links located between the Pailón Substation and Buenaventura, between Las Vegas and Buenaventura, between Bogotá and Villavicencio, between Tolú and Sincelejo, between Cuestecita Substation and Riohacha, between Palos and Bucaramanga Substations, and the connections from the electric substations to INTERNEXA'S PDPs in Riohacha, Tolú, Sincelejo, Tunja, Montería and Villavicencio. Additionally, between Santa Marta and Rioacha, between Villavicencio and Tunja, between Sincelejo and Montería, and the connections from the electric substations to INTERNEXA'S PDPs in Riohacha, Sincelejo, Montería, Tunja, Villavicencio and Santa Marta. This agreement answers INTERNEXA'S infrastructure needs for complying with the commitments agreed with its customer Telmex-Comcel. Annual invoicing base is as follows (susceptible of minor fluctuations, as determined by inflation in Colombia):

Year	Value
2009	1,776,862
2010	1,848,529
2011	1,918,157
Onward	42,582,852
Total (USD)	48,126,400

Infrastructure leasing obligations:

On August 21, 2002, INTERNEXA S.A. E.S.P. entered into a leasing contract to finance the purchase of telecommunications assets. The transaction was carried out in the form of syndicated leasing with Suleasing, Leasing

Crédito and Leasing de Occidente, for the amount of \$11,653 million and with participation for the companies of 47.34%, 45.14% and 7.52%, respectively. The term is twelve (12) years with a two-year grace period. The agreed rate was DTF TA plus 6.5%. The amounts paid, directly affect the income statement as rental expenses since they are classified as operational leasing.

19.4 AGREEMENT FOR LEGAL STABILITY

ISA PERÚ S.A.

On March 29, 2001, the affiliate subscribed a legal stability agreement with the Peruvian Government under Decrees 662 and 757 and Law 27342. The agreement comes into force concurrently with the concession agreement, and continues throughout the term of the concession agreement.

Under the agreement, the subsidiary is committed to, and during 2003 complied with, certain requirements.

During the term of this agreement, the Peruvian Government is committed to guarantee the legal stability for the subsidiary in the following terms:

- Stability in the tax regime related to income tax, thus maintaining the regulations that were in force at the time of subscription of the agreement.
- Stability in the contracting regime of the company's employees.

Starting on the date of subscription of the agreement, subsequent aliquots will be considered on which, additional 2% income tax will be applied:

- In 2001, income tax rate was 30%. It could be reduced to 20% and would be computed over reinvested net income. Non-reinvested income will be subject to 30% tax rate.
- Starting in 2002 and along the term of the agreement, 20% income tax rate will be applied.

REP S. A.

On July 26, 2002, the subsidiary subscribed a legal stability agreement with the Peruvian Government to be in force along the concession term. The agreement is related to the capital contributions to be made by shareholders in the amount of USD20 million which were fully paid in

December 31, 2002. The agreement offers the following guarantees to investors and the investment recipient:

- Stability in the tax regime related to income tax
- Stability in the contracting regime of the company's employees.

TRANSMANTARO S.A.

On February 24, 1998, the company subscribed a legal stability agreement with the Peruvian Government to be in force along the concession term. The agreement is related to the capital contributions to be made by shareholders in the amount of USD50 million which were fully paid in December 31, 1999. The agreement offers the following guarantees to investors and the investment recipient:

- Stability in the tax regime related to income tax
- Stability in the contracting regime of the company's employees.

On May 16, 2004, the company subscribed an addendum to the tax stability agreement with the Peruvian Government, clarifying that the required capital contributions in the amount of USD50 million were to be in force during the construction of the transmission line and, that starting October 8, 2000, commissioning date of electric transmission services, the determination of the capital amount was to be subject only to the requirements, conditions and limitations established in the company's bylaws and in the General Law of Corporations.

On October 27, 2006, the company subscribed an addendum to the tax stability agreement with the Peruvian Government, under which, clarification was made as to the actual amount of capital contributions being USD43,005,250.

INTERNEXA S.A. E.S.P.

On November 20, 2007, the company subscribed a legal stability agreement with the Peruvian Government to be in force for ten years as of the date of subscription. The agreement offers the following guarantees to investors and the investment recipient:

- Stability in the tax regime related to income tax
- Stability in the contracting regime of the company's employees.

ISA (parent company)

On June 27, 2008, ISA and the Ministry of Mines and Energy subscribed the legal stability agreement for the activity of electric energy transmission during 20 years. The agreement provides for legal stability regarding income tax regulations, among which: income tax rate, deduction of inflation component of financial expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in import of machinery for energy transport, presumptive income equal to 3% of net fiscal equity, and transitoriness of equity tax.

This agreement guarantees that, in the event of adverse modification to the regulations stabilized under the agreement, unmodified regulations shall continue to apply during the term of the agreement.

NOTE 20: OPERATING REVENUES

These are revenues from services delivered by the companies of the economic group, namely: Transmission of electric power (use of the STN), connection to the National Transmission System, Energy Transport ancillary services (management, operation, and maintenance, specialized technical services, special studies, infrastructure availability, and project management), organization, administration, trading and delivery of telecommunications services, any activities related to construction of transmission lines, any electricity project, and in general, any activity in the construction sector.

Red de Energía del Perú –REP– Concession contract

On June 5, 2002 the Peruvian government awarded Interconexión Eléctrica S.A. E.S.P. –ISA– the concession for the electric transmission systems operated by Empresa de Transmisión Eléctrica Centro-Norte S.A. –ETECEN– and Empresa de Transmisión Eléctrica del Sur S.A. –ETESUR–. Once the project was awarded, REP was established to start operations on September 05, 2002; on the same date the agreement under which ISA transfers to the company its concession rights was signed. The concession agreement defines the rights and obligation of the parties, as well as the rules and procedures that govern the procurement of goods and services, the exploitation of the transmission line, the provision of the service, and the transfer of all the assets to the state, upon the lapse of the concession. The concession term is thirty years as of September 05, 2002.

Additional clauses to the concession agreement were approved in March and July of 2006 providing execution of two expansions, as follows: Expansion 1: Construction of Chilca-REP Substation and expansion of several lines, and Expansion 2: construction of the second circuit

of Zapallal – Paramonga Nueva – Chimbote 1 transmission line, and expansion of associated substations.

Additional clauses to the concession agreement were approved in May of 2007 providing execution of Expansion 3: for Ica, Marcota and Juliaca substations and Expansion 4: capacitive compensation for the Lima region: Santa Rosa and Chavaría Substations, both at 60kV.

Concession Contract of Interconexión Eléctrica ISA Perú

On February 16, 2001, Interconexión Eléctrica S.A. E.S.P. –ISA– was awarded the International Public Bidding in the integral project modality for concession to the private sector of the Oroya-Carhuamayo-Paragsha-Derivación Antamina and Aguaytía-Pucallpa power lines (the project). On April 26, 2001, the subsidiary and the Peruvian State, through the Ministry of Energy and Mines, subscribed the concession contract for design, procurement of goods and services, construction and exploitation of electric transmission lines as well as delivery of electricity service for a period of thirty-two (32) years, including a two-year period for construction. During the term of the contract, the subsidiary will be the owner of the assets of the concession that it has procured, and may use the concession's assets for delivery of electricity transmission services.

Concession Contract of Consorcio Transmantaro S.A.

On June 17, 2008, Interconexión Eléctrica S.A. E.S.P. in association with Empresa de Energía de Bogotá won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain one substation and two energy transmission lines to link with for a 30-year period.

Concession Contract of INTERNEXA Perú

On July 03, 2007, INTERNEXA S.A. E.S.P was authorized by the Ministry of Transport and Communications of Peru to deliver, under concession, national and international long-distance carrier services during a 20-year term.

License Contract of Interconexión Eléctrica ISA Bolivia

On July 31, 2003, the corporation signed with the Superintendency of Electricity the license contract to exploit the electric industry in the activity of transmission for the Santiváñez-Sucre, Sucre-Punutuma and Carrasco-Urubó lines at 230 kV, for a term of thirty (30) years starting on the commencement of commercial operation of the lines. This document was filed with the State Notary on August 29, 2003.

On September 17, 2005, ISA Bolivia S.A. was authorized as agent for the Wholesale Electricity Market through Resolution No. 186/2005-5 of CNDC.

Expansion of the Interconnection Trunk System –STI– with incorporation of the Arboleda 230/115 kV Substation was approved through Resolution No. 371/2006 dated November 24, 2006. The substation was concluded on June 23, 2008 and commercial operation started in July 2008.

Concession Contract of Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

Concession contract with the Government of Brazil through ANEEL subscribed on June 20, 2001 and extended for 20 years as of July 08, 1995, for exploitation of the public utility of electric power transmission, including the basic grid and transmission facilities. According to articles 63 and 64 of Brazilian Decree No. 41.019 of February 26, 1957, assets and facilities used in transmission are allocated to such services and cannot be retired, sold, assigned or given as mortgage collateral, without prior express authorization of the regulator. ANEEL Resolution No. 20/99 sets rules for de-allocation of assets of the electric energy public utility concessions and grants prior authorization to de-allocate unproductive assets.

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 2007, must be retroactively applied starting July 1, 2005.

NOTE 21: OPERATING COSTS

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

		2008	2007
Personnel expenses	(1)	239,828	277,043
Materials and maintenance	(2)	69,303	56,930
Cost of construction services for third parties	(3)	21,523	-
Taxes and contributions	(4)	142,360	86,978
Fees		6,188	5,789
Insurance		12,079	11,974
Rentals		12,815	9,029
Utilities		68,970	67,924
Advertising and publications		870	817
Communications		10,677	11,518
Miscellaneous		24,608	25,801
Total operating costs before depreciation and amortization		609,221	553,803
Depreciation		164,110	157,399
Amortization	(5)	227,306	239,678
Total depreciation and amortization		391,416	397,077
Total operating costs		1,000,637	950,880

- (1) Decrease explained by lower expenses in CTEEP for \$41,467 associated to early retirement plan.
- (2) Increase in materials and maintenance is due to execution of expense projects in ISA (Malena, Ancón – Esmeralda alternate line) and acquisition of spacer dampers.
- (3) Cost associated to new construction services for third parties delivered by ISA starting in 2008.
- (4) Increase in contributions and taxes is explained by incorporation of PRONE, a contribution instituted under Law 1151 of 2007, equivalent to one peso (\$1) per kV-hour transported, for financing the Electric Grid Normalization Program that affects both revenues and expenses of the income statement in ISA and TRANSELCA.
- (5) The decrease in amortization is due to the application of the new accounting procedures established by CGN, according to which, the way in which intangibles (rights, software and licenses) were amortized was modified.

NOTE 22: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

		2008	2007
Personnel expenses	(1)	163,222	211,798
Materials and maintenance		12,864	3,012
Taxes and contributions	(2)	22,726	51,768
Fees		21,645	25,547
Insurance		11,214	12,080
Rentals		3,346	2,603
Utilities		5,849	17,766
Advertising and publications		4,624	4,449
Miscellaneous		69,232	50,783
Total administration expenses before depreciation, amortization and provisions		314,722	379,806
Depreciation		8,465	10,861
Amortization	(3)	106,465	131,311
Provisions	(4)	18,604	62,514
Total depreciation, amortization and provisions		133,534	204,686
Total administration expenses		448,256	584,492

- (1) Lower amortization of actuarial estimate with respect to 2007 due to accelerated amortization of pension liabilities associated to voluntary benefits in ISA and TRANSELCA in that year. Additionally, lower expenses in CTEEP for associated to early retirement plan.
- (2) Decrease explained by greater expenses of levy on financial transactions in ISA Capital and CTEEP last year.
- (3) Drop in amortization is the result of lower amortization expense of goodwill in ISA Capital through corporate restructuring of CTEEP.
- (4) Decrease explained by lower execution expenses associated to labor contingencies provisions in CTEEP.

Below is a summary of administration costs and expenses:

	2008	2007
Personnel expenses	403,050	488,841
Materials and maintenance	82,167	59,942
Cost of construction services for third parties	21,523	-
Taxes and contributions	165,086	138,746
Fees	27,833	31,336
Insurance	23,293	24,054
Rentals	16,161	11,632
Utilities	74,819	85,690
Advertising and publications	5,494	5,266
Communications	10,677	11,518
Miscellaneous	93,840	76,584
Total costs and expenses before depreciation, amortization and provisions	923,943	933,609
Depreciation	172,575	168,260
Amortization	333,771	370,989
Provisions	18,604	62,514
Total depreciation, amortization and provisions	524,950	601,763
Total costs and expenses	1,448,893	1,535,372

No internal or external advisors with the main function of processing affairs with public or private entities, or advice on or prepare studies for such effect were hired in 2008.

NOTE 23: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

	2008	2007
Financial revenues		
Interests		
On overdue accounts receivable and other loans	38,406	28,411
Investment valuations	(1) 209,924	38,541
Commercial, conditioned and agreed discounts	4,791	1,329
Total interests	253,121	68,281
Exchange difference		
Cash	37,521	13,704
Accounts receivable	10,663	10,095
Investments abroad	13,676	893
Other assets	4,231	2,191
Accounts payable	3,728	2,631
Financial liabilities	309,089	468,372
Total exchange difference	378,908	497,886
Total financial revenues	632,029	566,167
Extraordinary revenues and other		
Indemnities	3,589	2,614
Rentals	823	714
Recoveries	(2) 31,287	95,373
Revenues from prior years	5,492	4,801
Other	(3) 120,647	411,993
Total extraordinary revenues and other	161,838	515,495
Total non-operating revenues	793,867	1,081,662

- (1) Increased value corresponds to valuation of ISA Capital's swap associated to devaluation of Brazilian Real versus the US Dollar.
- (2) Decrease resulting from \$93,325 provision recoveries in CTEEP in 2007, according to legal evaluation of legal counsels.
- (3) Decrease due to \$178,264 revenues obtained last year by CTEEP related to CETEMEQ agreement. Also, because of \$73,222 (2007, \$111,686) recovery of labor liabilities adjusted by actuarial calculations, and amortization of debit goodwill for \$18,186 (2007, \$19,760) during the year.

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

	2008	2007
Financial		
Interest and commissions		
On financial liabilities	150,279	180,734
Interests and commissions on bonds	275,275	243,647
Commissions	13,950	16,455
Administration of security issues	1,983	6,061
Loss from valuation and sale of investments	(1) 7,174	362,318
Miscellaneous	35,492	27,802
Total interests and commissions	484,153	837,017
Exchange difference		
Assets	7,333	6,126
Investments	18,570	1,674
Accounts payable	19,192	16,239
Financial liabilities	673,962	145,084
Total exchange difference	(2) 719,057	169,123
Total financial expenses	1,203,210	1,006,140
Other expenses		
Losses on casualties	11,481	11,351
Loss from retirement of assets	23,371	17,981
Other	19,768	23,158
Previous years adjustments	4,091	44,377
Total other expenses	(3) 58,711	96,867
Total non-operating expenses	1,261,921	1,103,007

- (1) Increased value corresponds to valuation of ISA Capital's swap associated to devaluation of Brazilian Real versus the US Dollar.
- (2) Decrease resulting from \$93,325 provision recoveries in CTEEP in 2007, according to evaluation of legal counsels.
- (3) Decrease due to \$178,264 revenues obtained last year by CTEEP related to CETEMEQ agreement. Also, because of \$73,222 (2007, \$111,686) recovery of labor liabilities adjusted by actuarial calculations, and amortization of debit goodwill for \$18,186 (2007, \$19,760) during the year.

NOTE 24: FINANCIAL INDICATORS

Some financial indicators at December 31:

	2008	2007
RETURN ON ASSETS	11.88%	9.26%
Operating income/ Total assets (%)		
RETURN ON EQUITY	4.79%	5.94%
Net income / Equity (Accounting income) (%)		
EBITDA/ Operating interest (times)	5.34	4.61
EBITDA/ Long-term debt (times)	0.60	0.47
LIQUIDITY (%)	101.05%	102.37%
Current assets/ current liabilities		
INDEBTEDNESS (%)	46.55%	50.95%
Liabilities / Assets		
LEVERAGE (%)	136.0%	186.1%
Liabilities / Equity		

Better return on assets is explained by the increase in operating income due to higher revenues from: tariff adjustment, macroeconomic variables, and revenues from newly commissioned assets. On the other hand, expenses show a drop, particularly in personnel expenses associated to PDV, lower provisions and amortization in the Brazilian companies.

The lower values for return on equity and leverage are due to the increase in equity that resulted from technical appraisals conducted in the Colombian companies.

Improved EBITDA / operating expenses ratio results from better EBITDA generated by higher operating revenues.

NOTE 25: CORPORATE CHANGES

ISA CAPITAL DO BRASIL S.A.

- On February 28, 2008, the special shareholders' meetings of the economic group companies ISA Participações do Brasil Ltda. and Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, approved the incorporation of ISA Participações do Brasil to CTEEP. Such corporate restructuring will permit improved cash flow for CTEEP through availing of the fiscal benefit generated by amortization of goodwill in CTEEP.

NOTE 26: SUBSEQUENT EVENTS

1. On January 25, 2009, a referendum was held in Bolivia to approve the New Political Constitution of Bolivia. As a result, the New Constitution was promulgated on February 07, 2009. Among other issues, the new constitution provides that "it is the duty of the State, at all government levels, to provide basic services through public, mixed-economy, cooperative or communal bodies. Electricity, domiciliary gas and telecommunications services can be provided under agreements with the private sector. Service provision must be effected under criteria of universality, responsibility, accessibility, continuity, quality, efficiency, efficacy, equitable tariffs, necessary coverage, participation and social control. To date, it is not possible to determine the effect of the New Constitution, if any, on the future activities of the corporation.
2. On January 30, 2009, ISA's Board of Directors authorized management to create an investment vehicle and present an offer in Chile for a road infrastructure project.
3. On February 23, 2009, the President of Colombia supported the proposal presented by Grupo Infraestructura para la Competitividad, according to which, ISA will carry out the viability studies and execution of Proyecto Corporativo Autopistas de la Montaña.

The members of the group INFRAESTRUCTURA PARA LA COMPETITIVIDAD are: the Ministry of Transport, the Medellín Chamber of Commerce for Antioquia, the Antioquia Province Government, the Medellín City Government, the Institute for Antioquia Development –IDEA–, the Antioquia Society of Engineers and Architects –SAI–, Proantioquia, the National Association of Industrialists –ANDI–, and the National Commerce Federation –FENALCO–.

4. Revision of Transmission Remuneration: On February 25, 2009, CREG published in the Official Gazette Resolution 011 of 2009, establishing methodology and tariff formulae for remuneration of the activity of electric energy transmission on the Colombian National Transmission System. This resolution preserves the methodology for regulated revenues for assets not subject to public bidding, and revises the parameters used for revenue calculation and the transmission service quality scheme.

Application of the new scheme will start once each transporter's assets base is approved by CREG; the new quality scheme will be in force as of July 2009. According to evaluations performed, no significant changes are expected in assets' revenues; however, service quality demands are considerably higher.

ABBREVIATIONS

ACOLGEN:	Asociación Colombiana de Generadores (Colombian association of generators)
ASIC:	Administrator of the Commercial Settlement System
BRL:	Brazilian Real
CAN:	Andean Community of Nations
CVM:	Comissão de Valores Mobiliários (Brasil)
CGN:	Colombian General Accounting Office
CND:	National Dispatch Center
COP:	Colombian pesos
CRD:	Regional Dispatch Center
CREG:	Energy and Gas Regulatory Commission
C.F.O:	Dark Fiber Cable
DIAN:	Colombian Customs and Tax Administration
ECA:	Export Credit Agency
EPR:	Empresa Propietaria de la Red
ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
FAER:	Support Fund for the Electrification of Interconnected Rural Areas
FAZNI:	Financial Support Fund for Non-Interconnected Areas
FOES:	Social Energy Fund
HVDC:	High Voltage Direct Current
JPY:	Japanese Yen
LAC:	Settling and Clearing of Accounts
MEM:	Wholesale Electricity Market
PRONE:	Network Normalization Program
REP:	Red de Energía del Perú
SAC:	South American Crossing
SIC:	Commercial Settlement System
STE:	Energy Transport Service
STN:	National Transmission System
UPME:	Mining and Energy Planning Unit
USD:	United States dollar

Notes to the

FINANCIAL STATEMENTS

Interconexión Eléctrica S.A. E.S.P.

at december 31, 2008 and 2007
(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 Bogota 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, and according to the provisions of the Domiciliary Public Utilities Law (Law 142 of 1994) the corporation changed its legal nature 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 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 to a mixed-ownership public utility corporation of the national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994. This process was completed on January 15, 1997, with the arrival of private investment.

As provided by the Constitutional Court in decision C-736 of September 19, 2007, ISA has a special legal nature and is defined as a decentralized mixed-ownership public utility company that is part of the executive branch under a special legal regime of private law.

ISA's main corporate purpose is:

- 1) The operation and maintenance of its own transmission network.
- 2) The expansion of the national interconnection grid.
- 3) The planning and operation coordination of the resources of the National Interconnection System.
- 4) The administration of the financial settlement system and trading of energy in the wholesale energy market.
- 5) The development of telecommunications systems, activities and services.

- 6) The direct and indirect participation in activities and services related to the transport of other energy sources, except for those restricted by law.
- 7) The provision of technical services in activities related to its corporate purpose and professional services required by the group's companies.
- 8) The development for third parties of any other activity related to the provision of electric power and telecommunications services within the regulation in force.
- 9) The direct and indirect participation in activities, services and investments related to engineering works.

Peru ISA Branch

On September 4, 2002, ISA established a branch in Peru to execute the operation and maintenance agreement for the 220 kV Carhuamayo-Paragsha-Vizcarra and 138 kV Aguaytía-Pucallpa transmission lines subscribed between ISA and ISA Peru S.A. according to the requirements of the concession agreement subscribed with the Peruvian government. 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.

Argentina ISA Branch

On January 24, 2007, ISA established a branch in Argentina as a first step to participate in that country's power market. The proceedings were carried out at the General Justice Inspection, an official body in charge of Mercantile Register. Creation of this branch originated in the fact that corporations incorporated outside of Argentina willing to have a business presence in that country, must have a registered office there.

NOTE 2: BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 INDIVIDUAL FINANCIAL STATEMENTS

The individual financial statements of ISA are the basis for dividend distributions and other appropriations; assets, liabilities, equity or results of subsidiaries are not consolidated. However, for legal reasons the Company is required to present separate consolidated financial statements to the annual Shareholders' 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 Tax Year's Adjustment Percentages –PAAG, for its Spanish initials–). The respective adjustments were recorded in the income statement's monetary correction account. As of January 1, 2001 the Colombian General Accounting Office –CGN–, 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 Company, as required by law, observes the Public Accounting General Plan and the Procedures Handbook defined by the Colombian General Accounting Office –CGN–, the accounting regulations issued by the Superintendency of Domiciliary Public Utilities –SSPD– and other applicable regulation.

For keeping, preservation and custody of the accounting books and supporting documents, the regulation applicable to support documents, vouchers, and accounting books, established by the Colombian General Accounting Office, is observed.

The Company's Financial Statements are identified, classified, registered, valued, prepared and disclosed in accordance with the accounting principles of the CGN contained in Resolutions No. 354, 355 and 356 of September 5 of 2007, through which the Public Accounting Regime was implemented to apply the criteria of international accounting standards currently being adopted by the CGN.

Up to December 30 of 2007, the Company was ruled by the accounting principles of Resolution No. 400 of December 1 of 2000.

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 (other than non-controlled investments abroad) are recorded in the Income Statement. With regard to liability accounts, only exchange differences that are not imputable to costs of acquisition of assets are recorded in the Income Statement. 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, marketable investments redeemable within the next 90 days are considered 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.

According to the new Public Accounting Regime, the Company's investments, for matters of their valuation, are classified in three categories: i) liquidity management, including debt titles and securities, intended for profiting from short-term price fluctuations; ii) investments with a political purpose, including debt titles kept until maturity, or at least for one year from purchase date; iii) and equity investments, including securities in controlled and non-controlled companies.

In the Financial Statements, investments are classified as marketable and long-term, and they are reported respectively within current and non-current assets. The former include investments for liquidity management, and the latter for equity investments in controlled and non-controlled companies.

Investments for liquidity management

Liquidity management investments in debt titles and securities, as well as derivatives intended for liquidity management, both right and obligation, are initially recorded to cost, and they are updated monthly through methodology of the Colombian Financial Superintendency. Changes arising from each valuation made in investments for liquidity management are recognized in 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, among others, the Company uses derivative instruments such as swaps, forwards and options.

According to the rules issued by the Colombian General Accounting Office, derivative instruments for hedging purposes are recognized for the amount of the right or of the liability on the date of commencement of the contract, are monthly updated using methodologies of recognized technical value, and the difference is recorded as derivative valuation revenue or expense, as the case may be.

Investments with a political purpose

Investments with a political purpose include debt securities issued by local or foreign entities acquired in compliance with macroeconomic policies or the Company's internal policies.

Investments for compliance with macroeconomic policies correspond to debt titles acquired under agreed or mandatory subscription.

Investments to comply with the entity's internal policies include investments held to maturity and investments for sale, the latter understood as investments held for at least one (1) year. In both cases, the intention to hold the securities during the stated term, as well as the legal, contractual, financial and operative capacity, are required.

Investments held to maturity are updated on the basis of the internal rate of return foreseen in the methodologies adopted by the Colombian Financial Superintendency.

EQUITY INVESTMENTS

a. Equity investment in controlled companies

Equity investments in controlled companies include investments made in order to exercise or share control, as well as those in which the Company has substantial influence and long-term investments in which the public sector holds over 50% direct or indirect participation. These investments are accounted by the equity method, according to CGN Resolution No. 356 of 2001. Under the equity method long-term investments in subsidiaries are recorded at cost and subsequently adjusted as follows:

- a) Credit or charge to the investment's cost equal to the participation of the Company in profits and losses in the subsidiary, with a matching entry in the income statement.
- b) Credit or charge to the investment equal to the participation of the Company in the subsidiary's equity variation with a matching entry in the surplus from equity method account, in the event of an increase; in the event of a decrease, as surplus from equity method until its exhaustion, and the remaining difference in the income statement.

- c) Credit or charge to the investment equal to the amount of dividends received from the subsidiary that correspond to periods during which ISA 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 subsidiaries 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 together with interpretation SIC-19. 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 month.

Since 2007, as a result of application of the criteria established by international accounting standards, which are being adopted by CGN, it was ruled that the functional currency for the investment in Brazil shall be the Real, considering that the cash flows from revenues of the operating company are for the most part denominated in Reais, even though the holding company established as investment vehicle obtains its financing in US dollars. In accordance with the foregoing, the current exchange rate methodology (when the local currency is the working currency) is used, which foresees recording the effect on the subsidiary's equity as non-realized results.

Until 2006 closing, and according to changes introduced by the CGN, the exchange difference resulting from updating investments in controlled entities abroad was carried to the income statement; as of 2007, it is recorded as surplus from application of equity method.

b. Equity investments in non-controlled companies

The other variable-income equity investments in non-controlled companies that are not listed in stock exchanges are recorded at cost plus the dividends received in shares. If at year's end, the intrinsic value of investments is greater or lower than the book value, a charge is recorded in the re-appraisals account with a contra entry in re-appraisal surplus in equity, or a provision is charged to the income statement, respectively.

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 accounts receivable	90-180 days	10
		181-360 days	40
		>= 360 days	100
B	Doubtful accounts	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 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 in 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:

Asset	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
Communications equipment	10
Transport, traction and lifting equipment	10
Supervision and Switching Center's equipment	6
Computer equipment and accessories	5

Maintenance expenditures of these assets are charged to the Income Statement, while improvements and additions are added to their costs.

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 has improved as a result of the security policy implemented by Government, the Company continues having difficulties with insurance companies to obtain insurance for the aforementioned assets; accordingly, these damages are accrued in the financial statements as they occur and are not recorded on estimate basis. Management, 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.

Real property intended for generation of revenues from rent is recorded as investment property.

Assets not being used in operations are classified as non-exploited assets, and their depreciation is suspended.

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, tax to preserve democratic security, bond placement commissions, licenses and rights, from which future and quantifiable 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 three years, except for the SAP Integrated System, which was amortized over 10 years. Charges for studies and research of projects in pre-operational stage will be treated as expenses and are not capitalized even when a subsequent decision is made as to execute the project and when the project is intended for internal purposes. Goodwill, rights of way, bond placement commissions, licenses and rights are amortized on a straight-line basis during the periods over which their benefits are expected to be received, according to the feasibility studies for their recovery.

As of 2007 intangible assets can be classified as finite or indefinite useful life assets, where the latter are not amortized. (See Note 10)

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 determined by independent appraisers, in the case of real-estate property; by their market value, in the case of transport equipment; and based on technical studies developed by employees of the Company, in the case of other assets. These

valuations shall be made at least every three 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 their net cost.

3.9 CURRENT INCOME TAX AND DEFERRED TAX

Income tax provision is calculated on the period's ordinary net taxable income, which is obtained from relevant revenues, costs and expenses.

The credit deferred tax is the lesser current tax calculated during the period, resulting 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, for which differences are expected to be reverted in the future.

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, retirement payments to pensioners, and health, education and other benefits, among others, for which differences are expected to be reverted in the future.

According to opinion No. 20061-57086 of CGN of January 31, 2006, the Company has autonomy in defining the accounting principles regarding deferred tax. Accordingly, ISA has considered, among others, 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.

As to the effect from exchange difference generated by foreign currency investments in controlled companies, the Company's management considers that such amount is not a temporary difference on which deferred tax shall be calculated, because under current circumstances, despite the impact on income tax determination, it is not possible to

establish whether future reversion of the difference will have the opposite tax impact due to the particular conditions of each investment abroad, since it corresponds to long-term investments.

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. Retirement pension payments are charged to the actuarial estimate account. As of 2007, an actuarial reserve must be established for payment of current retirement pensions; this reserve has not been accountably reclassified in the Financial Statements because implementation of Resolution No. 356 that establishes it is still pending. Nevertheless, the Company has enough funds to cover this liability and will make the reclassification once it is regulated.

With respect to amortization of retirement pension liabilities for Colombian subsidiaries, it must correspond to the value resulting from dividing the total actuarial estimate pending amortization by the number of years remaining to complete the term set by regulation in force (December 31 of 2023), applicable to each particular entity, and counted from the actuarial estimate closing date. Up to December 31 of 2006, and through the annual increase of its percentage, amortization was recognized at 0.93%, according to Decree No. 051 of 2003. Likewise, until 2006, amortization methodology for benefits was similar to that of retirement pension liabilities; however, on December 31 of 2007, the Company's management decided to amortize 100% of pending liabilities, closely following international accounting standards, as is the intention of the CGN.

Accounting records for recognition of this liability and associated expenses are carried out in accounts different from those in which actuarial estimates are included.

3.11 NET INCOME PER SHARE

Net income per share is calculated on the annual weighted average number of outstanding shares. – 1,075,661,374 in 2008 (2007, 1,023,129,780).

3.12 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the financial statements at December 31, 2007 were reclassified to conform to the presentation of the financial statements for 2008.

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 preparation of specific-purpose reports, respectively.

Non-monetary memorandum accounts were adjusted for inflation until December 31 of 2000, with charge to a contra memorandum account.

3.14 RECOGNITION OF REVENUES, COSTS AND EXPENSES

Revenues, costs and expenses are recorded on an accrual basis. Revenues from service provision are recognized during the contractual period or when services are rendered. Amounts received to remunerate recovery of investments in UPMES, as well as usage rights not accrued because their respective costs have not been incurred or because the related services have not been rendered yet, are recognized as deferred revenues. These deferred revenues are amortized over the periods along which they accrue.

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, costs 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 2008 and 2007, 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.

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 supply and demand. Debts, indebtedness transactions and debt management operations in foreign and local currency require the approval of the Ministry of Finance and Public Credit.

Operations and balances in foreign currency are translated at the exchange rates in force, as certified by the Financial Superintendency, previously known as Banking Superintendency. The exchange rates used for the preparation of the financial statements at December 31, 2008 and 2007, expressed in Colombian pesos, were as follows:

Currency	Code	2008	2007
US Dollar	USD	2,243.59	2,014.76
Euro	EUR	3,119.04	2,961.29
Nuevo sol	PEN	711.24	671.59
Brazilian Real	BRL	961.68	1,137.45

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

	2008	2007
Assets		
Current assets		
Cash	449	1,201
Fixed-yield investment	43,105	31,657
Accounts receivable	11,932	11,873
Total current assets	55,486	44,731
Non-current assets		
Foreign currency investments	455,897	516,053
Total non-current assets	455,897	516,053
Total assets	511,383	560,784
Liabilities		
Current liabilities		
Current portion of financial liabilities	142,159	119,700
Accounts payable	2,195	2,961
Total current liabilities	144,354	122,661
Long-term liabilities		
Accounts payable	-	192,310
Total non-current liabilities	27,528	218,103
Total liabilities	171,882	340,764
Net monetary position	339,501	220,020

With respect to foreign-currency liabilities, for 2008 the Company had no hedging operations contracted (2007, USD10 million).

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

	2008	2007
Financial revenues (See Note 24)	152,937	122,257
Financial expenses (See Note 24)	(165,580)	(16,323)
Total exchange difference net generated	(12,643)	105,934

NOTE 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

Account	2008	2007	Interest 2008	Interest 2007
Cash				
Cash and deposits in banks (1)	2,764	10,693	8.78% (COP)	7.87% (COP)
Common and special trust funds (2)	42,562	39,995	9.19% (COP)	7.15% (COP)
Total cash	45,326	50,688		
Marketable investments				
Short-term funding	101,316	86,664	9.60% (COP)	9.62% (COP)
Other investments	96,710	63,781	2.45% (USD)	4.70% (USD)
Hedging operations (3)	(1,248)	-		
Total marketable investments	196,778	150,445		
Total cash and marketable investments	242,104	201,133		

- 1) Banking reconciliations are prepared monthly and there are no significant reconciliation amounts pending.
- 2) Cash held in trust at December 31, 2008, includes resources for \$8,161 (2007, \$19,622) that may only be used for the delegated administration of the IPSE, FAER and FAZNI projects.
- 3) ISA's Non-deliverable forward derivative instrument for Dollars sale established to reduce cash flow variability associated to calculation of revenues from UPME 01 and 02 of 2003.

During the year, forwards were closed for USD10.8 million, aimed at stabilizing the flows against fluctuations of the exchange rate dollar/peso.

At year close, a forward sales operation worth USD3.6 million, which had been negotiated to cover dollar/peso exchange rate fluctuations, remained open. These generated an exchange difference of \$1,248.

The operation is described below:

Nominal	Type of forward	Forward rate
USD 3,600,000	NDF	\$1,881.01

NOTE 6: EQUITY INVESTMENTS – NET

INVESTMENTS IN THE POWER SECTOR

Below are a description of the corporate purpose and other relevant information of the subsidiaries with which the equity method was applied as well as other significant investments:

TRANSELCA S.A. E.S.P.

In 1998, the Company acquired 65.00% 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.

In late December of 2006, ISA increased by 34.99% its participation in TRANSELCA S.A. E.S.P. through a stock exchange operation with Ecopetrol for a total participation of 99.99%.

Interconexión Eléctrica ISA Peru S.A.

On February 16, 2001, the Peruvian Government granted to Interconexión Eléctrica S.A. E.S.P. the 32-year concession for the design, construction, procurement of goods and services, 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 Peru S.A. The project started commercial operation in August 2002.

Red de Energía del Peru –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%.

Consorcio TransMantaro -CTM- S.A.

Company incorporated in Peru in January of 1998, in order to sign BOOT Contract with the Ministry of Mines and Energy for design, supply, construction and exploitation of the Mantaro–Socabaya Transmission System (Main transmission system). This contract was subscribed on February 27 of 1998, with 33-year duration. The project started commercial operation in October 8 of 2000.

Later on, on December 13 of 2006, the company was acquired by ISA (60%) and EEB (40%). TransMantaro's main activities are energy transport as well as operation and maintenance services for different facilities.

On June 17 of 2008, and through public international bidding process, it won the contract to design, finance, build, operate and maintain one substation and two energy transmission lines that will join Chilca and Zapallal. The BOOT contract signed with the Ministry of Energy and Mines has a term of 30 years as of the date the project becomes operational.

Interconexión Eléctrica ISA Bolivia S.A.

On June 27, 2003, through Resolution SSDE No 086/2003, the Superintendency of Electricity of Bolivia awarded 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.

Interconexión Eléctrica ISA Bolivia S.A. –ISA BOLIVIA– was incorporated on July 14, 2003. ISA has 51% participation and its subsidiaries 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 Santivañez - Sucre and Sucre – Punutuma lines; subsequently, the Carrasco-Urubó line was enabled on October 10, 2005.

Expansion of the Interconnection Trunk System –STI– with incorporation of the Arboleda 230/115 kV Substation was approved through Resolution No. SSDE 371/2006 dated November 24, 2006. On March 7 of 2008, the Electricity Superintendency signed a license contract with ISA Bolivia to develop electric industry services in the area of transmission for the

Arboleda Substation project that includes opening of the Carrasco-Urubó Line in the La Arboleda region (Buena Vista Municipality), with 30-year term as of the date of commercial operations - July 10 of 2008.

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., subsidiary of ISA, assumed the operation of the Colombian National Interconnected System and the administration of the Wholesale Energy Market. ISA has 99.73% participation.

ISA Capital do Brazil S.A.

ISA Capital do Brazil Ltda. was established on April 28, 2006 as an investment vehicle with registered office located in São Paulo. On September 19, 2006, the Company was made into a public corporation. Its corporate purpose includes participation in the capital of other corporations and in other projects either as partner or as shareholder, as party in a joint venture, as member of a consortium, or under any other type of business cooperation. In turn, this company became an investor in Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, in July of 2006, when it won public bid process conducted by the Sao Paulo Stock Exchange – BOVESPA–, through which the State Government of São Paulo offered the controlling stock, corresponding to 50.1% stake of common shares (21.01% of total).

In January 2007, ISA increased by USD148 million the capital of ISA Capital do Brazil S.A. in order to take part in a tender offer, in which it acquired additional 39.28% of CTEEP common shares, thus consolidating ownership of 89.40% of common shares and 37.46% of total capital.

In the year 2008, the capital of ISA Capital do Brazil was increased by BRL11,510,800

Brazilian Comissão de Valores Mobiliários –CVM– issued 15 accounting rules that must be applied by companies in Brazil by the end of 2008; changes must be implemented by April 30, 2009 at the latest. Among other things, these rules provide that swaps must be valued considering the prices of the market where such financial instruments operate. Considering the restrictions and duties imposed by CVM regarding derivatives in Brazil, ISA carried out the valuation of such swap considering that it is a right obtained for hedging purposes and not for profit. The financial statements used in the application of the equity method will include an item related to this subject.

Interligação Elétrica de Minas Gerais S.A. –IEMG–

On November 24, 2006, in bidding conducted by ANEEL ISA was awarded project D for construction and 30-year operation of the Neves 1-Mesquita 500kV (172km), transmission line, under a concession agreement. For such purpose, IEMG was established on December 13, 2006, as a closed corporation to exploit concessions of transmission services; ISA holds 99.99% shareholding. Later, under a shareholders agreement entered with CYMI Holding S.A, ISA transferred to this company 40% of its participation, and the remaining 60%, to CTEEP, ISA's subsidiary. The project started commercial operation in December 2008.

Interconexión Eléctrica Colombia – Panamá S.A.

Corporation established by public deed 6875 of May 14, 2007. Each of its current shareholders, ISA and ETESA, holds 50% of issued, outstanding and voting shares. Its main activities are electric power transmission, operation and maintenance of electricity lines and grids and infrastructure for associated voltage transformation, telecommunications services, data transmission services, technical services, and consulting services in such areas and in general engineering matters. The corporation has authorized opening a branch in Colombia.

INVESTMENTS RELATED TO INFRASTRUCTURE PROJECTS

Infra-Estruturas do Brazil Ltda.

Limited corporation established on December 14, 2006 to deliver civil engineering services such as preparation 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 execution of civil works, cartography, construction and set-up of electric equipment, representation, manufacture, installation, 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. ISA owns 99.90%.

Proyectos de Infraestructura del Peru S.A.C.

On November 15, 2007, ISA established the corporation Proyectos de Infraestructura del Peru S.A.C., that has as its purpose the conduction of all kinds of activities related to the construction of transmission lines and electricity projects, and in general, any activity in the construction sector. It started operations in March of 2008 with the construction of

the 107km Platanal – Chilca transmission line at 220 kV. ISA owns 99.97%, while other individuals own 0.03%.

The capital of the corporation was increased by PEN 299,000 in March of 2008. 299,000.

INVESTMENTS IN THE TELECOMMUNICATIONS SECTOR

INTERNEXA S.A. E.S.P.

INTERNEXA was incorporated on January 4, 2000. Its corporate purpose is the organization, administration, trading and rendering of telecommunications services, or activities related to telecommunications, through development and promotion of the business of national and international telecommunications transport.

The merger of INTERNEXA and Flycom Comunicaciones S.A. E.S.P. was formalized on November 30, 2007; it was part of the economic group's business strategy to attain leadership and recognition as the largest energy and data transporter in Latin America. ISA's participation in this corporation is 99.27%

OTHER INVESTMENTS

Financiera Energética Nacional –FEN–

Until April 2008, ISA had 33.160 shares of FEN equivalent to 0.7884% participation. As of December 31, 2008, the investment is represented by nine shares equivalent to 0.00069% participation. FEN is a financial institution of national order established by Law 11 of 1982 as a state-owned corporation ascribed to the Ministry of Mines and Energy with the purpose of acting as financial and credit organism for the Colombian power sector.

Empresa Propietaria de la Red –EPR–

Established in 1998 in Panama City, Empresa Propietaria de la Red S.A. –EPR– is a company ruled by private law that has the endorsement of the "Parent Treaty of Central America's Power Market" and its protocol, through which, each government grants the corresponding permission, authorization or concession, as fits construction and exploitation of the first regional electric interconnection system that will link Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and Panama. As of December 31, 2007, investment in this corporation is represented by 5,000

common shares equivalent to 12.5% participation. After USD625,000 capitalization in 2008, investment as of December 31, 2008 is represented by 5,625 common shares equivalent to 11.11% participation.

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

		2008	2007
Investments in shares			
TRANSELCA S.A. E.S.P.	(1)	603,420	490,137
ISA Capital do Brazil	(2)	701,933	820,724
REP S.A.		118,534	97,405
Consortio TransMantaro S.A.		74,479	56,939
ISA Bolivia S.A.		30,730	26,242
XM, Compañía de Expertos en Mercados S.A. E.S.P.		23,622	22,461
ISA Peru S.A.		15,106	13,906
Proyectos de Infraestructura del Peru S.A.C.	(3)	2,371	-
INTERNEXA S.A. E.S.P.		142,204	121,679
Empresa Propietaria de la Red -EPR-		12,620	10,074
Interligação Elétrica de Minas IEMG	(4)	-	14,432
FEN S.A.	(5)	3	7,147
Electricaribe	(6)	12,114	9,766
Electrocosta	(6)	-	2,348
Total equity investments		1,737,136	1,693,260
Other investments			
In trust rights	(7)	977	3,778
Total long-term investments		1,738,113	1,697,038
Long-term investment allowance	(8)	(3,063)	(5,387)
Total long-term investments		1,735,050	1,691,651

- 1) The increase corresponds to better results reached and surplus from fixed assets revaluation.
- 2) Variation of investment, especially for the effect of revaluation of the Colombian Peso vs. the Brazilian Real.
- 3) Operations start of Proyectos de Infraestructura del Peru –PDI–.
- 4) Sale of shares to subsidiary CTEEP.
- 5) Sale of shares and decrease in subscribed capital paid in cash, reimbursement of shareholders' contributions, as approved by FEN's shareholders' meetings of March 13 and November 7 of 2008, respectively.

6) Corresponds to shares received as payment. These companies merged on December 31, 2007.

7) Decrease generated by the cancellation in 2008 of the trust estate constituted to guarantee payment of the independent engineering auditing services of the UPME 1 project of 2003 which was commissioned in December of 2006.

8) Provision on investments in Electricaribe and FEN for valuation at cost.

The following table includes financial information of the subsidiaries and affiliates with which ISA applies the equity method:

2007						
Company	ISA Participation		Financial information			
	Shares	%	Assets	Liabilities	Equity	Income (loss)
TRANSELCA S.A. E.S.P.	1,809,679,227	99.9967	972,586	482,432	490,154	20,331
ISA Peru S.A.	18,586,446	28.0723	108,815	59,433	49,382	5,177
REP S.A.	21,648,000	30.0000	755,708	432,094	323,614	35,222
INTERNEXA S.A. E.S.P.	34,302,597	99.2745	257,467	134,899	122,568	2,622
ISA Bolivia S.A.	95,638	51.0000	159,077	107,923	51,154	9,584
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99.7300	227,509	204,987	22,522	6,395
ISA Capital do Brazil S.A.	828,267,196	99.9999	2,690,106	1,867,894	822,212	(49,023)
Consorcio TransMantaro S.A.	85,382,555	60.0000	287,301	193,036	94,265	20,906

2008						
Company	ISA Participation		Financial information			
	Shares	%	Assets	Liabilities	Equity	Income (loss)
TRANSELCA S.A. E.S.P.	1,809,679,227	99.9967	1,093,761	490,321	603,440	37,043
ISA Peru	18,586,446	28.0723	116,246	61,944	54,302	6,882
REP S.A.	21,648,000	30.0000	892,306	492,291	400,015	34,745
INTERNEXA S.A. E.S.P.	34,302,597	99.2745	323,027	179,784	143,243	5,583
ISA Bolivia S.A.	95,638	51.0000	185,720	125,014	60,706	3,279
XM Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99.7303	210,395	186,709	23,686	1,909
ISA Capital do Brazil (1)	828,267,196	99.9999	2,241,946	1,541,371	700,575	(9,627)
Consorcio TransMantaro S.A.	85,382,555	60.0000	344,163	217,329	126,834	19,161
Proyectos de Infraestructura del Peru S.A.C.	299,901	99.9670	24,878	22,172	2,706	2,136

(1) Includes \$332,148 (2007, \$367,783) to be paid by ISA Capital do Brazil to Secretaria de Fazenda, Gobierno de Brazil, as payment commitment for the difference between the purchase price of the shares of CTEEP and pension payments established in Law 4819 of 1958 in case CTEEP is exonerated. In relation to such payments, according to opinion of its management and legal advisors, affiliate CTEEP determined them to be the responsibility of São Paulo state, and therefore it did not register any obligation in its financial statements.

Application effect of the equity method

The effect of the application of the equity method generated variations in the investments, which are shown in the results and equity, as loss or income. Noteworthy is that, in 2007, CGN through Resolution No. 356 modified treatment of the exchange difference of investments in controlled companies, specifying that, as of January 2007, the value generated by this item would be part of equity variations and not of the income statement as was the case until December 31 of 2006.

		2008	2007
Income from equity method	(1)		
INTERNEXA S.A. E.S.P.		5,542	2,318
TRANSELCA S.A. E.S.P.		37,042	20,330
REP S. A.		10,423	10,566
ISA Peru S. A.		1,932	1,453
Proyectos de Infraestructura del Peru S.A.C.	(2)	2,136	-
XM Compañía de Expertos en Mercados S.A. E.S.P.		1,904	6,378
FEN S. A.	(3)	-	576
ISA Bolivia S. A.		1,673	4,888
Flycom Comunicaciones S.A. E.S.P.	(4)	-	(12,522)
ISA Capital do Brazil		(9,627)	(49,023)
Consortio TransMantaro S.A.		11,496	12,544
Net income from equity method		62,521	(2,492)

(1) To record the equity method, revenues and expenses resulting from reciprocal transactions are deleted in the subsidiaries. (See Note 26).

(2) The project started commercial operation in December 2008.

(3) Share issues.

(4) In November of 2007, Flycom Comunicaciones S.A. and INTERNEXA S.A. E.S.P. merged.

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

	2008	2007
Customers		
Energy service	159,069	125,240
Telecommunications (1)	17,939	19,376
Infrastructure projects (2)	22,851	416
Technical services	3,927	5,998
Total customers	203,786	151,030
Interest receivable	599	434
Loans extended	166	318
Prepayments and advances		
Taxes and contributions (3)	5,200	36,113
To suppliers	4,128	813
For purchase of goods and services	46	15
Advances and prepayments of per-diem and travel expenses	165	103
Total prepayments and advances	9,539	37,044
Other accounts receivable		
Related parties	2,429	5,077
Loans extended (4)	11,125	12,506
Miscellaneous accounts receivable	12,060	11,071
Total other accounts receivable	25,614	28,654
TOTAL ACCOUNTS RECEIVABLE	239,704	217,480
Less – Allowance for doubtful accounts (5)	(8,859)	(11,574)
TOTAL ACCOUNTS RECEIVABLE	230,845	205,906
LONG-TERM ACCOUNTS RECEIVABLE		
Customers (1)	14,950	18,926
Loans extended (4)	9,516	11,842
Other accounts receivable	4,551	3,922
TOTAL LONG-TERM ACCOUNTS RECEIVABLE	29,017	34,690
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE	201,828	171,216

(1) Corresponds to accounts receivable for the rights of use billed to members of the alliance established in 1997 between ISA and telecommunications companies to undertake joint development of a fiber optic network between Bogota, Medellin and Cali, to improve the national telecommunications system.

- (2) Includes account receivable for construction services for third parties delivered by ISA starting in 2008.
- (3) Includes \$3,496 (2007, \$20,554) for sales tax paid on the nationalization of goods associated with energy transport that will be discounted from income tax as established by Article 258-2 of the Tax Law; \$828 (2007, \$569) for estimated credit balance of year 2007 income tax; \$876 (2007, \$876) for tax claims in favor of the Company that are being discussed in court.
- (4) Employee receivables correspond to housing loans, vehicle-purchase loans and other loans granted at 5% and 7% interest rates and terms of 13 and 15 years.
- (5) The provision for doubtful accounts as of December 31 of 2008 was adjusted to the value of \$8,859, affected by the following movements: additions with charge to period's results for \$1,255 (2007, \$4,902), recoveries for \$230 (2007; \$3,377) EMCALI, MINESA and ELECTROLIMA obligations. Besides, provision for doubtful accounts was adjusted with a decrease of \$3,740 corresponding basically to: re-calculation of the \$674 COLDECON obligation, non-realized sale of the Manizales premises to Manitex \$1,235, and Electrificadora de Putumayo \$1,536 payment agreement. No accounts receivable write-offs took place along 2008 (2007, \$42).

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

	2008	2007
Shareholders		
Empresas Públicas de Medellin (EPM)	14,493	10,236
Empresa de Energía de Bogota (EEB)	254	560
Empresa Colombiana de Petróleos (ECOPETROL)	74	-
Total shareholders	14,821	10,796
Other customers	188,965	140,234
Total accounts receivable from customers	203,786	151,030

Classification of accounts receivable from customers according to maturity date:

	2008	2007
Current	198,776	144,592
Overdue		
Between 1 and 90 days	1,353	550
Between 91 and 180 days	253	60
Between 181 and 360 days	20	190
More than 360 days	3,384	5,638
Total overdue	5,010	6,438
Total accounts receivable from customers	203,786	151,030

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 2008 and 2007 the rates were 31.53% and 31.89%, 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, 2008, \$3,728 (2007, \$3,410). These overdue amounts are 100% provisioned.

Emcali is under intervention by SSPD; in 2008 it paid \$168 (2007, \$846), for liabilities that were supported on payment agreements.

NOTE 8: INVENTORIES

Inventories at December 31 included:

		2008	2007
Short-term inventories			
Materials to render services	(1)	2,431	3,346
Provision		(559)	(250)
Total short-term inventories		1,872	3,096
Long-term inventories			
Materials to render services		60,891	56,586
Total long-term inventories	(2)	60,891	56,586
Total inventories		62,763	59,682

- (1) Reclassification of long-term inventories of \$926 was conducted in 2008 corresponding to metal structures for recovery of towers.
- (2) 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 large stocks in order to guarantee continuity of service and compliance with the system's availability indicators.

The Company conducts actions to guarantee adequate preservation and safeguarding of inventories, and takes periodic stock count with no significant differences found.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	2008	2007
Property, plant and equipment in operation (1)		
Networks, lines and cables	2,070,898	2,064,013
Plants and ducts	1,416,409	1,405,102
Buildings	57,390	53,980
Machinery and equipment	30,239	28,622
Computer and communications equipment	21,915	22,227
Transport, traction and lifting equipment	1,824	1,824
Furniture, fixtures and office equipment	12,733	13,139
Land	19,697	19,697
Subtotal property, plant and equipment in operation	3,631,105	3,608,604
Less – accumulated depreciation (2)	1,265,754	1,167,283
Less – Provisions	444	444
Total property, plant and equipment in operation	2,364,907	2,440,877
Investment property (3)		
Buildings	3,532	3,532
Less – Accumulated depreciation	1,310	1,235
Total investment property	2,222	2,297
Non-productive assets (4)		
Land	71	71
Buildings	-	18
Constructions received as payment	8,895	8,895
Subtotal non-productive property	8,966	8,984
Less – Provisions	8,748	8,748
Total non-productive assets	218	236
Constructions in progress	51,956	35,716
Machinery, plant and equipment in assembly	23,522	8,250
Total property, plant and equipment-Net	2,442,825	2,487,376

Assets have no restrictions, or pledges or guarantees for obligations.

- 1) In January, 2008, Caño Limón substation expansion project was activated for \$17,474; also, Anillos Comcel fiber-optic project was capitalized for \$19,452, and Sabanalarga – Nogales fiber optics for \$1,617.
Retirement and sales of property, plant and equipment during the year generated net loss for \$2,773 (2007: \$3,727 loss). The movement in accumulated depreciation during 2008 corresponds to the accrual of depreciation expense for \$105,319 (2007: \$98,088), charged to the results of the year. Additionally, retirements of depreciation were made for \$6,774 (2007: \$4,856).
- 2) Includes deferred depreciation for \$338,977 (2007, \$306,053).
- 3) Blocks II and V of ISA's headquarters, leased to subsidiaries XM and INTERNEXA, respectively.
- 4) Pailitas land plot and constructions received as payment of Global Crossing, assets which are for sale. KLM building in Bogota was sold in 2008.
- 5) Provision of constructions received as payment by Global Crossing.

ISA contracts insurance for Combined Material Damages, Terrorism, and Consequential Loss every year to cover against all risk of damage to the company's fixed assets. This policy reports as insured value the as-new replacement value of the assets insured, which is determined on the basis of asset information of the National Transmission System of ISA classified in Constructive Units, their corresponding as-new value being estimated as provided in regulations, and the respective refining and adjustment for insurance effects.

On July 2 of 2008, the Mining and Energy Planning Unit –UPME– in public bidding awarded Interconexión Eléctrica S.A. E.S.P. –ISA– the construction of works for electric interconnection of Porce III project. ISA will be responsible for construction, assembly, commissioning, administration, operation and maintenance, along 25 years, of 500kV Porce substation and two 500kV line circuits, each 22km long, which will interconnect Porce III generation project to the National Transmission System. The project's expected commissioning date is July of 2010.

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

	2008	2007
Deferred charges and other short-term assets		
Prepaid expenses	4,754	3,308
Deferred taxes (1)	92,476	5,250
Total deferred charges and other short-term assets	97,230	8,558
Deferred charges and other long-term assets		
Deferred charges		
Deferred taxes	-	88,959
Studies and research	34	4,930
Other deferred charges (2)	25,302	2,183
Total deferred charges	25,336	96,072
Intangibles		
Software	30,743	30,743
Licenses	11,170	11,170
Rights of way	57,124	56,858
Rights	43,244	29,137
Goodwill (3)	238,247	238,245
Less – Amortization of intangible assets	(78,021)	(70,715)
Total intangible assets	302,507	295,438
Miscellaneous	3,731	3,253
Total deferred charges and other long-term assets	331,574	394,763
Total deferred charges and other assets	428,804	403,321

- 1) Classification of deferred tax, from long-term to short-term.
- 2) Corresponds mainly to \$14,449 discount in bonds underwriting carried out in December of 2008 and premium of the legal stability contract signed with the Ministry of Mines and Energy for \$6,427.
- 3) Corresponds mainly to goodwill for \$103, 631, generated in the purchase of 60% of Consorcio TransMantaro S. A. and \$130,464 generated in the purchase of 34% of TRANSELCA S.A. E.S.P., through exchange of shares with Ecopetrol; the latter is not amortized according to the changes of the CGN and because TRANSELCA is a company of indefinite term.

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

		2008	2007
Investments	(1)	-	2,277
Property, plant and equipment	(2)	2,185,306	1,299,243
Total re-appraisals		2,185,306	1,301,520

- (1) Re-appraisal of Electrocosta was absorbed after merger with Electricaribe.
(2) Economic appraisal was conducted in 2008 for main components of property, plant and equipment, in compliance with the provisions of the Public Accounting Regime - Resolution 354 of September 5 of 2007.

Technical appraisals of operational assets for Colombian subsidiaries were made by using the technically recognized Straight-line Depreciated Replacement Cost method approved by the Colombian General Accounting Office as stated in number 18 of accounting procedure for recognition and disclosure of facts related to property, plant and equipment, issued by Resolution 356 of September 5, 2007. The methodology consists of determining the present value of operational equipment, based on the actual cost of an asset with the same characteristics that provides the same service (the as-new replacement value -VRN¹), proportionally affected by the remaining time of service (remaining useful life) with respect to the useful life initially established. This criterion is applied to every specialized asset² that ISA has in operation for energy transmission (use and connection). Market value is used for non-specialized³ assets such as vehicles.

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1. Values determined according to regulation applicable to remuneration
2. Assets that are not frequently bid or demanded in the market
3. Assets that are frequently bid or demanded in the market

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

Assets	2008				2007		
	Appraisal	Accounting balance Net	Re-appraisal	Adjustment	Appraisal	Accounting balance Net	Re-appraisal
Transmission lines	2,510,811	1,286,072	1,224,739	491,675	2,063,945	1,330,881	733,064
Transmission lines	1,700,088	928,421	771,667	300,049	1,431,808	960,190	471,618
Land	97,661	19,697	77,964	15,275	82,386	19,697	62,689
Buildings	153,587	43,997	109,590	88,163	63,224	41,797	21,427
Telecommunications usufruct	97,369	97,369	-	(9,639)	90,188	80,549	9,639
Vehicles	1,678	332	1,346	540	1,224	418	806
Total	4,561,194	2,375,888	2,185,306	886,063	3,732,775	2,433,532	1,299,243

Of the total valuation of ISA's operating assets, 87.0% are STN's assets and 5.3% are connection assets. Land and buildings are 5.6%, while Telecommunications is 2.1%. Vehicles represent the lowest value relative to total, at \$1,677.

22% increase in re-appraisal in 2008, with respect to 2007, corresponds basically to:

- Valuation of the UPME 01 and 02 projects of 2003 and Betania through Depreciated Replacement Cost –CRD, for its Spanish initials– methodology (13%).
- Increase in valuation of existing assets (6%), for increase of PPI and revision of useful life.
- New connection assets (0.5%).
- Appraisal of land and buildings (2.5%).

NOTE 12: OUTSTANDING BONDS

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

Issue	Series	Term (years)	Interest rate	2008	2007	Maturity
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	118,500	07-Abr-26
Program Tranche 5		7	IPC + 4.84%	110,000	110,000	21-Sep-13
Program Tranche 4 Batch 2		17	IPC + 4.58%	104,500	-	07-Abr-26
Capitalized interest				12,359	9,938	
Total outstanding bonds				924,803	817,882	
Total long-term outstanding bonds				821,865	817,882	
Total short-term outstanding bonds				102,938	-	

Bonds accrued interests during 2008 for \$106,601 (2007: \$96,738), which was recorded as financial expense. (See Note 24).

Below is the detail of maturities for outstanding bonds:

Year	Capital	Interest	Total
2009	90,579	12,359	102,938
2011 onwards	821,865	-	821,865
	912,444	12,359	924,803

Of the second issue for \$180,000, series C and D were outstanding at year's end with a balance of \$102,938. The balance increases due to the capitalization of the 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.

The \$450,000 bond program (initial issue February 2004) was expanded to \$850,000 in 2006 and to \$1,200,000 in 2008. In year 2006 the Company

offered Tranche 4 with 20-year term for \$380,000, of which \$104,500, maturing in April 2026, was placed in 2008. 50% of this program is earmarked for debt management operations and 50% for cash flow and investment financing.

NOTE 13: FINANCIAL LIABILITIES

The balance of financial liabilities at December 31 included:

Credit line	Currency	Interest rate	2008	2007	Latest payment	Guarantee
Domestic financial liabilities						
DAVIVIENDA	COP	DTF + 1.50%	-	22,000	27-Sep-08	(2)
BBVA	COP	DTF + 4.00%	96,638	96,638	10-Oct-10	(2)
BBVA	COP	DTF + 3.40%	100,000	100,000	27-Sep-10	(2)
BANCOLOMBIA	COP	DTF + 2.60%	70,000	70,000	29-Nov-10	(2)
CITIBANK COLOMBIA	COP	DTF + 3.05%	-	19,000	13-Ago-08	(2)
ABN_AMRO COLOMBIA	COP	DTF + 3.30%	-	13,000	24-Ago-08	(2)
DAVIVIENDA	COP	DTF + 3.88%	25,000	-	18-Jul-13	(2)
BBVA	COP	DTF + 3.89%	75,000	-	18-Jul-13	(2)
BANAGRARIO	COP	DTF + 3.00%	30,000	-	21-Oct-09	(2)
BBVA	COP	DTF + 4.25%	52,000	-	10-Nov-09	(2)
BANAGRARIO	COP	DTF + 4.50%	21,000	-	30-Dic-18	(2)
Total domestic financial liabilities			469,638	320,638		
Foreign financial liabilities						
MEDIO CREDITO CENTRALE	EUR	Tasa Fija 1.75%	5,675	8,981	19-Jun-10	(1)
BIRF-3954-CO	USD	Tasa Fija Tramos (6.32%)	1,184	4,865	15-Feb-11	(1)
BIRF-3955-CO	USD	Libor 6 M + Spread	127,593	139,260	15-Oct-12	(1)
BNP PARIBAS	USD	Libor 6 M + 0,345%	72,301	72,566	15-May-17	(2)
ABN_AMRO Y JPMORGAN	USD	Libor 6 M + Spread	112,180	402,952	18-Ene-09	(2)
Total foreign financial liabilities			318,933	628,624		
Total financial liabilities			788,571	949,262		
Less – short-term portion			269,695	395,167		
Total long-term financial liabilities			518,876	554,095		

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

Financial liabilities accrued interest in 2008: \$84,727 (2007: \$108,469), which was recorded as financial expense. (See Note 24).

There is a loan outstanding with German Export Credit Agency –ECA– for financing substations’ assets and supplies. This USD37.9 million loan at Libor + 0.345% and 10-year term has political and commercial risk coverage from German ECA Euler Hermes; along 2008: USD3.8 million (2007: USD1.9 million); remaining balance payable is USD32 million that will be paid in 17 equal semi-annual installments.

Along the year, resources were obtained through the local commercial banks to cover cash flow worth \$203,000; \$54,000 was paid. USD168 million and EUR1.2 million were paid, payments which correspond to installments agreed to in the contracts and to USD50 million prepayment to ABN_AMRO and JP MORGAN.

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

CURRENCY	Interest rate	Balance in original currency (1)		Balance in local currency (million)	
		2008	2007	2008	2007
US Dollar	Libor + Spread BIRF	139,623	307,552	313,257	619,643
Euros (formerly Liras)	Fixed rate 1.75%	1,820	3,033	5,676	8,981
Colombian Pesos	DTF + 2.60% a DTF + 4.5%	469,638	320,638	469,638	320,638
				788,571	949,262

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

Maturity of long-term financial liabilities at December 31:

YEAR	Value
2010	274,984
2011	41,331
2012	96,259
2013	61,506
2014 onwards	44,796
Total long-term liabilities	518,876

COMMITMENTS RELATED TO LOANS

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

ABN Amro and JP Morgan Bank:

ISA subscribed financial commitments for the USD200 million loan obtained from ABN Amro and JP Morgan banks. a) The ratio net debt/ EBITDA must be equal to or lower 5.00 for 2007, 4.5 for 2008 and 2009. b) The ratio EBITDA/interest must be equal to or greater than 2.25 for 2007, and 2.50 for the period 2008-2009.

As of December 31 of 2008 and 2007, the Company had satisfactorily met the above commitments.

LOANS FROM RELATED PARTIES

The balance of financing from related parties as of December 31 included:

YEAR 2007

Loans from subsidiaries	Maturity	Interest rate	Capital balance	Interest balance
Loans from local subsidiaries				
TRANSELCA S.A. E.S.P.	30-Dec-08	DTF + 1.5%	28,500	6,742
TRANSELCA S.A. E.S.P.	26-Dec-09	Fixed rate DTF E.A. December 31 of former year	31,908	3,160
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF E.A. December 31 of former year	72,642	4,892
TRANSELCA S.A. E.S.P.	27-Dec-12	Fixed rate DTF E.A. December 31 of former year	12,537	803
TRANSELCA S.A. E.S.P.	07-Nov-12	Fixed rate DTF E.A. December 31 of former year	60,798	568
Total loans with local subsidiaries			206,385	16,165
Loans from foreign subsidiaries				
ISA Capital do Brazil	28-Dec-14	Libor 6M + 3%	51,970	21
Total loans with foreign subsidiaries			51,970	21
Total loans with subsidiaries			258,355	16,186

YEAR 2008

Loans from subsidiaries	Maturity	Interest rate	Capital balance	Interest balance
Loans from local subsidiaries				
TRANSELCA S.A. E.S.P.	30-Dec-12	Fixed rate DTF E.A. December 31 of former year	28,500	-
TRANSELCA S.A. E.S.P.	26-Dec-09	Fixed rate DTF E.A. December 31 of former year	31,908	5,191
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF E.A. December 31 of former year	72,642	11,073
TRANSELCA S.A. E.S.P.	27-Dec-12	Fixed rate DTF E.A. December 31 of former year	12,537	1,870
TRANSELCA S.A. E.S.P.	07-Nov-12	Fixed rate DTF E.A. December 31 of former year	60,798	5,742
Total loans with local subsidiaries			206,385	23,876
Loans from foreign subsidiaries				
ISA Capital do Brazil	28-Dec-14	Libor 6M + 3%	53,383	8,171
Total loans with foreign subsidiaries			53,383	8,171
Total loans with subsidiaries			259,768	32,047

On December 30 of 2008, upon authorization of the Ministry of Finance and Public Credit, and through agreement between ISA and TRANSELCA, the \$28,500 loan to expire on that date, was extended for an additional 4 years. Also, the interest rate applicable, was changed from DTF + 1.5% to DTF E.A on December 31 of the previous year. Interest accrued for the 4 years was paid by ISA to TRANSELCA.

NOTE 14: HEDGING OPERATIONS

The balance of hedging operations at December 31 includes:

Item	2008	2007
Difference in valuation	-	137

NOTE 15: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

		2008	2007
Related parties	(1)	34,350	17,702
Suppliers and contractors		20,870	50,701
Financial expenses		35,874	27,116
Creditors		1,251	5,010
Dividends		37,648	34,428
Other accounts payable		-	315
Delegated administration		7,997	15,997
Other taxes		11,693	8,386
Advance revenue from sales	(2)	18,877	18,028
Deposits received - contract withholding		-	2,767
Total accounts payable		168,560	180,450
Total long-term accounts payable		42,753	18,953
Total short-term accounts payable		125,807	161,497

(1) Includes interest on loans for the year 2008, \$23,876 of TRANSELCA and \$8,171 of ISA Capital do Brazil.

(2) Corresponds to advance payment on sale of infrastructure projects for \$15,280 and usufruct \$3,597.

NOTE 16: LABOR LIABILITIES

Labor liabilities at December 31 included:

		2008	2007
Labor liabilities			
Severance payments and interests		3,098	2,815
Vacations		1,514	1,383
Agreed fringe benefits		2,100	2,214
Other		1,106	27
Total labor liabilities		7,818	6,439
Less – long-term portion		1,323	1,085
Short-term labor liabilities		6,495	5,354

NOTE 17: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

		2008	2007
Retirement pensions	(1)	86,134	84,664
Other provisions for agreed labor benefits	(2)	35,002	34,713
Provision for payments of fiscal liabilities		24,554	11,501
Provision for contingencies		2,220	833
Other estimated liabilities and provisions	(3)	24,934	12,432
Total estimated liabilities and provisions		172,844	144,143
Less – long-term portion		121,136	119,377
Total short-term estimated liabilities and provisions		51,708	24,766

- (1) Corresponds to the amortized present value of pension liabilities at December 31 of 2008 and 2007, according to actuarial studies.
- (2) Present value of future health, education and aging benefits of pensioners; increase for 2008 up on 2007 is accounted for by 100% amortization of pension liabilities for health and education fringe benefits.
- (3) Includes \$7,559 of FAER provision (2007: \$6,179), PRONE provision \$9,021, infrastructure projects estimated costs \$2,100, variable compensation results incentive \$1,228 (2007, \$2,182) and payroll estimated for days pending payment at December 31, 2008 for \$1,623.

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 upon compliance with certain legal requirements.

The present value for pension liability as of December 31, 2008 and 2007 was determined using actuarial calculations that comply with

the law and specifically with labor contracts and collective bargaining agreements. The estimates used were as follows:

	2008	2007
Actual interest rate	4.80%	4.80%
Future increase of pensions and salaries	5.15%	4.77%
Number of people covered by the plan	444	450

On December 31, 2008, the Company had 619 (2007, 633) active employees, of whom 64 (2007, 90) are covered by the pension plan provided in the collective and individual agreements, while the remaining 555 (2007, 543) are under the jurisdiction of Law 100 of 1993. The actuarial estimate covers active personnel (64), retired personnel (323), surviving spouse pension benefit substitutions (41), pension portion for which ISA is accountable (12) and contingent personnel – retired personnel with more than 20 years of service (4).

As of December 31, 2008, ISA had amortized 76.08 % (2007, 81.35%) of the pension liability projected to cover monthly pension payments; amortization is calculated with methodology set forth in Resolution No. 356 of September 5 of 2007 issued by CGN.

The movements in the actuarial estimate and the deferred liability at December 31, 2008 are as follows:

	Projected liability	Deferred cost	Net liability
Balance at December 31, 2005	97,484	16,298	81,186
Plus increase in actuarial estimate	1,615	(646)	2,261
Balance at December 31, 2006	99,099	15,652	83,447
Plus increase in actuarial estimate	4,971	3,754	1,217
Balance at December 31, 2007	104,070	19,406	84,664
Plus increase in actuarial estimate	9,141	7,671	1,470
Balance at December 31, 2008	113,211	27,077	86,134

During 2007, pension payments totaled \$10,737 (2007, \$10,258).

Agreed Fringe Benefits

In the calculation of pension liabilities, the Company included agreed fringe benefits received by pensioners in addition to those required by legal regulations. This practice was adopted in 2005 as a prudent policy seeking alignment with International Accounting Standards -IAS-.

The calculation included fringe benefits 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 liabilities 2008	Total liabilities 2007	Total amortized Dec-08	Total amortized Dec-07
Pension payments	3,975	4,925	3,975	4,925
Study aid	2,183	2,067	2,183	2,067
Health aid	28,844	27,721	28,844	27,721
Total	35,002	34,713	35,002	34,713
Amortization percentage			100%	100%

Up to the year 2006, amortization methodology of benefits and aids was the same one used for amortization of pension liability; on December 31, 2007 benefits and aids were 100% amortized, closely following international accounting standards. Accounting records for recognition of this liability and associated expenses are carried out in accounts different from those in which actuarial estimates are included.

17.2 INCOME TAX

Income tax and surtaxes

Tax regulations applicable to the Company provide:

- a. Taxable income is subject to 33% for 2008 and 34% for 2007.
- b. The basis to determine income tax for the year shall not be lower than 3% of net fiscal equity on the last day of the preceding taxable year, refined with the items duly authorized by tax regulations in force.

- c. Law 863 of 2003 established that income tax payers could deduct 30% of the effective investments made only in productive real fixed assets. According to changes made in Law 1111 of 2006, starting 2007, the percentage is 40% and its application does not result in income taxable for shareholders. Taxpayers that acquire real productive fixed assets to be depreciated from January 1, 2007 onwards and avail of this deduction herein established can depreciate such assets only through the straight-line method and are not entitled to the audit benefit, even when complying with requirements established. After applying this regulation, and based on investments made by the Company during the year, the period's ordinary net taxable income was decreased by \$16,904 (2007, \$ 44,041).
- d. As of 2004, income tax payers performing transactions with foreign related or associated parties and/or with residents of countries considered as tax haven, 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 updating study for 2008; however, based on the satisfactory results of the study conducted for 2007, their opinion is that no significant additional income tax provisions shall be required as a result of the study.
- e. As a result of application of CGN Resolution No. 356 of September 5 of 2007 (to be applied retroactively as of January 1 of 2007), change arises in accounting treatment of equity investments of controlled entities on which the corporation has important influence, particularly for recording of updating through equity method, according to which, all exchange difference variations are considered equity variations until disposal of investment, therefore affecting equity instead of fiscal year's results. Pursuant to the provisions of fiscal regulation of investment in foreign currency, as of application of the above accounting rule generates a conciliatory entry between accounting and fiscal results, arising from the exchange difference from investments in foreign currency in controlled entities.
- f. 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 using an exoneration mechanism. Based on this decision and on the opinions of tax advisors, the income earned in CAN member countries are considered to be tax exempt.

- g. On June 27, 2008, ISA and the Ministry of Mines and Energy subscribed the legal stability agreement for the activity of electric energy transmission during 20 years. The agreement provides for legal stability regarding income tax regulations, among which: income tax rate, deduction of inflation component of financial expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in import of machinery for energy transport, presumptive income equal to 3% of net fiscal equity, and transitoriness of equity tax.

This agreement guarantees that, in the event of adverse modification to the regulations stabilized under the agreement, unmodified regulations shall continue to apply during the term of the agreement.

The reconciliation between accounting income and taxable income for 2008 and 2007 is as follows:

	2008	2007
Income before taxes	330,780	272,915
Plus items that increase distributable income:		
Monetary correction	-	6,229
Amortization of goodwill	4,318	4,318
Write-off and tax provision for accounts receivable	457	2,145
Net cost of assets sold	687	5,338
Cash dividends received	39,222	44,446
Non-deductible costs and expenses	1,169	7,095
Less items that decrease distributable income:		
Excess of depreciation and amortization	(35,873)	(23,898)
Additional depreciation/amortization for tax inflation adjustment	(43,237)	(43,680)
Recovery of provisions	(8,497)	(80)
Equity method	(62,521)	2,492
Non-taxable dividends and participations	(26,134)	(20,858)
Investments exchange difference	31,306	(97,782)
Non-deductible provisions	(2,074)	(7,080)
Special deduction of productive real fixed assets	(16,904)	(44,041)
Amortization excess notional income	-	(21,233)
Other	(4,396)	(1,681)
Total ordinary income	208,303	84,645
Taxable income	208,303	84,645
Less tax-exempt income	(1,260)	(22,329)
Taxable income	207,043	62,316
Tax rate	33%	34%
Income tax	68,324	21,187

Net tax effect on the results of the year:

	2008	2007
Income tax	68,324	21,187
Deferred taxes net, income adjustment preceding years	24,367	22,508
CAN countries tax	1,496	3,199
Net charge to income	94,187	46,894

Reconciliation between accounting and taxable equity at December 31:

	2008	2007
Accounting equity	4,809,263	3,833,320
Plus:		
Investments increased fiscal value	192,833	359,728
Non-deductible provisions	65,942	69,557
Credit deferred tax	126,617	115,111
Monetary correction effect	591,257	633,541
Less:		
Accounting re-appraisals	2,185,306	1,301,520
Goodwill	225,459	229,777
Debit deferred tax	92,477	94,208
Excess of tax depreciation of fixed assets	338,977	306,053
Excess of amortization of deferred charges and intangible assets	26,600	24,657
Total taxable equity	2,917,093	3,055,042

The following temporary differences generated a deferred tax liability for tax years ended December 31:

Credit deferred tax	2008	2007
Excess of tax depreciation	338,977	306,053
Excess of tax amortization	26,600	24,657
Equity method	18,110	18,110
Total deferred tax basis	383,687	348,820
Tax rate	33%	33%
Credit deferred tax	126,617	115,111
Debit deferred tax	2008	2007
Provision for accounts receivable	3,191	5,492
Estimated liabilities	41,056	36,690
Retirement pensions	6,840	15,936
Inflation adjustments	211,595	227,292
Excess of notional income	17,065	-
Total deferred tax basis	279,747	285,410
Tax rate	33%	33%
Debit deferred tax	92,316	94,185
Branch's deferred tax	161	23
Balance	92,477	94,208

The income tax returns for 2007 and 2006 are subject to the review and approval by the tax authorities. The Company's management and its legal counsels consider that the amounts accounted as income tax payable suffice to pay any liability that could be determined for such years.

Equity tax

Under Law 1111 of 2006, equity tax was established for fiscal years 2007, 2008, 2009 and 2010, payable by individuals, legal entities and unincorporated associations who pay income tax. For matters of this tax, wealth is equivalent to the obligor's total net fiscal equity that exceeds \$3,000 million.

This tax is calculated on the basis of net fiscal equity as of January 1 of 2007, at a rate of 1.2%.

During the first semester of 2008, the management, based on article 25 of Law 1111 of 2006, and with approval of the Shareholders' Meeting of March 30 of 2007, authorized recording the equity tax of year 2008 for \$20,173 against the equity revaluation account.

NOTE 18: OTHER LIABILITIES

Balance of other liabilities at December 31:

	2008	2007
Total other short-term liabilities	1,189	1,224
Other long-term liabilities		
Deferred taxes	126,617	115,111
Deferred income	68,264	44,266
Total other long-term liabilities	194,881	159,377

NOTE 19: SHAREHOLDERS' EQUITY

SUBSCRIBED AND PAID-IN CAPITAL

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

SHAREHOLDER	Number of Shares	2007 Value	% Participation
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	52.942
Empresas Públicas de Medellín E.S.P. -EPM-	109,350,775	3,587	10.166
Subtotal	678,823,336	22,266	63.108
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.478
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.715
Subtotal	77,373,530	2,538	7.193
Subtotal	756,196,866	24,804	70.301
Private investors			
Fondo de Pensiones Obligatorias Protección	45,539,999	1,494	4.234
Fondo de Pensiones Obligatorias Porvenir	30,000,626	984	2.789
Fondo de Pensiones Santander	23,217,553	762	2.158
Fondo de Pensiones Horizonte	23,014,895	755	2.140
Fondo de Pensiones Obligatorias Colfondos	18,206,577	597	1.693
Foreign investors	9,487,546	311	0.882
Fiducolombia - ISA ADR Program	3,424,875	112	0.318
Other shareholders	166,572,437	5,462	15.485
Subtotal	319,464,508	10,477	29.699
Total outstanding subscribed capital	1,075,661,374	35,281	100.000
Reacquired shares	17,820,122	585	
Total subscribed and paid-in capital	1,093,481,496	35,866	

SHAREHOLDER	Number of Shares	2008 Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	52.942
Empresas Públicas de Medellín E.S.P. –EPM–	109,350,775	3,587	10.166
Subtotal	678,823,336	22,266	63.108
Public and private capital investors			
Empresa Colombiana de Petróleos – ECOPETROL–	58,925,480	1,933	5.478
Empresa de Energía de Bogota –EEB–	18,448,050	605	1.715
Subtotal	77,373,530	2,538	7.193
Subtotal	756,196,866	24,804	70.301
Private investors			
Fondo de Pensiones Obligatorias Protección	53,266,156	1,747	4.952
Fondo de Pensiones Obligatorias Porvenir	32,377,490	1,062	3.010
Fondo de Pensiones Horizonte	28,004,084	919	2.603
Fondo de Pensiones Obligatorias Colfondos	24,552,489	805	2.283
ING Fondo de Pensiones	22,390,518	734	2.082
Foreign investors	9,925,575	326	0.923
Fondo de Pensiones Obligatorias Skandia S.A.	7,581,304	249	0.705
Fiducolumbia - ISA ADR Program	2,950,825	97	0.274
Other shareholders	138,416,067	4,538	12.867
Subtotal	319,464,508	10,477	29.699
Total outstanding subscribed capital	1,075,661,374	35,281	100.000
Repurchased shares	17,820,122	585	
Total subscribed and paid-in capital	1,093,481,496	35,866	

(1) Participation percentage on outstanding shares.

(2) Shares initially held by CORELCA, reacquired in August of 1998. To date, all rights inherent to these shares have been suspended; consequently, they do not participate

in dividend distributions nor are they taken into account for establishing quorum to deliberate and decide.

ISA can issue common and preferred shares, and shares with preferred dividend but without voting rights. All shares are registered and circulate either in a materialized or dematerialized manner, as decided by the Board of Directors in the corresponding ruling.

Outstanding shares are common, registered and dematerialized. Depósito Centralizado de Valores de Colombia –DECEVAL S.A.– is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

SHARE ISSUE 2007

Between November 16 and December 6 of 2007 ISA made a public offer for issuance of common, registered, capital stock shares; this offer used the Book Building methodology, as approved by Decree 3780 of October 1 of 2007 of the Colombian Financial Superintendency. Such mechanism allowed investors to propose the price and number of shares they were interested in buying, reaching demand for 178 million shares.

ISA's Board of Directors, in special meeting of December 7 of 2007, formalized the public offer of the Company's shares and defined the total offer size at 56,394,211 shares, at a subscription price of \$7,076 pesos per share.

Proceeds from this process shall be earmarked to finance the Company's investment plan and to optimize ISA's capital structure.

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 2007 it increased by \$397,197, corresponding to share issuance held on December 7 of 2007.

- **Received for works**

This account represents amounts delivered by the National 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 of the year. Any balance of the reserve in excess of 50% of subscribed capital is at the disposal of the shareholders.

- **Mandatory reserve for tax purposes**

The Shareholders' Meeting approved appropriation of this reserve from net income, in compliance with Article 130 of the Tax Law, 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 repurchase of shares**

The Shareholders' Meeting of March 22, 2001 approved \$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 \$38,100 special reserve to acquire own shares held by EPM.

- **Reserve for reinforcement of equity**

On March 26, 1999, the Shareholders' Meeting approved an occasional reserve in accordance with Article 47 of the bylaws. This reserve was ordered so that the Company could retain its solid financial position and maintain the financial indicators required by the rating agencies, in order to obtain the investment degree and comply with contractual commitments to lenders.

- **Reserve for rehabilitation and replacement of STN assets**

The Shareholders Meeting held on March 30, 2000, approved \$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.

As of year 2007, and according to regulations in force, the tax on equity is accrued by decreasing this account.

SURPLUS FROM EQUITY METHOD

Relates to the contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method (See Note 3.3).

As of year 2007, it includes the effect of exchange difference from translation of investments abroad.

NOTE 20: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

		2008	2007
Debit			
Tax debit memorandum accounts	(1)	2,616,806	2,615,856
Other contingent rights		54,834	53,622
Other debit control accounts		10,165	-
Total debit memorandum accounts		2,681,805	2,669,478
Credit			
Claims and lawsuits (See Note 20.1)		946,470	858,280
Guarantees granted		215,842	247,461
Tax credit memorandum accounts	(2)	99,425	101,854
Other credit control accounts		6,918	6,888
Total credit memorandum accounts		1,268,655	1,214,483

(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.

(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

CLAIMS AND LAWSUITS

ISA currently appears as party, 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 its stability. In its own name, it has taken the necessary judicial measures to carry out its corporate purpose and the defense of its interests.

Below is the information regarding the judicial processes which the Company is a party to:

- a. At December 31, 2006, ISA has filed administrative claims 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. It 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 performance policy by Confianza.
- c. Cundinamarca Administrative Tribunal, first Section. ISA has sued the Superintendency of Public Utilities for \$1,425 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 Cauca.
- 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 reimbursing excess income tax paid in 1995. The process is currently awaiting judgment from the Tribunal.
- e. Administrative Tribunal of Antioquia. ISA challenged Resolution 1233 of 2001, by which the Municipality of San Carlos requested payment of taxes by the public space occupation for \$1,839 for the year 2000.

- f. Nullity and redress process No. 064. Flores III LTDA & CIA. S.C.A. E.S.P. has sued the State – 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.
- 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$58,598 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$92,008 and USD32.5 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- k. Administrative Court of Antioquia. Proeléctrica & Cía S.C.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, 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 State, the Ministry of Mines and Energy, and CREG, in the amount of \$135,848 regarding application of CREG Resolutions 034 and 038 of 2001.

The lawsuits for application by ISA, as the Administrator of the Commercial Settlement System –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 as 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 transactions, which would permit the Company's equity to remain unharmed.

- m. Gomez Cajiao y Asociados has filed a contractual lawsuit in the amount of \$2,000 requesting the nullity of act awarding Public Bid C002, the nullity of BL98 contract, and redress of its right as proponent.
- n. Empresas Públicas de Medellín has filed a nullity and redress lawsuit against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$947 for recording of customer metering points.
- o. Ninth Circuit Civil Court, Barranquilla. Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim against ISA and other for \$4,000 for the accident of a family member during the performance of a contract.
- p. Cundinamarca Administrative Tribunal, first Section. ISA has sued the Superintendency of Public Utilities for \$923. ISA challenged Resolutions No. SSPD-20082400007415 of March 26, 2008 and SSPD-20082400018105 of June 18, 2008, imposing and confirming fine against ISA for the event of April 26, 2007.

As of December 31, 2008, there exist other labor, civil and administrative claims pending decision for a total amount close to \$2,100 that are related to the normal course of operations of ISA. The Company's management and its legal counsels consider remote the possibility of loss as a result of such claims.

20.2 GUARANTEES IN FORCE

At 2008 year's end the following bank guarantees were in force:

- a) Guarantee established in September 2008 to secure compliance by ISA of obligations assumed under contract E-514, whose purpose is to provide ETESAL with remote consulting services for preparation of the Expansion Plan of El Salvador's Transmission System for the period 2009-2018, and the associated Five-Year Investment Program.

Guaranteed contract	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Correspondent bank	Initial date	Maturity	Object
E-514	ETESAL S.A.	1,600	Bancolombia	Banco Agrícola de El Salvador	18-Sep-08	04 Jun-2009	Performance guarantee

- b) Performance guarantee by ISA, for liabilities under ETESA GG-123-2007-ISA4500033541 agreement whose purpose is the preparation of pre-design and engineering for the Colombia-Panama Electric Interconnection in HVDC, and technology transfer for ISA and ETESA. This guarantee was extended until July 29, 2009 to comply with Clause 1 of the contract.

Guaranteed contract	Beneficiary of the guarantee	Amount (USD)	Colombian entity commission	Correspondent bank	Initial date	Maturity	Object
ETESA GG-123-2007 SA4500033541	Cesiterna	423,816	Banco de Bogota	Intesa BCI Comit (Italia)	20-Dic-07	29-Jul-09	Garantía de Cumplimiento

Guarantees established by ISA include:

- a. Leasing payment liability; infrastructure leasing established by Leasing de Crédito, transferred by Flycom Comunicaciones S.A. E.S.P. to INTERNEXA S.A. E.S.P. in December 2007. This guarantee was established by 75.4% of total, equivalent to \$2,031. Balance as of December 2008 is \$1,487 in force until September 17, 2016.
- b. Pledge to lenders of 100% value of current and future shares in subsidiaries Red de Energía de Peru, ISA Peru and ISA Bolivia S.A. The term of the pledge equals that of the loans. Operation was approved by the Company's Board of Directors, and it needed the

favorable opinion of the National Planning Department –DNP–, plus authorization resolution from the Ministry of Finance and Public Credit.

- c. Guarantee signed on June 29 of 2007 between ISA as guarantor and Banco Centroamericano de Integración Económica –BCIE– as beneficiary; according to which, ISA guarantees the obligations of Empresa Propietaria de la Red S.A. –EPR– under loan agreement signed with BCIE, for USD40 million, related to financing of the SIEPAC project. The guarantee must be valid until total principal is paid off (June 29 of 2027).

As support for the commitments acquired by ISA Bolivia S.A. with BID and CAF, shareholders posted the following guarantees:

- Lien on shares of ISA Bolivia by shareholders TRANSELCA and INTERNEXA, and granting of power of attorney by ISA as guarantee for repayment of loans.
- Share retention and subordination agreement under which ISA and TRANSELCA are bound to maintain their stock ownership in ISA Bolivia S.A., and to maintain any loans extended to the latter, subject to compliance with BID and CAF loan agreements, in accordance with the agreement of common terms.
- Custody agreement subscribed among BID, CAF, Banco de Crédito de Bolivia S.A., ISA and ISA Bolivia, under which, ISA delivers under custody to Banco de Crédito de Bolivia S.A. the totality of its shares in ISA Bolivia.
- Support and Guaranty Agreement under which, ISA and TRANSELCA are bound to, among other things, guarantee the loan extended by BID and CAF until the date of completion of the project. Likewise, ISA and TRANSELCA are bound to pay the debt's outstanding balance, in the event of intervention of termination of the license agreement entered into with the Superintendency of Electricity.

The guarantees that required authorizations were previously approved by the ISA's Board of Directors and by the entities that regulate public debt.

NOTE 21: OPERATING REVENUES

These are revenues from services delivered by the Company: Transmission of Electric Power (Use of the STN), connection to the National Transmission System and energy transport ancillary services (administration, operation, and maintenance, specialized technical services, special studies, infrastructure availability, and infrastructure projects). Services were rendered to the following customers:

	2008	2007
EPM	126,395	108,574
Codensa	112,133	105,609
Electricaribe	91,696	53,122
Isagen	53,518	48,552
Emcali	42,229	41,707
Emgesa	30,290	30,630
Epsa	22,992	-
Electrocosta	-	45,100
Corelca	-	22,298
Other customers with invoicing less than 5% of total	435,091	306,767
Total operating revenues	914,344	762,359

PRONE revenues are recognized as of February of 2008, equivalent to the costs from the same item; for the year revenues totaled \$48,191.

Also included are revenues from construction of assets for third parties, for \$22,617.

NOTE 22: OPERATING COSTS

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

	2008	2007
Personnel expenses	45,257	42,675
Materials and maintenance (1)	42,871	26,938
Cost of constructions services for third parties (2)	21,523	-
Fees	8,117	6,038
Rentals	2,205	980
Insurance	6,343	5,889
Utilities	9,370	9,675
Intangibles	3,076	2,152
Environment and social – ISA Región	4,808	4,375
Communications	560	400
Advertising, prints and publications	34	119
Studies	611	1,855
Miscellaneous	6,178	6,452
Taxes and contributions (3)	108,796	61,833
Operating costs before depreciation and amortization	259,749	169,381
Depreciation	103,301	96,108
Amortization (4)	2,921	11,423
Total depreciation and amortization	106,222	107,531
Total operating costs	365,971	276,912

- (1) Increase in materials and maintenance is due to execution of expense projects (Malena, Ancón – Esmeralda alternate line) and acquisition of spacer dampers.
- (2) Cost associated to new construction services for third parties delivered starting in 2008.
- (3) Increase in contributions and taxes is explained by incorporation of PRONE, a contribution instituted under Law 1151 of 2007, equivalent to one peso (\$1) per kV-hour transported, for financing the Electric Grid Normalization Program that affects both revenues and expenses of the income statement.
- (4) The decrease in amortization is due to the application of the new accounting procedures established by CGN, according to which, the way in which intangibles (rights, software and licenses) were amortized was modified.

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

	2008			2007		
	Total	Capitalized	Net	Total	Capitalized	Net
Operating costs before depreciation and amortization	264,228	(4,479)	259,749	172,295	(2,914)	169,381
Depreciation and amortization	106,222	-	106,222	107,531	-	107,531
Total	370,450	(4,479)	365,971	279,826	(2,914)	276,912

NOTE 23: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

	2008	2007
Personnel expenses	(1) 45,671	49,311
Materials and maintenance	1,070	835
Fees	(2) 3,619	2,826
Rentals	656	620
Insurance	587	650
Utilities	5,632	4,973
Intangibles	2,315	3,648
Communications	453	343
Advertising, prints and publications	(3) 1,167	2,016
Studies	(4) 392	5,170
Miscellaneous	2,396	2,807
Taxes and contributions	643	746
Administration expenses before depreciation, amortization and provisions	64,601	73,945
Provisions	3,050	2,741
Depreciation	2,018	1,980
Amortization	(5) 4,320	10,994
Total provisions, depreciation and amortization	9,388	15,715
Total administration expenses	73,989	89,660

(1) Lower amortization of actuarial estimate with respect to 2007 due to accelerated amortization of pension liabilities associated to voluntary benefits in that year.

(2) Increase in fees for financial consulting (NIIF Project), administrative consulting (ISO 14001 and OHSAS 18001 Certifications) and legal consulting.

- (3) Publicity and institutional advertising contains actions to position ISA and the economic group through specialized media that will reach the Company's target group. Public relations expenses along the year equaled \$9, corresponding to payments of public relations events by the CEO's office.
- (4) Decrease in this item is accounted for by the fact that 2007 saw higher costs from studies for issuance of securities.
- (5) The higher value in 2007 is the result of amortization of intangibles (software and licenses), with implementation of the modifications to the Public Accounting Regime in that year.

The following table summarizes total administration expenses, detailing expenses capitalization and/or assignment:

	2008			2007		
	Total	Capitalized	Net	Total	Capitalized	Net
Administration expenses before depreciation, amortization and provisions	65,273	(671)	64,602	74,775	(830)	73,945
Depreciation and amortization	6,338	-	6,338	12,974	-	12,974
Provisions	3,049	-	3,049	2,741	-	2,741
TOTAL	74,660	(671)	73,989	90,490	(830)	89,660

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2008 and 2007:

	2008	2007
Personnel expenses	90,928	91,986
Materials and maintenance	43,941	27,773
Cost of constructions services for third parties	21,523	-
Fees	11,736	8,864
Rentals	2,861	1,600
Insurance	6,930	6,539
Utilities	15,002	14,648
Intangibles	5,391	5,800
Environment and social – ISA Región	4,808	4,375
Communications	1,013	743
Advertising, prints and publications	1,201	2,135
Studies	1,003	7,025
Miscellaneous	8,574	9,259
Taxes and contributions	109,439	62,579
Administration expenses before depreciation, amortization and provisions	324,350	243,326
Provisions	3,050	2,741
Depreciation	105,319	98,088
Amortization	7,241	22,417
Total provisions, depreciation and amortization	115,610	123,246
Total operating costs and expenses	439,960	366,572

In 2008, 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”, 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.

No internal or external advisors with the main function of processing affairs with public or private entities, or advice on or prepare studies for such effect were hired in 2008.

NOTE 24: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

	2008	2007
Financial revenues		
Interest		
On overdue accounts receivable and other loans	3,752	3,383
Monetary readjustment yields	1,759	1,029
Investment valuations	4,977	3,003
Commercial, conditioned and agreed discounts	309	460
Total interest	10,797	7,875
Exchange difference		
Cash	11,242	5,423
Debtors	8,805	3,107
Investments abroad	13,676	893
Other assets	231	122
Accounts payable	2,325	1,750
Financial liabilities	116,658	110,963
Total exchange difference	152,937	122,258
Total financial revenues	163,734	130,133
Revenues from equity method	72,148	59,259
Extraordinary revenues and others		
Indemnities	3,372	1,936
Rentals	115	104
Recoveries	(1) 10,101	1,110
Revenues from prior years	1,303	1,401
Other	(2) 2,425	6,193
Extraordinary revenues and others	17,316	10,744
Total non-operating revenues	253,198	200,136

(1) The increase is explained by accounting in 2008 of increased receivables recovery, insurance and expenses from prior years.

(2) The year 2007 includes \$4,637 of sales of assets.

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

	2008	2007
Financial		
Interest and commissions		
Financial revenues (See Note 13)	84,727	108,469
Interests and commissions on bonds (See Note 12)	106,601	96,738
Deferred charges and other assets	2,973	6,529
Administration of security issues (1)	1,983	6,061
Loss from valuation and sale of investments	6,949	4,094
Miscellaneous	779	757
Total interest and commissions	204,012	222,648
Exchange difference		
Assets	6,145	5,664
Investments	-	1,486
Accounts payable	32,876	7,905
Financial liabilities	126,559	1,268
Total exchange difference	165,580	16,323
Total financial expenses	369,592	238,971
Expense from equity method	9,627	61,751
Extraordinary expenses and others		
Losses on casualties (2)	10,826	10,660
Loss from retirement of assets	2,917	3,727
Other (3)	2,733	7,503
Prior years adjustments	1,107	396
Extraordinary expenses and others	17,583	22,286
Total non-operating expenses	396, 802	323,008

- (1) Includes in 2007, \$5,198 corresponding to expenses in share issuance.
- (2) During 2008 and 2007, the Company was affected by terrorist attacks to the electric infrastructure, which implied incurring extraordinary expenses for its recovery, including personnel expenses related thereto.
- (3) 2007 includes \$6,248 for retirement of inventories and \$237 executed as part of the solidarity and education support programs.

NOTE 25: FINANCIAL INDICATORS

Some financial indicators at December 31:

INDICATOR	2008	2007
RETURN ON ASSETS Operating income/Total assets(%)	6.47%	6.23%
RETURN ON EQUITY Net income / Equity (%)	4.92%	5.90%
EBITDA/ operating interest (times)	3.15	2.62
EBITDA/ long-term debt (times)	0.45	0.39
LIQUIDITY Current assets/ Current liabilities	97.35%	65.29%
INDEBTEDNESS Liabilities / Assets (%)	34.37%	39.64%
ACCOUNTS RECEIVABLE TURNOVER (days) Average receivables customers / Operating revenues	71	77

RETURN ON ASSETS: Results explained mainly by increased revenues, arising from: a) behavior of PPI (factor to which revenues are indexed) which grew by 9.0% along the year, compared to 1.3% growth of 2007, b) new revenues from commissioning of fiber optic and connection projects, and purchase of Betania assets, c) revenues of \$22,617 million from construction of projects for third parties.

RETURN ON EQUITY: Decrease is explained by increased asset re-appraisal arising from technical studies.

EBITDA/ OPERATING INTEREST (TIMES): Better EBITDA resulting from increased revenues and optimization of expenses as well as lower interest associated to drop in debt.

EBITDA/ LONG-TERM DEBT (TIMES): Increase corresponds to greater EBITDA and to decrease in long-term debt.

LIQUIDITY: Increase is due to increased marketable investments and reduced short-term debt, resulting from bond underwriting conducted in December of 2008.

Noteworthy is the fact that the energy transmission business is supported by a strong physical infrastructure; therefore, a large percentage of its expenses (depreciation, provisions and amortization) do not imply cash expenditure, which allows for coverage of short-term liabilities with cash flow from the business.

INDEBTEDNESS: Reduction explained by debt payment and increased asset re-appraisal arising from technical studies.

ACCOUNTS RECEIVABLE TURNOVER: Its improvement is explained by the larger proportion of increase of operating returns with respect to customers' accounts receivable.

NOTE 26: TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions with related parties during 2008 and 2007 are:

	2008	2007
Balances		
Equity investments		
TRANSELCA S.A. E.S.P.	603,420	490,137
ISA Capital do Brazil	701,933	820,724
REP S.A.	118,534	97,405
INTERNEXA S.A. E.S.P.	142,204	121,679
Consortio TransMantaro S.A.	74,479	56,939
ISA Peru S.A.	15,106	13,906
ISA Bolivia S.A.	30,730	26,242
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,622	22,461
Proyectos de Infraestructura del Peru S.A.C.	2,372	-
Debtors		
TRANSELCA S.A. E.S.P.	149	254
INTERNEXA S.A. E.S.P.	4,970	7,179
ISA Peru S.A.	111	159
REP S.A.	1,892	2,481
ISA Bolivia S.A.	1,735	719
XM, Compañía de Expertos en Mercados S.A. E.S.P.	396	262
Proyectos de Infraestructura del Peru S.A.C.	1,103	-
TRANSNEXA S.A. E.M.A.	29	-
Accounts payable		
TRANSELCA S.A. E.S.P.	231,005	222,938
ISA Capital do Brazil	61,324	62,339
INTERNEXA S.A. E.S.P.	4,375	17,036
REP S.A.	68	143
XM, Compañía de Expertos en Mercados S.A. E.S.P.	814	793
Proyectos de Infraestructura del Peru S.A.C.	279	-
INTERNEXA Peru	247	-

	2008	2007
Equity transactions		
Dividends declared in favor of ISA		
TRANSELCA S.A. E.S.P.	18,297	23,945
REP S.A.	-	9,433
INTERNEXA S.A. E.S.P.	18,122	-
ISA Peru S.A.	2,089	1,936
Consortio TransMantaro S.A.	-	8,406
XM, Compañía de Expertos en Mercados S.A. E.S.P.	753	-
	2008	2007
Transactions related to results		
Revenues		
TRANSELCA S.A. E.S.P.	1,243	857
INTERNEXA S.A. E.S.P.	19,841	13,739
ISA Peru S.A.	1,819	1,785
ISA Bolivia S.A.	1,914	1,026
REP S.A.	3,548	9,086
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,753	1,981
Consortio TransMantaro S.A.	205	-
Proyectos de Infraestructura del Peru S.A.C.	1,410	-
INTERNEXA Peru (Operating revenues)	146	-
INTERNEXA Peru (Non-operating revenues - Preceding years revenue reimbursement)	(894)	-
TRANSNEXA S.A. E.M.A.	562	-
Expenses		
TRANSELCA S.A. E.S.P.	21,907	13,164
INTERNEXA S.A. E.S.P.	7,508	960
XM, Compañía de Expertos en Mercados S.A. E.S.P.	6,411	5,527
REP S.A.	1,868	1,098
Consortio TransMantaro S.A.	-	6
ISA Capital do Brazil	3,616	3,985
Proyectos de Infraestructura del Peru S.A.C.	297	-
Administrators (1)		
Board of Director's fees	353	303
Managers' salaries and benefits	5,351	4,943
Managers' bonuses	1,066	1,173
Benefits to managers	406	653
Loans receivable from managers	1,623	2,704

(1) The detail of amounts received by managers is:

Item	Directors (*)	Managers (**)	Total
Integral salary	3,141	1,900	5,041
Benefits (education and health)	194	57	251
Bonuses (temporary transfers, results, directive position)	585	481	1,066
Vacations	180	130	310
Other (sick leaves and non-variable per-diems)	88	67	155
Total earned	4,188	2,635	6,823
Loans balance	848	775	1,623

* "Directors" includes 28 executives of the Company, whose posts are as follows:

Procurement Director	Operating Audit Director
Commercial Director	Accounting and Costs Director
Northwest CTE Director	Southwest CTE Director
Central CTE Director	East CTE Director
Organizational Development Director	Project Execution Director
Roads Project Director	Subsidiaries Management Director
Maintenance Management Director	Human Talent Management Director
Information Director	Project Engineering Director
Legal Director	Logistics Director
New Businesses Director	Corporate Planning Director
Financial and Tax Planning Director	Planning and Regulation Director
Corporate Image Director	Financial Resources Director
Social and Environmental Director	Operation Management Director
Panama Interconnection Project Director	Deputy Technical Manager

** "Managers" includes 8 executives, whose posts are as follows: Chief Executive Officer, Secretary General, Corporate Auditor, Corporate Finance Manager, Corporate Strategy Manager, Project Infrastructure Manager, Energy Transport Manager and Administrative Manager.

Covenants or contracts with subsidiaries for the acquisition of goods and services take into account the terms, conditions and costs generally used by ISA with non-related third parties, i.e. the market conditions.

Application of transfer pricing introduced by Law No 788 of December of 2002, started in January 1, 2004. This law states that transactions with related parties abroad should be priced at the same prices that would be applied to independent third parties.

NOTE 27: SUBSEQUENT EVENTS

- On February 23, 2009, the President of Colombia supported the proposal presented by Grupo Infraestructura para la Competitividad, according to which, ISA will carry out the viability studies and execution of Proyecto Corporativo Autopistas de la Montaña.

The members of the group INFRAESTRUCTURA PARA LA COMPETITIVIDAD are: the Ministry of Transport, the Medellin Chamber of Commerce for Antioquia, the Antioquia Province Government, the Medellin City Government, the Institute for Antioquia Development –IDEA–, the Antioquia Society of Engineers and Architects –SAI–, Proantioquia, the National Association of Industrialists –ANDI–, and the National Commerce Federation –FENALCO–.

- On January 30, 2009, ISA's Board of Directors authorized management to create an investment vehicle and present an offer in Chile for a road infrastructure project.
- Revision of transmission remuneration: On February 25, 2009, CREG published in the Official Gazette Resolution 011 of 2009, establishing methodology and tariff formulae for remuneration of the activity of electric energy transmission on the National Transmission System. This resolution preserves the methodology for regulated revenues for assets not subject to public bidding, and revises the parameters used for revenue calculation and the transmission service quality scheme.

Application of the new scheme will start once each transporter's assets base is approved by CREG; the new quality scheme will be in force as of July 2009. According to evaluations performed, no significant changes are expected in assets' revenues; however, service quality demands are considerably higher.

ABBREVIATIONS

ACOLGEN:	Asociación Colombiana de Generadores (Colombian association of generators)
ASIC:	Administrator of the Commercial Settlement System
BRL:	Brazilian Real
CAN:	Andean Community of Nations
CVM:	Comissão de Valores Mobiliários (Brazil)
CGN:	Colombian General Accounting Office
CND:	National Dispatch Center
COP:	Colombian pesos
CRD:	Regional Dispatch Center
CREG:	Energy and Gas Regulatory Commission
C.F.O:	Dark Fiber Cable
DIAN:	Colombian Customs and Tax Administration
ECA:	Export Credit Agency
EPR:	Empresa Propietaria de la Red
ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
FAER:	Support Fund for the Electrification of Interconnected Rural Areas
FAZNI:	Financial Support Fund for Non-Interconnected Areas
FOES:	Social Energy Fund
HVDC:	High Voltage Direct Current
JPY:	Japanese Yen
LAC:	Settling and Clearing of Accounts
MEM:	Wholesale Electricity Market
NDF:	Non-Delivery Forward
PRONE:	Network Normalization Program
REP:	Red de Energía del Peru
SAC:	South American Crossing
SIC:	Commercial Settlement System
STE:	Energy Transport Service
STN:	National Transmission System
UPME:	Mining and Energy Planning Unit
USD:	United States Dollar

■ ELECTRIC
ENERGY TRANSPORT

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