

ANNUAL REPORT 2011



ELECTRIC ENERGY
TRANSPORT



TELECOMMUNICATIONS
TRANSPORT



ROAD
CONCESSIONS

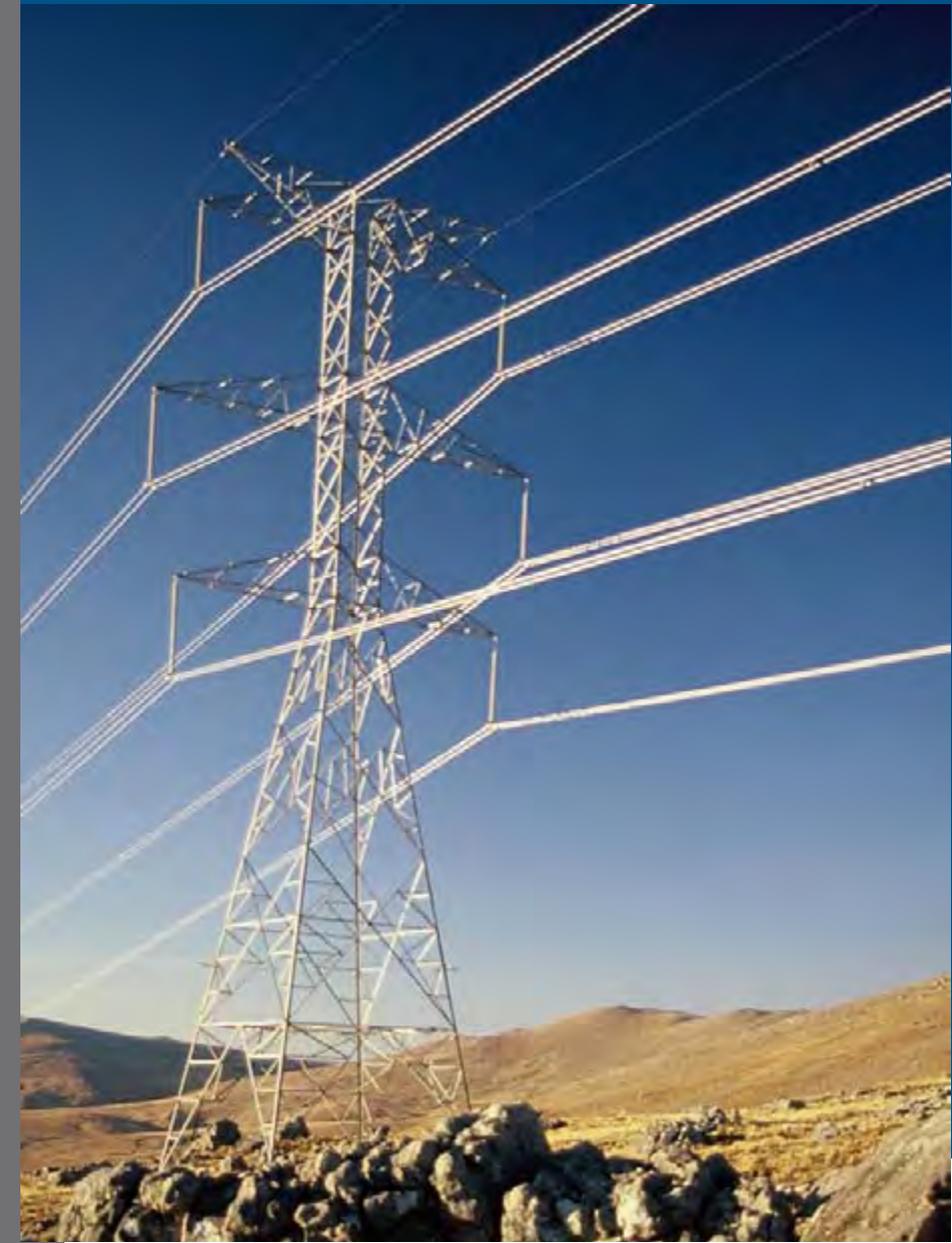


REAL-TIME SYSTEMS
INTELLIGENT MANAGEMENT



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BOARD OF DIRECTORS

PRINCIPAL MEMBERS

MINISTRY OF MINES AND ENERGY

Minister

Mauricio Cárdenas Santa María

Carlos Enrique Rodado Noriega

MINISTRY OF FINANCE AND PUBLIC CREDIT

Vice – Minister General

Germán Arce Zapata

William Bruce Mac Master Rojas

Orlando Cabrales Martínez

Federico Restrepo Posada

Santiago Montenegro Trujillo

Luisa Fernanda Lafaurie Rivera

Luis Ernesto Mejía Castro

ALTERNATE MEMBERS

MINISTRY OF MINES AND ENERGY

Vice – Minister

Tomás González Estrada

MINISTRY OF FINANCE AND PUBLIC CREDIT

Legal Counsel to the Minister

María Fernanda Suárez Londoño

Germán Arce Zapata

Isaac Yanovich Farbaiarz

Jesús Arturo Aristizábal Guevara

Jorge Hernán Cárdenas Santamaría

Alejandro Linares Cantillo

Carlos Felipe Londoño Álvarez

MANAGEMENT

POSITION	NAME
CHIEF EXECUTIVE OFFICER	Luis Fernando Alarcón Mantilla
ENERGY TRANSPORT MANAGER	Julián Cadavid Velásquez
INFRASTRUCTURE PROJECTS MANAGER	Germán Ortiz Plata <i>Guillermo Márquez Moreno</i>
CORPORATE STRATEGY MANAGER	Ana Mercedes Villegas Mejía
CORPORATE FINANCE MANAGER	Camilo Barco Muñoz
ADMINISTRATIVE MANAGER	Carlota María Nicholls Estrada
SECRETARY GENERAL CORPORATE	Natalia Martínez Villa
AUDITOR	Jhon Jairo Vásquez López
CORPORATE SOCIO-ENVIRONMENTAL DIRECTOR	Martha Ruby Falla González
CORPORATE IMAGE DIRECTOR	Carmen Elisa Restrepo Vélez

INFORME ANUAL
2011

Message from the Management



MESSAGE FROM THE MANAGEMENT

Messrs. Shareholders:

We are pleased to share with you the advances in the initiatives and projects implemented by ISA and its affiliates along 2011, as well as the main management achievements and new challenges taken along the same period, seeking a better future for our corporation and the inhabitants of those Latin American countries whose development is the target of our efforts.

The year 2011 witnessed ISA's new and interesting steps toward its consolidation as the structurer, developer and operator of linear infrastructure projects that boost continental development.

As part of its consolidation strategy as one of Latin America's major electric energy transporters, ISA, together with its companies, commissioned electric energy transmission works that were in development phase, and substantiated important opportunities of new projects to enhance their growth.

Also, through its subsidiary INTERNEXA, it commissioned projects that help consolidate a 19,912-km fiber optic network that positions it as the continent's telecommunications operator with the largest continuous land network, integrating all of South America, from the Atlantic to the Pacific coastlines.

Two facts stand out in the business of Road Concessions: the purchase from Cintra Infraestructuras of Spain, at a cost of USD211 million, of

the remaining 40% stake it had in INTERVIAL CHILE, a company that controls five highway concessions in that country; and ISA's first year at the helm of those companies. Additionally, in Colombia, the Autopistas de la Montaña Project studies were submitted to the Agencia Nacional de Infraestructura –ANI– for evaluation.

The experience developed by XM in operation of the power system and electricity market administration allowed it to offer intelligent solutions, based on real-time technology, to diverse sectors of the economy (power, financial and road traffic and transport), which resulted in the Markets Operation and Administration business unit evolving into a Real-Time Systems Intelligent Management business unit.

All these achievements fall in the frame of an international context in which Latin America reached growth levels higher than those of the group of developed nations, consolidating the region as an important recipient of private investment.

The financial results of ISA and its companies were affected mainly by currency devaluation in Brazil and Chile with respect to the US dollar, as well as the effect of the consolidation of INTERVIAL CHILE (12 months) and the subsidiaries Interligação Elétrica Pinheiros –PINHEIROS– and Interligação Elétrica de Minas Gerais –IEMG– of Brazil (10 months). In this respect, consolidated revenues reached \$4,400,000 million, a 24.3% increase on 2010; consolidated EBITDA was \$3,000,000 million,

MESSAGE FROM THE MANAGEMENT

19.8% up on 2010, with 69.3% EBITDA margin, and net income reached \$336,776 million, with 7.7% net margin.

As an effect of the consolidation of new companies, commissioning of new projects, issue of bonds by some companies, as well as homologation to Colombian standard of the costs of debt issuing in Chile, assets reached \$26,700,000 billion, or 3.3% increase, while liabilities closed at \$15,800,000 billion, 11.9% up on 2010.

In turn, ISA stock closed fiscal year at the price of \$11,200 per unit, for a 20.57% drop, consistent with the performance of the General Index of the Colombian Stock Exchange –IGBC– (-18.3%), a variation in line with the performance of the variable-yield market, affected mainly by trading levels as well as portfolio liquidation and re-composition. Nevertheless, ISA stock has appreciated by 1.218% along the 2001-2011 period.

Credit-risk-rating agencies ratified the financial strength and solidness of ISA and its companies, and in an important demonstration of support to its management efforts, Standard & Poor's (BBB-), Fitch Ratings (BBB-) and Moody's (Baa3) granted the Company an investment degree with stable outlook. Additionally, Fitch Ratings rated the domestic debt bond issue and underwriting program AAA with a stable outlook.

This report will present management results by business unit: Electric Energy Transport, Telecommunications Transport, Road Concessions,

and Real-Time Systems Intelligent Management. It is necessary to highlight that as part of its corporate strategy, ISA decided to dedicate its managerial expertise in the business of Construction of Infrastructure Projects to development of new projects, especially those associated with the Electric Energy Transport business unit of the Group's companies.

In 2011, ISA and its electric energy transport companies consolidated in Latin America one of the largest high-voltage transmission networks, with 39,429 km of grids and 68,900 MVA of transformation capacity, thanks to the start-up of commercial operation of some projects that finished construction phase in Peru and Brazil.

In Peru, the largest achievement was commissioning of the Chilca - La Planicie – Zapallal project implemented by Transmantaro; this is the first electric transmission system at 500 kV in that country. Additionally, this affiliate started operation of the Independencia – Ica line at 220 kV and upgraded the Mantaro - Cotaruse - Socabaya line to 220 kV. In turn, affiliate Red de Energía del Perú –REP– expanded and reinforced its network so as to heighten reliability of Peru's power system. A total 2,370 MVA transformation capacity and 558 km of grid were added, demanding investment nearing USD315 million.

In Brazil, an investment close to USD400 million added 108 km of grid and 4,750 MVA of transformation capacity to the power system. Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, energized reinforcements and connections, and the affiliates Interligação

MESSAGE FROM THE MANAGEMENT

Elétrica Pinheiros –PINHEIROS–, Interligação Elétrica Serra do Japi –SERRA DO JAPI– and Interligação Elétrica Sul –IESUL– put into service some of the projects that had been awarded by Agência Nacional de Energia Elétrica –ANEEL–.

Aiming to preserve their leadership as provider of electric energy transport services and consolidate their position in Latin America, ISA and its companies participated in bidding processes promoted by the national governments in Colombia, Peru, and Brazil.

In Colombia, ISA won the bid for design, procurement, construction, operation and maintenance of the Sogamoso substation at 500/230 kV and its associated transmission lines. In Peru, the Company was awarded the contract to design, finance, construct, operate and maintain the Trujillo – Chiclayo transmission line at 500 kV with its associated substations, work to be executed by Transmantaro. In Brazil, CTEEP won the ANEEL bidding for design, construction, operation and maintenance of the Itapeti substation at 345 kV, work to be implemented by PINHEIROS; and in joined efforts with Companhia Hidro Elétrica do São Francisco –CHESF–, it won the bid to construct, operate, and maintain two substations at 500 kV and four transmission lines at 230 and 500 kV.

As a result of the bids won and the projects currently under construction, ISA and its companies in Colombia, Peru and Brazil are carrying out the design and construction of around 6,362 km of high voltage lines,

as well as the installation of 14,719 MVA of transformation capacity. These projects will both call for investment of nearly USD2,050 million, and allow annual revenues to increase by around USD215 million.

Outstanding for their importance among the projects currently under construction are:

In Panama, the bi-national company Interconexión Eléctrica Colombia – Panama –ICP– works to give viability to construction of the Colombia – Panama electric interconnection. The year 2011 saw advance in the development of the studies to construct and operate the transmission line between the two countries, and achieve harmonization of the regulatory frame that will not only allow its optimal use but also promote participation of the agents in the auction to access interconnection capacity.

In Colombia, ISA received in the first quarter of 2012, the environmental license from the Ministry of the Environment and Sustainable Development authorizing to start construction in Cartagena of the double-circuit transmission line associated to UPME 02-2008 project - El Bosque 230 kV substation. The substation has already been completed.

In Peru, Transmantaro advances construction of works corresponding to the Zapallal - Trujillo at 500 kV, Talara-Piura at 230 kV and Pomacocha – Carhuamayo at 220 kV projects; in the meantime, REP implements three projects to reinforce and expand Peru's electric system.

MESSAGE FROM THE MANAGEMENT

In Brazil, CTEEP reinforces the electric system in São Paulo State, while the companies PINHEIROS, SERRA DO JAPI, IESUL and IE MADEIRA continue working in construction of the projects awarded to them through bids in the previous years.

It is worth highlighting that the quality indicators of the transmission network of ISA and its companies outdid the goals set by the regulators of each country. This fact obviously includes Colombia, where no unserved demand took place as a result of attacks against the electric infrastructure, which along 2011, destroyed 58 towers, 36 more than in 2010. At year close, 98% of infrastructure affected by attacks had been recovered thanks to support from the National Government, the National Armed Forces and power sector companies.

Through its subsidiary INTERNEXA, ISA delivered on its promise to interconnect the Pacific and Atlantic coasts, by starting operation of a 6,083-km fiber optic network between Chile and Brazil (3,506 km), crossing Argentina (2,577 km). In Peru, it linked the cities of Arequipa and Cusco with 1,305 km of fiber optics. In Chile, it reinforced the network's ringing with 495 km. Finally, in Central America, the presence of INTERNEXA guaranteed 98% advance in construction of a 1,800-km fiber optic network part of the SIEPAC Project, stretching between Guatemala and Panama.

Additionally, INTERNEXA developed a strategy that will allow it to be the Latin American leader in distribution of relevant digital contents, to which end it configured a data center in Colombia and another one

in Brazil, to store the digital content of international distributor servers, allowing users faster and more secure access.

In the area of highway concessions, INTERVIAL CHILE's growing road traffic and cash flow from road toll payments, which grew respectively by 5% and 15% on previous year's figures, are worth highlighting. On the other hand, at closing, all concessionaires had finished repair work on the damage brought about by the earthquake of 2010, at a cost of USD172 million, of which USD165 million was covered by the insurers.

Standing out in the business area of Real-Time Intelligent Systems Management, in the power sector, is XM's management of the operation and administration of Colombia's electric market, together with its leading role in the second firm energy auction, which ensures attention to Colombia's electric energy demand between December of 2015 and November of 2016.

On the other hand, the company Sistemas Inteligentes en Red was incorporated by XM and ISA in order to operate the Traffic Control Center of Medellín city's Intelligent Mobility System. Pioneering in Colombia, this center positions Medellín internationally in the use of intelligent transport systems contributing to decrease of the accident rate, as well as optimization of the city's public transport.

The positive results of 2011 bring ISA closer to its large and ambitious goal –BHAG– set for 2016, of perceiving annual revenues of USD3,500 million. At period's closing, five years before reaching the proposed

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horizon, ISA and its companies perceive annual revenues of USD2,249 million, equivalent to 64% compliance; additionally, of 80% of revenue intended to be generated abroad, 58% has been reached; and finally, of 20% of revenue intended to come from business other than electric power transport, 13% has been reached.

ISA and its companies have a foundation on an excellent organizational management that allows optimization of resources, transfer of best practices and achievement of synergies, led by a human team highly committed to performance and advancement of our enterprises.

Well aware of the commitment to corporate sustainability, ISA and its companies intend that each action carried out contribute to sustainable development of the regions where they have a presence, facilitating business viability.

As part of this process, CSR management was assessed under the terms of ISO 26000 Standard (Social Responsibility); the Declaration of Commitment to Human Rights was subscribed, in response to the need to ratify the willingness and commitment to promotion of respect in this area; actions are promoted to reach the Rule of Law by means of programs that develop technical capabilities of municipal authorities and support social and community organizations; the ethics committee, along with the ethical line, were set in operation, intended as tools that allow in-depth implementation of the Ethics Code.

In recognition of its socially responsible management, ISA was granted the ANDESCO award for Corporate Social Responsibility, version 2011, in the categories of social performance and corporate governance; and it reached 89.97 points over 100 in the survey of transparency policies and mechanisms conducted by Corporación Transparencia por Colombia.

Thanks to the dynamism and favorable climate for private investment in the countries where ISA and its companies are present, the Company will go on working to consolidate its participation in them, and it will assess new growth opportunities in Latin America, intent on improving the life standards of the inhabitants of the countries where it operates.

The future poses us interesting challenges that we will be in a position to face based on the talents of our associates and the sound processes of dialog and compliance with commitments we are capable of establishing with our stakeholders.

We thank our shareholders for ratifying their trust in the Company year after year, challenging us to keep on improving to reach positive results that will reward their investment; our associates, because they are our essence and the facilitators of the achievement of results; the societies of the countries where we are present, for allowing us to participate in their development and contribute to the improvement of their life quality; our customers, for their faithfulness and commitment to offering us the feedback that allows us to keep on improving; our suppliers, for strengthening that permanent business alliance with ISA,

MESSAGE FROM THE MANAGEMENT

thanks to which we can grow in unison; and the State, for allowing us to work hand in hand with it toward strengthening and construction of trust and support relations with entities and different governments.

It was a year of great challenges and achievements, consistent with corporate dynamics that operate in evermore demanding settings. We bring these results to your consideration, and offer our commitment to managing with devotion the initiatives this new year offers us.



Orlando Cabrales Martínez

Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla

CEO

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Report from ISA'S Board of Directors



REPORT FROM ISA'S BOARD OF DIRECTORS

In compliance with the provisions contained in the Bylaws and the Code of Good Governance, in my capacity as 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 2011– March 2012.

COMPOSITION OF ISA'S BOARD OF DIRECTORS

On March 31 of 2011, the Shareholders' Meeting designated positions and persons to make up the Board of Directors. The persons elected are renowned for their moral solvency and knowledge and expertise in management, economics, engineering, finance, and public, stock market and corporate law fields, among others.

PRINCIPAL MEMBERS:

- **First seat:** Minister of Mines and Energy.
- **Second seat:** Ministry of Finance and Public Credit – Vice-Minister General.
- **Third seat:** : Orlando Cabrales Martínez.
- **Fourth seat::** Federico Restrepo Posada.
- **Fifth seat:** Santiago Montenegro Trujillo.
- **Sixth seat::** Luisa Fernanda Lafaurie Rivera.
- **Seventh seat:** Luis Ernesto Mejía Castro.

ALTERNATE MEMBERS, IN THE SAME ORDER:

- Vice-Minister of Mines and Energy.
- Ministry of Finance and Public Credit – Director General Public Credit and National Treasury.
- Isaac Yanovich Farbaiarz.
- Jesús Arturo Aristizábal Guevara.
- Jorge Hernán Cárdenas Santamaría.
- Alejandro Linares Cantillo.
- Carlos Felipe Londoño Álvarez.

Except for their condition as shareholders of Orlando Cabrales Martínez 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 ISA:

- Minister of Mines and Energy.
- Vice-Minister of Mines and Energy.
- Vice-Minister General of Finance and Public Credit.
- Director General of Public Credit and National Treasury of the Ministry of Finance and Public Credit.

REPORT FROM ISA'S BOARD OF DIRECTORS

As provided in Law 964 of 2005, Federico Restrepo Posada, Luis Ernesto Mejía Castro, Jesús Arturo Aristizábal Guevara and Carlos Felipe Londoño Álvarez acted as independent members of the Board of Directors.

The following members formally submitted their resignation to the Board of Directors:

- Jorge Hernán Cárdenas Santamaría, September 21, 2011.
- Federico Restrepo Posada, December 16, 2011.

In session 706 of 29 April, 2011, the members of the Board of Directors unanimously ratified Orlando Cabrales Martínez as Chairman of the Board.

OPERATION OF THE MEETINGS

SCHEDULE

In its meeting 706 of April 29, 2011, the Board of Directors approved the schedule of meetings, issues to address, frequency and date of presentation.

Within the mentioned period, the Board met on 13 occasions, 12 of them as face-to-face meetings, and one, as special non face-to-face meeting.

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 monitoring issues.

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 their alternates.

AVAILABILITY OF INFORMATION

The Secretary of the Meeting, no less than three days before the session, through a link in ISA's website accessible only with a personal password, made available to the members the documentation related to the topics to be dealt with at the meeting and any additional information requested using.

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. Additional information requested was sent via electronic media.

QUÓRUM

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

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.

REPORT FROM ISA'S BOARD OF DIRECTORS

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.

From April 2011 to March 2012, the 13 Board meetings were attended by at least the number of members necessary to form a quorum and to decide.

Attendance by the principal members was as follows:

- Minister of Mines and Energy: 9 meetings.
- Vice-Minister General of Finance and Public Credit: 10 meetings.
- Orlando Cabrales Martínez: 11 meetings.
- Federico Restrepo Posada: 8 meetings.
- Santiago Montenegro Trujillo: 12 meetings.
- Luisa Fernanda Lafaurie Rivera: 12 meetings.
- Luis Ernesto Mejía Castro: 13 meetings.

Attendance by the alternate members was as follows:

- Vice-Minister of Mines and Energy: 9 meetings.
- Director General of Public Credit and National Treasury of the Ministry of Finance and Public Credit: 12 meetings.
- Isaac Yanovich Farbaiarz: 11 meetings.
- Jesús Arturo Aristizábal Guevara: 12 meetings.
- Jorge Hernán Cárdenas Santamaría: 6 meetings.
- Alejandro Linares Cantillo: 11 meetings.
- Carlos Felipe Londoño Álvarez: 12 meetings.

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.

PREPARATION OF TOPICS TO BE CONSIDERED AT THE MEETINGS

As recommended by the improvement plan of 2010, the Board adjusted its topics giving special emphasis to strategic issues followed by risk monitoring issues, financial behavior of investments abroad and special projects.

COMMITTEES OF THE BOARD OF DIRECTORS

As established by Decision 76 of May of 2009 that regulates operations of the Board of Directors, the Corporate Audit Committee, the Board and Corporate Governance Committee, and the New Business Committee operate institutionally at ISA.

CORPORATE AUDIT COMMITTEES

This Committee met six times during the period. Its members are Jesús Arturo Aristizábal Guevara (who presides), Carlos Felipe Londoño Álvarez, María Fernanda Suárez Londoño, Alejandro Linares Cantillo

REPORT FROM ISA'S BOARD OF DIRECTORS

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

BOARD AND CORPORATE GOVERNANCE COMMITTEE

Este This Committee met six times during the period. Its members are Germán Arce Zapata (who presides), Tomás González Estrada, Orlando Cabrales Martínez, Santiago Montenegro Trujillo and Carlos Felipe Londoño Álvarez.

It presented recommendations to the Board of Directors regarding: application of long-term incentives for first, second and third level staff in ISA and the subsidiaries; economic performance indicators; salary competitiveness; benefits scheme; and special projects such as remodeling of building 1 of the headquarters, among others.

NEW BUSINESS COMMITTEE

Its members are Luisa Fernanda Lafaurie Rivera (who presides), Orlando Cabrales Martínez, Germán Arce Zapata, Tomás González Estrada (except when dealing with UPME bids), Luis Ernesto Mejía Castro, Santiago Montenegro Trujillo and Isaac Yanovich Farbaiarz. Its functions are analyzing and recommending investment initiatives included in ISA's growth strategy and monitoring businesses under execution.

This Committee met 18 times during the period. On such occasions, the Committee analyzed the opportunities in different sectors and markets

of interest to ISA, and it provided the Management with guidelines regarding those issues.

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 being analyzed or monitored.

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.

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.

- The Minister of Mines and Energy and the Vice-Minister of Mines and Energy left the premises when the commissioning of the El Bosque substation was to be analyzed.

REPORT FROM ISA'S BOARD OF DIRECTORS

- Federico Restrepo Posada and Jesús Arturo Aristizábal Guevara (officers of Empresas Públicas de Medellín –EPM–) recused themselves and left the premises when issues regarding UPME bids were going to be analyzed since EPM participates there as bidder.
- The Vice-minister of Finance recused himself when analyzing the Autopistas de la Montaña project.

RELATIONS OF THE BOARD OF DIRECTORS WITH ISA'S COMPANIES

In order to do a better job as parent company's administrators, some of the members of ISA's Board of Directors participate in the boards of subordinated companies.

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 25 and February 22 of 2012 using a 10-people sample equivalent to 85.7% 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: 91.4%
- Group performance: 78.3%
- Performance and participation of the Management: 69.8%

Standing out among the Board of Directors' strengths are the seriousness, responsibility and honesty of each of the members, rigor of analysis, quality of information and depth of discussions. The experience and academic background of the members of the Board of Directors make of it a strong group knowledgeable about the several administrative disciplines.

As issues to improve are the efficiency of meeting duration and enhanced monitoring of strategic issues.

Besides its self-evaluation, the Board was rated according to the results of the indicators of the corporate integral and top level management charts. Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 81.23% and compliance with top level was 75.36%, both above the lower goal.

REPORT FROM ISA'S BOARD OF DIRECTORS

Finally, I want to inform Messrs. Shareholders that each member of the Board of Directors has contributed his knowledge, experience, dedication, and positive critical attitude to the growth and sustainability of ISA.



Orlando Cabrales Martínez

Chairman of the Board of Directors

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2011

Report on Compliance with and Advancement of the Good Governance Code



REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

In compliance with the provisions contained in the Bylaws 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:

SHAREHOLDERS' MEETING

The notice for the Regular Shareholders' Meeting of March 31 of 2011 was published in two newspapers, one of wide national circulation and one local.

Likewise, on March 27 in national-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 website, the meeting convening notice, the agenda, 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 live via Internet streaming.

For information of shareholders, abstracts of minutes 100 corresponding to the regular meeting held on March 31 of 2011 were posted on the company's website.

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.

THE ADMINISTRATION

The Shareholders' Meeting of March 31, elected the Board of Directors for the April 2011 – March 2012 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 Bylaws, 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 indicators of the corporate integral management chart, namely, corporate, top and first.

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 81.23%, compliance with top level was 75.36% and compliance with first level indicator was 76.18%, above the lower goal.

The Board of Directors and the Board Committee conducted evaluation of the CEO, Luis Fernando Alarcón Mantilla and valued his outstanding performance, the guiding and direction of the corporate group, and the results posted by the Management. They expressed their satisfaction for the job done which permitted reinforcement of ISA's leadership and positioning in the markets where it operates.

Area managers, deputy managers, directors and other company 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, as provided in Decision 60 of 2006 of the Board of Directors.

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

Through the website, Corporate Governance section, Messrs. Shareholders can get information about the professional qualifications and experience of the company's administrators.

CONTROL

The company, along its continued 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 agencies.

EXTERNAL CONTROL BODIES

- National General Accounting Office: reports regarding accounting information and non-performing debtors.
- National General Auditing Office: reports and 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–, the State Procurement Information System –SICE–, for its Spanish initials–, and the Public Finance and Financial Information Consolidating System –SCHIP, for its Spanish initials–.
- Colombian Financial Superintendency: reports on bond underwriting, pre-and-post-Shareholders' Meeting information, accounting information and financial information.
- Superintendency of Domiciliary Public Utilities –SSPD–: reports with general information to update the Single Register of Public Utilities Providers –RUPS, for its Spanish initials–, and financial, administrative, commercial and accounting information reports.
- Ministry of Finance and Public Credit: financial and shareholding reports.

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

- Public Function Administrative Department –DAFP, for its Spanish initials: information for the Personnel Information Single System –SUIP, for its Spanish initials–
- National Planning Department –DNP, for its Spanish initials–: Annual Management Report
- National Statistics Administrative Department –DANE, for its Spanish initials–: survey on services import and export.
- Chamber of Commerce: 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 and alternate legal representatives; also, updating of ISA's shareholding participation in its companies.
- External Auditor for Results Management: Fast & ABS Auditores Ltda, acted as ISA's External Auditor for the period 2010-2011. Its report issued on March 15, 2011 and published in the national newspapers on May 15 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 Domiciliary Public Utilities.
- Statutory Auditor: Ernest & Young Audit Ltda., statutory auditors for the April 01, 2011– March 31, 2012 period carried out the statutory audit of ISA, based on the information and documentation requested according to their duties. In compliance with its legal

duties, the firm will present to the Shareholders' Meeting a report on the Corporation's management and financial statements.

- Credit ratings. Credit-risk-rating agencies ratified the financial strength and solidness of ISA and its companies, and in an important demonstration of support to its management efforts, Standard & Poor's (BBB-), Fitch Ratings (BBB-) and Moody's (Baa3) granted the Company an investment degree with stable outlook. Additionally, Fitch Ratings rated the domestic debt bond issue and underwriting program AAA with a stable outlook.

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.

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

INTERNAL CONTROL BODIES

Corporate Audit Committee: along April 2011-March 2012, the committee had six regular meetings with 93.33% attendance. Activities conducted contributed to strengthen the Internal Control System and value generation of ISA and its companies, providing confidence in the integrity of information delivered to key audiences.

Evaluations conducted in 2011 by the Corporate Audit office did not find any evidence of significant or material deviation that may jeopardize the business continuity of ISA and its companies; this opinion goes in line with the evaluations of external control bodies: National General Auditing Office, Statutory Auditor and External Management and Results Audits issued favorable opinions regarding the Internal Control System.

CONTROL INSTRUMENTS

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

STAKEHOLDERS

In its website, ISA publishes its commitment to each stakeholder together with the Sustainability 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.

SHAREHOLDERS AND INVESTORS

As of December 31, 2011, ISA had 48,168 shareholders.

SHAREHOLDING		
SHAREHOLDERS	SHARES	%
State investors	682,078,108	61.58
The State	569,472,561	51.41
Empresas Públicas de Medellín	112,605,547	10.17
Public and private capital investors	77,373,530	6.99
ECOPETROL	58,925,480	5.32
Empresa de Energía de Bogotá	18,448,050	1.67
Private investors	348,226,256	31.44
Institutional investors	213,061,778	19.23
Individuals	84,911,927	7.67
Legal persons	20,750,545	1.87
Foreign investment funds	28,157,106	2.54
ISA ADR Program	1,344,900	0.12
SUBSCRIBED AND PAID SHARE CAPITAL	1,107,677,894	100

The Shareholders Meeting held on March 31, 2011, approved the motion for appropriation and distribution of 2010 earnings, consisting of distribution of earnings and reserves for \$190,521 million to pay a dividend of \$172 per share.

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

Payment took place in four quarterly installments of \$43 each on April 18, July 18, and October 18 of 2011 and January 27 of 2012.

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

- Two shareholders newsletters and one investors guide were distributed; they are available in the Company's website, investors section. In compliance with fiscal regulations, 27,815 certifications were delivered.
- ISA made available an electronic consultation mechanism in its website, where shareholders can obtain their tax certificate and access information regarding the value of their investment, through account statements.
- 531,806 e-mails were sent to shareholders, stockbrokers and institutional investors in Colombia and abroad.
- The website was updated with relevant facts, quarterly financial results report, and newsletters, among other types of corporate information.
- Along the period, the shareholders' information center reached 99% service level with 28,711 contacts: Service level dispatched by the Shareholder's Attention Line was 96%, with 23,459 calls, which gives it a rating of "excellent" according to the *Quality Service Audit*.

SUPPLIERS

1,590 contracts were signed with 887 suppliers of goods and services for \$330,856 million, including sales tax.

Well aware of its commitment to the suppliers, ISA conducted the following activities along 2011:

- It issued the Suppliers' Newsletter quarterly.
- It published the Company's procurement policies in the suppliers' section of the website.
- It implemented software to facilitate follow-up of labor risk management and environmental impact on the work that the contractors and subcontractors are in charge of.
- It verified its suppliers and their managers were not included in the international and national risk lists (OFAC, UN, Attorney General, etc.), complying with the mandate of the Money Laundering and Terrorism Financing Prevention System–SIPLA– (for its Spanish initials).
- It invited a representative group of suppliers to the launching of the Ethics Code, as a way to promote knowledge of its contents.
- It sent 306 suppliers its report on the results of individual performance evaluation.
- It pre-qualified 38 suppliers to be hired in emergency situations.
- It published in the website 107 procurement processes that exceeded 100 monthly statutory minimum wages.

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

RELATIONS WITH THE CONTROLLING SHAREHOLDER

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

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, Sucre province, signed on October 23, 2008 for \$33,243 million.

Inter-administrative agreement GSA-57-2009-ISA4000763 between the State-Ministry of Mines and Energy and ISA, for general administration and execution of FAZNI funds to construct the 115 kV Popayan-Guapi line, signed on October 13, 2009 for \$210,832 million.

MITU/FEN- ISA-05/2010, Trust Agreement between Financiera Eléctrica Nacional –FEN– (an entity ascribed to the Ministry of Mines and Energy), and ISA, to construct the 34.5-kV electrical interconnection between Mitú micro power plant and the substation, subscribed on December 23 of 2010, for \$10,193 million.

The State, represented by Instituto Nacional de Concesiones –INCO–, and ISA, subscribed in Medellín, on January 28, 2010, the Inter-administrative

agreement to develop the Autopistas de la Montaña Project. This document binds ISA to execute the engineering, environmental, traffic, legal and financial studies.

RISKS

ISA gives compliance to the Integral Risk Management Policy through the systematic application of the stages of identification, assessment, handling, monitoring, consolidation, communications and disclosure of its risks, and through report of its management results to respective instances.

In the website and in this report, the Company publishes the updated risk map, main risks and main administration measures to decrease exposure to them.

Additionally, ISA coordinates with its affiliates and subsidiaries the implementation of integral risk management cycle, and follows up updating and management improvement of risk maps. It additionally adopts money laundering and terrorism financing prevention measures that increase the security levels of ISA and its companies.

In 2011, ISA started instrumentation of the Ethics Code through the ethics line and the ethics committee; also, its Board of Directors approved the Antifraud Code. Implementation of the Antifraud Code disclosure plan is expected along 2012, as a key corruption-risk management tool.

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

INFORMATION DISCLOSED TO THE PUBLIC

Since its creation, ISA's website informs the public about the company's events: Along the year, investors were able to find ISA's individual and consolidated financial results, debt reports and guarantees granted, reports to the United States Security and Exchange Commission –SEC–, shareholding structure, dividend payment dates, attacks on the electricity towers, ongoing projects, reports from the Statutory Auditor, Board of Directors' composition and relevant decisions, and reports from risk-rating agencies, among others.

Financial information thus disclosed, both in Spanish and in English, 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 preparation of financial statements, and it is as reliable.

Information not posted on the website can be requested in writing to the Chief Executive Officer, stating the reasons and purpose. It must be taken into account that reserved or confidential information, or information posing a risk to the Corporation's business, or affecting third parties' rights, shall not be disclosed by ISA.

COMPLIANCE WITH THE GOOD GOVERNANCE CODE

No Code reform took place along the period, and follow-up of its compliance was conducted through the verification mechanism. The information supplied on the website, the reports to supervision and control bodies, the Code's verification mechanism reports, and the reports to the Board of Directors constitute the central axis for verification of compliance with the Code.

Audits on compliance with the Code of Good Governance conducted yearly by the Corporate Audit office and the Statutory Auditor help to its correct monitoring and control. One audit was conducted producing no findings of non-compliance with the Code's commitments.

Additionally, no breach of the Good Governance Code was reported through any of the telephone lines and mailboxes available to the shareholders or the general public.

ETHICS LINE (TOLL-FREE):

01 8000 941341

lineaetica@isa.com.co

REPORT ON COMPLIANCE WITH AND ADVANCEMENT OF THE GOOD GOVERNANCE CODE

TOLL-FREE LINE FOR SHAREHOLDER ATTENTION:

Nationwide: 01 8000 115000

From Medellín: 57 (4) 3602472

accionesisa@isa.com.co

It must be pointed out that in addition to the above, the Colombian Financial Superintendency is available to shareholders, especially minority shareholders. This entity has power to implement measures to avoid human rights violations, and ensure the return to balance, and the principle of equal treatment of every shareholder.

Thank you very much,



Orlando Cabrales Martínez

Chairman of the Board of Directors

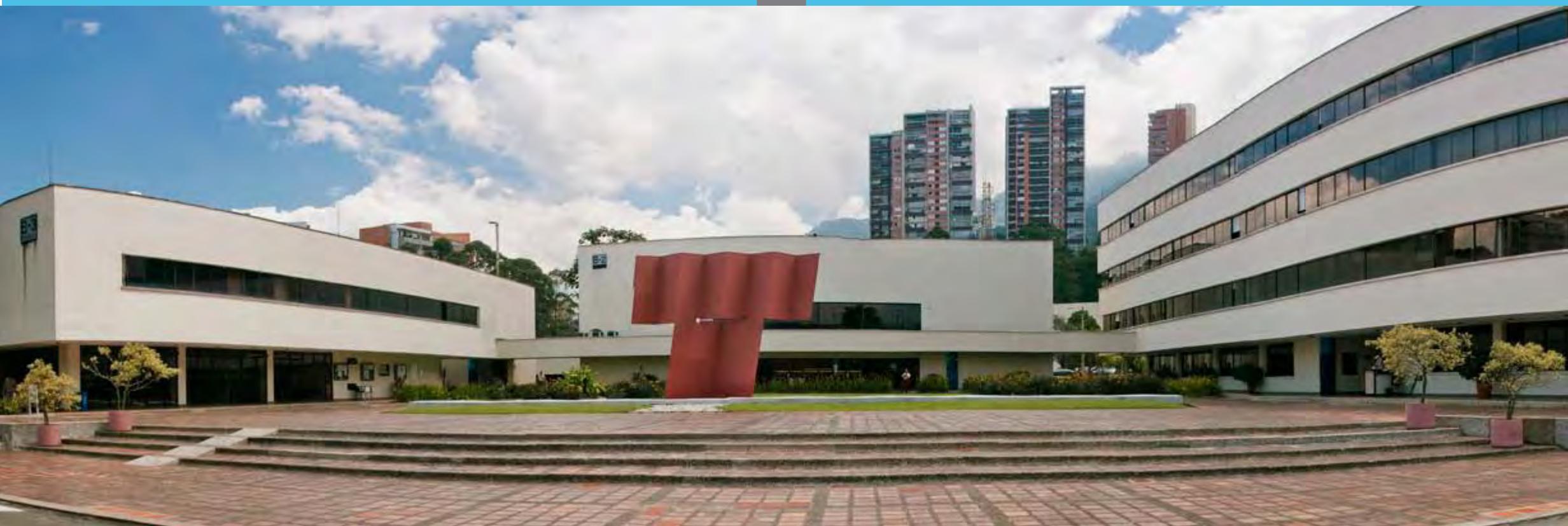


Luis Fernando Alarcón Mantilla

CEO

ANNUAL REPORT
2011

About us



ISA IN LATIN AMERICA BUSINESS UNITS AND COMPANIES



ABOUT US

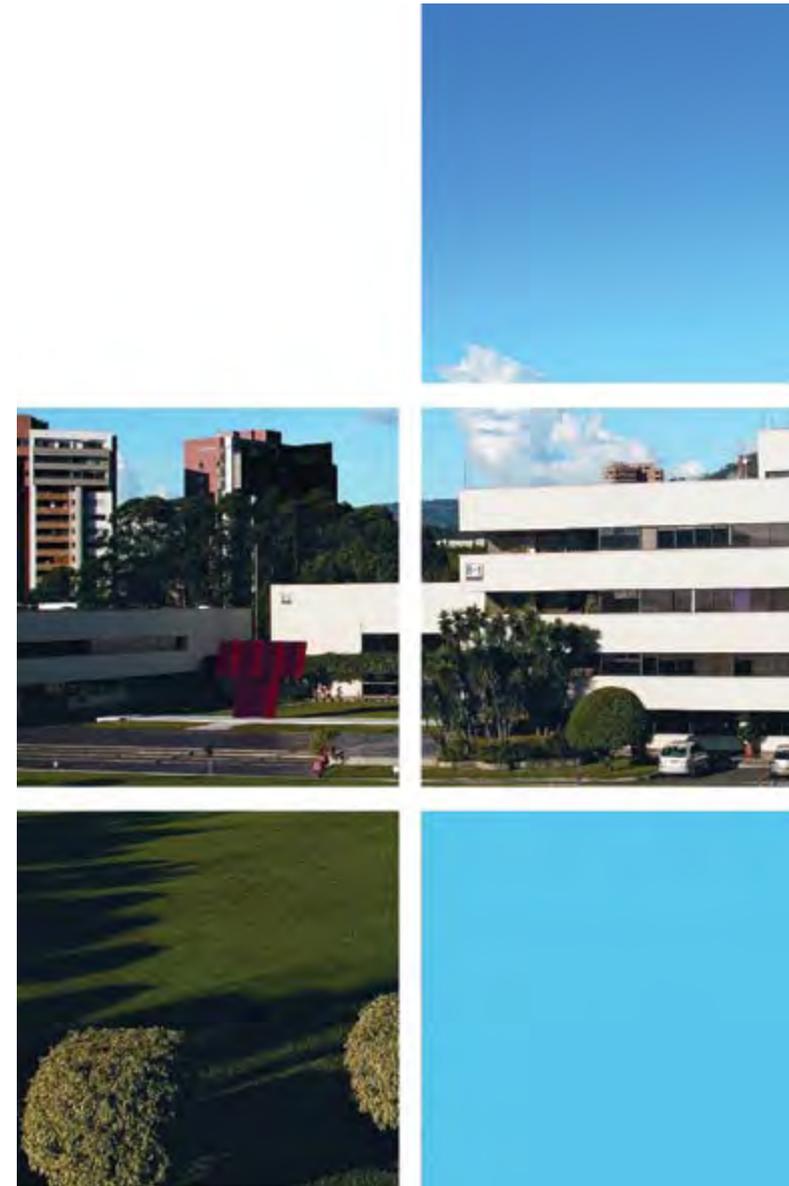
ISA AND ITS BUSINESS UNITS

Directly and through its 30 affiliates and subsidiaries, ISA executes important projects in linear infrastructure systems that enhance continental development. For such purpose, its activities are focused on the businesses of Electric Energy Transport, Telecommunications Transport, Road Concessions and Real-Time Systems Intelligent Management.

ISA's linear infrastructure systems stretch from city to city, country to country, and point to point, contributing to the advancement of the peoples of Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama and Central America.

For about 45 years, efficient and reliable delivery of its services has characterized the Company in a framework of respect for human rights and protection of the environment, in order to favor competitiveness and regional sustainability, improvement of life quality, and development of the societies where it conducts its activities, all thanks to a human team of 3,435 highly qualified and committed associates.

ISA is a socially responsible company, distinguished by its ethical and serious stance of commitment to initiatives such as the Global Compact, the Millennium Development Goals and climate change that permits creation of value for its stakeholders, businesses and future generations.



ABOUT US

ELECTRIC ENERGY TRANSPORT

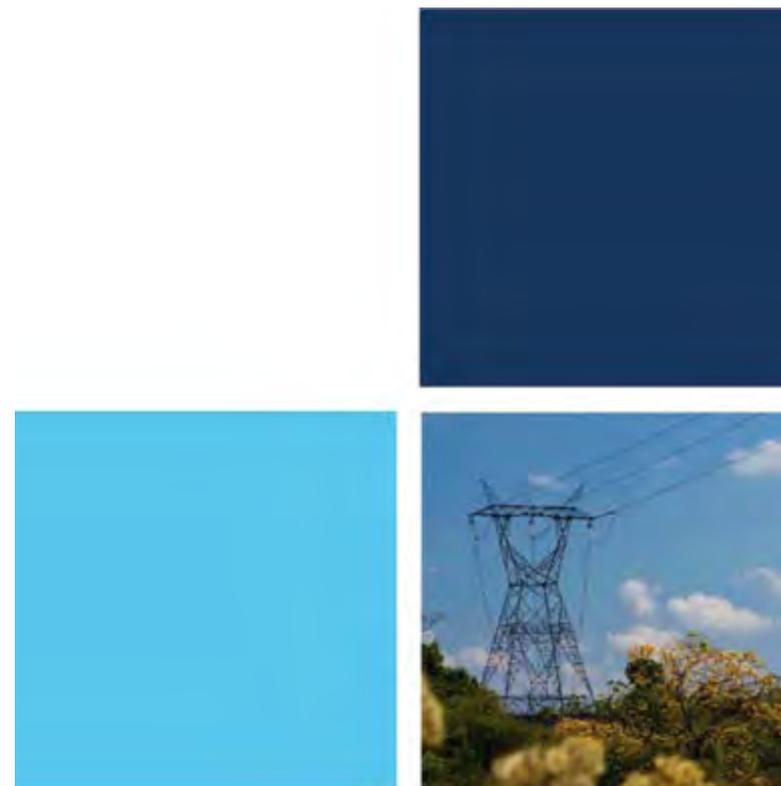
ISA, through its affiliates and subsidiaries expands, operates, and maintains high voltage energy transmission systems, which positions it as one of Latin America's largest electricity international transporters. The above is possible thanks to 39,429 km of high-voltage grid it operates, the Colombia-Venezuela, Colombia-Ecuador, Ecuador-Peru international interconnections, and its 68,900 MVA transformation capacity.

ISA has in Colombia its companies ISA and TRANSELCA; in Peru, ISA Perú, Red de Energía del Perú –REP– and Consorcio Transmantaro –CTM–; in Bolivia, ISA Bolivia; and in Brazil affiliates Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– (acquired through its investment vehicle ISA Capital do Brasil), Interligação Elétrica Pinheiros –PINHEIROS–, Interligação Elétrica Serra do Japi –SERRA DO JAPI– and Interligação Elétrica de Minas Gerais –IEMG–.

CTEEP, together with other regional partners, ISA has in Brazil investments in the companies Interligação Elétrica Norte e Nordeste –IENNE–, Interligação Elétrica Sul –IESUL–, Interligação Elétrica do Madeira –IE MADEIRA– and Interligação Elétrica Garanhuns –IE GARANHUNS–.

Additionally, ISA owns 11.11% stock participation in Empresa Propietaria de la Red –EPR–, currently constructing the Electric Interconnection System for Central America –SIEPAC–, and 50% ownership in bi-national company Interconexión Eléctrica Colombia–Panamá –ICP–.

Proyectos de Infraestructura del Perú –PDI–, in turn, is the company engaged in construction of infrastructure projects, particularly belonging to ISA and its companies.



ABOUT US

TELECOMMUNICATIONS TRANSPORT

ISA participates in this business unit through INTERNEXA, a company that, after ten years in operation, has managed to lay a fiber optics network of 19,912 km, being the telecommunications operator with the largest continuous land network in the continent, crossing seven countries, connecting the Pacific coast to the Atlantic coast and bringing together telecommunications along all of South America.

Additionally, in Central America, ISA, through EPR, has 11.11% stake in REDCA, the company in charge of administering the fiber optics assets of the SIEPAC Project. INTERNEXA, as an affiliate of ISA, together with the other member companies, takes part in the construction and future operation of 1,800 km of fiber optics, thus consolidating a network of 21,712 km.

In accordance with the criteria that broadband growth and the immediate availability of contents produced both internationally and locally, are key factors in improving people's life quality, INTERNEXA developed a strategy that will allow the company to become a leader in Latin America in the field of relevant digital content distribution. In order to achieve this goal, the company has configured a data center in Medellin, Colombia (North Node) and another one in Belo Horizonte, Brazil (South Node), where it stores digital content international distributor servers.

In this way, ISA's telecommunications subsidiary is consolidating as a unique provider, allowing access to the most sought after contents by

Latin American users in a direct and integrated manner. This ecosystem generates favorable conditions for high level development of contents industry in the region.



ABOUT US

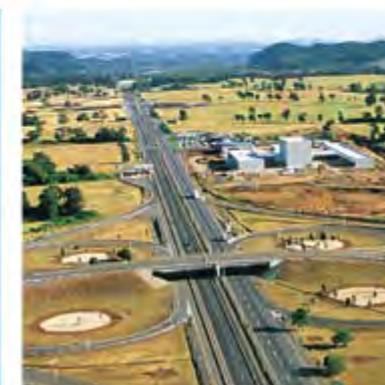
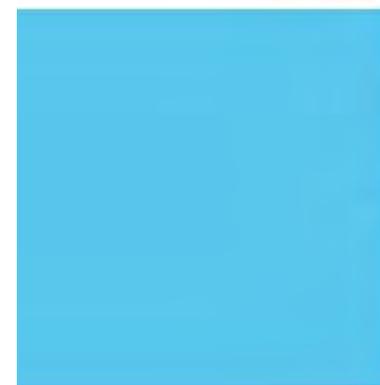
ROAD CONCESSIONS

ISA structures, designs, constructs, operates and maintains road infrastructure in markets where it can be relevant. Operation and maintenance are performed according to previously established agreements by the business regulators in each of the countries where ISA is present and is based on processes guaranteeing operational excellence and safety for users.

ISA, through INTERVIAL CHILE and its five concessionaires (Ruta del Maipo, Ruta del Maule, Ruta del Bosque, Ruta de la Araucanía y Ruta de los Ríos), operates 907 km of highways in the southern country going from Santiago to Rio Bueno, representing approximately 40% of Chile's road network under concession and positioning it as the largest interurban road concessions operator in the country. These roads cross six important regions that contribute 80% of population, 70% of Gross Domestic Product –GDP– and to 74% of the number of cars in Chile. INTERVIAL CHILE was acquired through investment vehicle ISA Inversiones Chile.

In Colombia, ISA delivered for evaluation by Instituto Nacional de Concesiones –INCO– (today, Agencia Nacional de Infraestructura –ANI–), the engineering, environmental, traffic, legal and financial studies of the Autopistas de la Montaña project. This analysis will help define details about construction, operation, maintenance, preservation and commercial exploitation of four roads in the Provinces of Antioquia,

Caldas and Risaralda, which will give continuity to the national competitiveness corridors undertaken by the Central Government (West Trunk Road and Magdalena Trunk Road).



ABOUT US

REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT

ISA, through XM, carries out planning, design, optimization, commissioning, operation and management activities for transactional systems or technological platforms, involving value added information interchange and goods and services related markets.

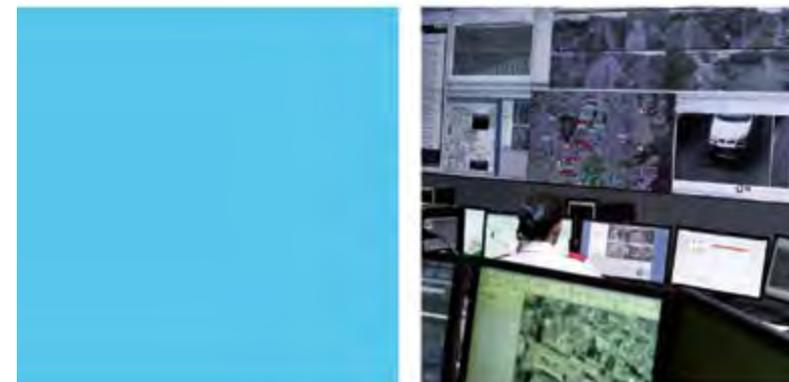
XM's experience in operation of the power system and administration of the electricity market permits it to offer to several economic sectors intelligent solutions based on the technology and knowledge acquired:

POWER SECTOR: XM is in charge, in Colombia, of the operation of the National Interconnected System –SIN–, the administration of the Wholesale Energy Market –MEM–, and the administration of the International Electricity Transactions –TIE– with Ecuador.

FINANCIAL SECTOR: with the Colombian Stock Exchange –BVC–, it operates Derivex, the company managing the country's new energy derivatives negotiation system and participates as investor in Cámara de Riesgo Central de Contraparte –CRCC–.

TRAFFIC AND TRANSPORT SECTOR: XM's subsidiary, Sistemas Inteligentes en Red –SIR–, in association with UNEEPM Telecomunicaciones and consortium ITS operate the Traffic Control Center –CCT– of Medellín's Intelligent Mobility System –SIMM–

With the services rendered through Real-Time Systems Intelligent Management, XM contributes to the evolution of cities, improving thereby the quality of life of its peoples and the efficiency and competitiveness of its enterprises.



ABOUT US

OUR PARTNERS

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COUNTRIES	COMPANIES	PARTNERS	%
PERU	REP	Energía Eléctrica de Bogotá –EEB–	40
	Transmantaro	Energía Eléctrica de Bogotá –EEB–	40
	ISA Perú	AC Capitales	17.0741
BRAZIL	<i>ISA Capital do Brasil</i>	HSBC Bank	20.699
		Votorantim Bank	20.699
	CTEEP (listed in BOVESPA)	Eletrobras	35.42
		Finance Secretary	6.15
		Individuals	3.7
Other shareholders	17.12		
CHILE	Ruta de los Ríos	Las Américas Administradora de Fondos de Inversiones	25
PANAMA	Interconexion Eléctrica Colombia Panamá -ICP-	Empresa de Transmisión Eléctrica S.A. –ETESA–	50

MENU ▲

ABOUT US

GOVERNANCE

ISA understands Good Governance practices to be the commitments and measures adopted by the Company as to its governance, conduct, and handling of information, so that the actions of the shareholders, managers, and workers are geared to guaranteeing integral corporate ethics, adequate handling of its affairs, respect for those who invest in it, deliverance on the commitments to its stakeholders, and public disclosure of its endeavors.

CORPORATE GOVERNANCE

- Boards of directors and administration councils abide by local regulations and comply with the proportion for independent members prescribed by the capital market.
- Periodic scheduling of meetings, mechanisms for reporting and accountability.
- Strict and transparent compliance with obligations to society and its government.
- Respect for the rights of minority shareholders and creditors.
- Disclosure and awareness of the corporate framework: mission, vision, values, Code of Ethics, policies, guidelines, corporate guides, Code of Good Governance and Anti-fraud Code.

- Express definition of how to handle conflicts of interest.

MANAGEMENT GOVERNANCE

- Formulation of decision flows and/or rights: flows determining the scope of and responsibilities entailed in the Organization's critical decision-making.
- Development of theme management committees: construction, integration and alignment mechanisms contributing to achievement of synergies and scale economies for ISA and its companies.
- Management and results follow-up: use of effective management and results monitoring and verification mechanisms of ISA's companies and businesses. (instruments: integral management chart, development and budget plan).
- Management control and evaluation guidelines that will allow efficient use of resources.
- Synergies and scale economies: search and application of corporate good governance practices that will allow achievement of not only clear and nimble decision-making, but also effective strategic direction.

ABOUT US

WHERE WE ARE HEADED

ISA defined a Big Hairy Audacious Goal –BHAG– that leads the acts of its affiliates in their permanent adding of value. This BHAG is to lead both decision-making and motivation for day-to-day actions.

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

- ISA will be recognized among the first three electric energy transporters of America, and Latin America's largest by consolidating its platforms in Brazil and the Andean region, and by being a relevant player in other countries.
- ISA will be present in 50% of power exchanges among Latin American countries' electric systems, through its own assets, or systems operated by it.
- At least 20% of its revenues will come from businesses other than electric power transport.
- It will have entered other related business areas, like gas transport and other linear infrastructure systems.
- In addition to being the Andean Region's main data carrier, it will have developed energy futures markets in Colombia and other countries.

ISA's strategy is focused on the search of new business opportunities in the region shored up by market, sector and currency diversification, margin increases resulting from efficient operation, a sound capital structure, and constructive relations with regulators.

The Company bets on orderly growth as well as venture into sectors where it considers it possible to develop competitive advantages. The strategy considers the growth and consolidation of current business areas, while at the same time proposes venturing into new business areas that guarantee profitability, so as to generate value for the shareholders.

ISA is well aware of the fact that only an ethical and responsible corporate stance that triggers creation of value can lead to growth. Along this route, it is daily driven by its values of ethics, excellence, innovation, and social responsibility, which are quintessential to the beliefs and endeavors that make its *raison d'être* viable.

ABOUT US

COMMITMENTS TO THE STAKEHOLDERS

ISA and its companies recognize and value its stakeholders and incorporate them into their strategic model defining commitments to each of them.

- Shareholders and investors: Profitable growth and creation of value.
- Customers: Maintaining sustainable relationships, as well as quality at competitive costs and reliable communications.
- Suppliers: Building trust relations through transparent, equitable and clear rules for acquisition processes of goods and services.
- Associates: Contributing to their integral development and valuing their contribution to the Organization.
- Society: Respecting human rights, delivering services with efficiency and quality, timely disclosing public-interest information, and contributing to sustainable development and social well-being.
- State: Respecting and promoting the rule of law.

CORPORATE VALUES

ISA and its companies work firmly on construction of an organizational culture where values, as pillars affirming its corporate identity, serve as the guide to achieve the Organization's success.

The corporate values defined for ISA and its companies identify their will to be and to do, bolster their trust and credibility, their form of behavior, and the way they want to achieve recognition. The corporate values are:

- Ethics: It defines the character of the Organization, generates trust for stakeholders, and identifies its directive staff, managers and associates.
- Social Responsibility: Commitment to looking for improved standards of living for its employees and their families, the environment, and society in general.
- Innovation: Introduction of new aspects in the companies and their services, so as to help achievement of goals.
- Excellence: Compliance with the quality standards for service delivery that set us apart from our competitors.

ABOUT US

CODE OF ETHICS

Since its inception, ISA has based its culture on ethical principles grounded on adoption of honest, constructive, suitable and socially responsible conduct that promotes its corporate permanence and contribution to the sustainable development of the regions where it operates.

In the last few years, ISA has undergone an interesting international expansion process, characterized by diverse, challenging and novel contexts that demand its decisions to be grounded on the most solid array of values.

Decisions made routinely by ISA and its companies affect those among its stakeholders, which implies relations based on values, policies and commitments strengthening corporate culture and institutional coherence.

For this reason, ISA and its companies recognize ethics as the value of values that defines the global character of the Organization, generates trust among stakeholders, and is identified as the intrinsic trait of managers, directive staff, and associates.

Along 2011, diverse events and campaigns were developed at ISA and its companies, aiming to disclose and create awareness of the Ethics Code, which helped associates to reaffirm their commitment to this important value.

Likewise, ISA and its companies, without exception, started implementation of their Ethics Code through the ethics lines and respective ethics committees, an implementation that has helped strengthen the internal control of each one of the companies.

Ethical lines are a mechanism that allows confidential and independent channeling of ethics-related complaints and inquiries.

The ethics committee is in charge of supervising compliance with the code, and it also serves as consultation means to guide associates and third parties as to its application.

The new code not only includes the associates' view of ethics, but it also incorporates the demands of the financial markets of the countries where ISA has a presence through its affiliates and subsidiaries.

The text of the Ethics Code is attached to this Annual Report, and those interested can access it by logging in to www.isa.com.co.

ABOUT US

ANTI-FRAUD CODE

ISA and its companies define fraud as any intentional action, attempted action, or omission aiming to attain undue benefit in detriment of the corporation's principles and interests, actions that can be classified as: undue appropriation or use of financial resources and other assets, inadequate handling of information assets, corruption, or falsehood in reports.

To counter these risks, in November 2011 ISA's Board of Directors approved the Anti-fraud Code, as a reference frame that seeks formalization of the Company's strategic will regarding fraud by setting both a culture of zero tolerance of fraud, and corporate alignments and responsibilities for its prevention, detection, investigation, and answer. A plan set for the year 2012 will disclose and implement the Anti-fraud Code in ISA and its companies.

The text of the Anti-fraud Code is attached to this Annual Report, and those interested can access it by logging in to www.isa.com.co.

ACCOLADES

COLOMBIA

ISA obtained 89.97 points over 100 in the survey of transparency policies and mechanisms conducted by Corporación Transparencia por Colombia in 2011.

The Company took fifth place among the country's 24 utilities companies that voluntarily participated in the survey, an important place, taking into account that it was the first time ISA evaluated its practices through this study, which completed its fourth version.

This voluntary survey stands as an excellent opportunity to recognize good practices and pinpoint improvement opportunities on the road toward a real and effective commitment in the fight of corruption.

Additionally, Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones recognized ISA with the ANDESCO award to Corporate Social Responsibility, in the social performance and corporate governance categories. The awarding took place during the XIII National and IV International Public Utilities and TIC Congress, version 2011.

PERU

REP was granted distinction as "Socially Responsible Corporation" by the Centro Mexicano para la Filantropía, upon evaluation of such aspects as company's life quality, corporate ethics, environment care and preservation, and commitment of the corporation to the community.

ANNUAL REPORT
2011

Electric Energy Transport Business Unit



ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

ELECTRIC
INFRASTRUCTURE



Country	Company	Operational circuit km
Colombia:	ISA	10,115
	TRANSELCA	1,560
Peru:	REP	6,041
	Transmantaro	1,716
	ISA Perú	393
Bolivia:	ISA Bolivia	588
Brazil:	CTEEP	18,842
	Subsidiaries	175
Total:		39,429

Country	Company	Transformation (MVA)
Colombia:	ISA	12,811
	TRANSELCA	2,848
Peru:	REP	2,186
	Transmantaro	2,476
	ISA Peru	235
Bolivia:	ISA Bolivia	370
Brazil:	CTEEP	45,174
	Subsidiaries	2,800
Total:		68,900

MENU ▲

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

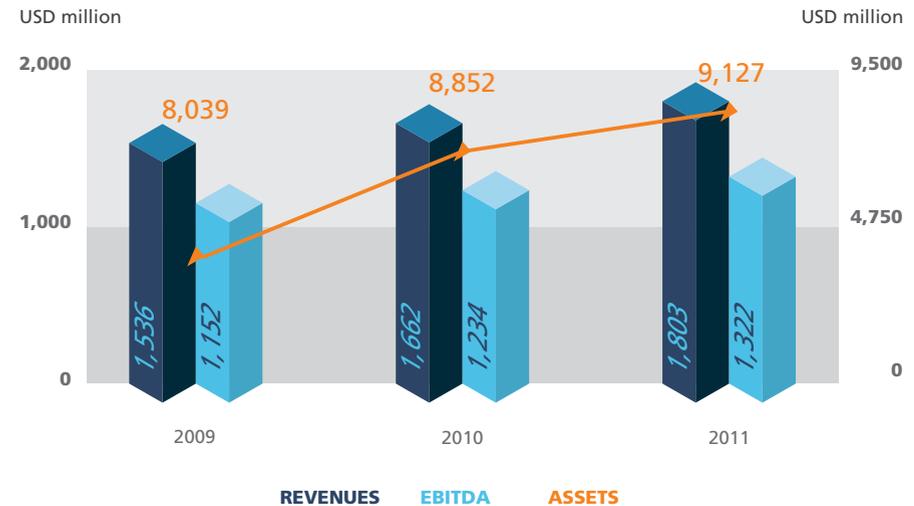
Electric energy transport is fundamental for having an energy market; it is the meeting point between generation and demand and is the way to perform electric energy interchanges.

ISA and its companies are one of the largest international transporters of electric energy in Latin America, operating a high-voltage transmission network in Colombia, Peru, Bolivia and Brazil and international interconnections between Venezuela and Colombia, Colombia and Ecuador, and Ecuador and Peru.

Operation and maintenance of its electric energy networks are performed with high availability, reliability and quality standards. To achieve this objective, ISA's energy transmission companies support their management activities in strict and excellent processes, safe to people, and both environmentally balanced and socially responsible.

The business unit has kept its growing trend during the last three years:

ELECTRIC ENERGY TRANSPORT GROWTH



GROWTH:

PROJECTS STARTING COMMERCIAL OPERATION

During 2011 and the first quarter of 2012, several projects that were previously in the construction phase started commercial operation allowing ISA's electric energy transmission network to reach 39,429 km of circuits and 68,900 MVA of transformation capacity. These projects required investments of approximately USD700 million and will generate estimated annual revenues of USD70 million.

Colombia: ISA put into operation the transforming bays required for the connection expansion of auto-transformer number five in Torca Substation, Cundinamarca province, and auto-transformer number one in Guatiguará Substation, Santander province.

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

Peru: Subsidiary Transmantaro started commercial operation of Chilca – La Planicie – Zapallal project, being the first 500 kV electric transmission system built in this country. The project includes 220 kV and 500 kV transmission lines (300 km) and three 500/220 kV transforming substations in Chilca, La Planicie and Carabayllo, with 1,800 MVA transforming capacity. The project allows strengthening the National Interconnected Electric System –SEIN, for its Spanish initials– in order to transport energy from the new thermal generation projects located in the southern region of Lima. Project investment was USD138 million.

In order to attend demand growth in the country, Transmantaro started commercial operation of a transmission line (57 km) at 220 kV between Independencia and Ica with associated substations, the increase of line capacity of the 220 kV transmission line Mantaro – Cotaruse – Socabaya and the expansion of associated substations. Project investment was approximately USD90 million.

Additionally, REP started commercial operation of several projects, expanding and strengthening the Peruvian transmission network, adding 268 MVA of transforming capacity and 211 km of circuits. Investment in these projects, helping to attend SEIN's generation growth and transformation capacity was approximately USD90 million.

Brazil: Affiliate Companhia de *Transmissão de Energia Elétrica Paulista* –CTEEP– integrated 48 km of transmission lines and 1,200 MVA of transformation capacity to the Brazilian electric system, through reinforcements and connections in the State of São Paulo. Project investment was approximately USD100 million.

Additionally, in some other CTEEP affiliates, projects previously in the construction phase, started commercial operation:

- *Interligação Elétrica Pinheiros* –PINHEIROS– added 3 km of circuits and 2,400 MVA in four substations, contributing to increase transmission capacity in *São Paulo* state. Project investment was approximately USD160 million.
- *Interligação Elétrica Serra do Japi* –SERRA DO JAPI– started commercial operation with the commissioning of 440 kV Salto substation in São Paulo state, adding 1,600 MVA of transforming capacity to the electric system. Project investment was approximately USD115 million.

Starting of commercial operation of these projects gives ISA and its affiliates an outstanding share by revenues in electricity transmission systems in the countries where ISA is present.

Additionally, some other companies where ISA has investments started commercial operation of 311 km of transmission circuits and 750 MVA of transforming capacity:

- *Interligação Elétrica Sul* –IESUL–, –, a CTEEP investment (50% share) added 57 km of circuits and 750 MVA of transformation capacity in two substations located in Santa Catarina and Rio Grande do Sul states.

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

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OPERATIONAL ELECTRIC INFRASTRUCTURE									
COUNTRY	COLOMBIA		PERU			BOLIVIA	BRAZIL		
REVENUES BREAKDOWN BY COUNTRY	81%		78%			34%	16%		
Company	ISA	TRANSELCA	REP	Transmantaro	ISA Perú	ISA Bolivia	CTEEP	Affiliates (*)	
Transmission (circuit km)	10,115	1,560	6,041	1,716	393	588	18,842	175	39,429
Transformation (MVA)	12,811	2,848	2,186	2,476	235	370	45,174	2,800	68,900

(*) Interligação Elétrica de Minas Gerais –IEMG–, Interligação Elétrica Pinheiros –PINHEIROS–, Interligação Elétrica Serra do Japi –SERRA DO JAPI–

- *Empresa Propietaria de la Red* –EPR–, an ISA investment (11.11% share), moves forward developing the Central American Countries Electric Interconnection System –SIEPAC, for its Spanish initials(*)–. The transmission line is in its final phase of construction, 18 out of 20 segments (90%) have been built and 60% of them have already been energized. It is scheduled that 90% of the line should be energized during the first quarter of 2012, with only two stretches in Costa Rica still pending. ISA acquired 99.9% of the rights of way for this project.

(*) SIEPAC Project includes design, engineering and building of a 1,800 km transmission line at 230 kV with 28 access bays in 15 substations, integrating six countries of Central America: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. The network will provide reliable and safe energy transmission capacity up to 300 MW.

MENU ▲

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

NEW PROJECTS

In order to keep their leadership as electric energy transporter and to consolidate their position in Latin America, ISA and its companies continue taking part in bid processes endorsed by national governments, and also building large projects, promoting the connection to the grid of generation and distribution utilities and large consumers, and working together with different country's regulators in order to expand and strengthen existing grids.

As a result of their endeavors, ISA, its companies, and the companies where it has a stake are working in Colombia, Peru and Brazil on the design and construction of nearly 6,362 km of high-voltage circuits and the installation of 14,719 MVA of transformation capacity. These projects will demand investments of nearly USD2,050 million and will increase annual revenues by nearly USD215 million.

DEVELOPING ELECTRIC INFRASTRUCTURE						
COUNTRY	COLOMBIA	PERU		BRAZIL		TOTAL
APPROXIMATE INVESTMENT (USD MILLION)	120	530		1,400		2,050
Company	ISA	REP	Transmantaro	CTEEP	Other companies (*)	(**)
Transmission (circuit km)	189	189	1,690	378	3,916	6,362
Transformation (MVA)	1,125	180	2,345	469	10,600	14,719

(*) Interligação Elétrica Pinheiros –PINHEIROS–, Interligação Elétrica Serra do Japi –SERRA DO JAPI–, Interligação Elétrica Sul –IESUL–, Interligação Elétrica do Madeira –IE MADEIRA– e Interligação Elétrica Garanhuns –IE GARANHUNS–.

(**) Includes circuit km and MVA of every company where ISA has a participation.

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

Colombia: ISA was awarded the Mining and Energy Planning Unit – UPME– bid to design, supply, build, operate and maintain the 500/230 kV Sogamoso (Santander) substation; the expansion of Guatiguará substation; the 230 kV Guatiguará – Sogamoso transmission line; and the reconfiguration of the 500 kV Primavera – Ocaña and 230 kV Barranca – Bucaramanga transmission lines. The project will generate estimated annual revenues of USD4.8 million and will allow Sogamoso hydroelectric plant (owned by ISAGEN) to be connected to the National Transmission System –STN–.

Peru: ISA was awarded the international public bid opened by Proinversion to design, finance, build, operate and maintain for 30 years the 500 kV transmission line (304 km) Trujillo – Chiclayo between Lambayeque and La Libertad regions, and the supplementary works at Trujillo Nueva and La Niña substations. Affiliate Transmantaro will be in charge of works; the project will generate estimated annual revenues of USD15.8 million and will permit the expansion of the 500 kV backbone towards north of the country guaranteeing, in the midterm, reliable and high-quality electricity supply coverage.

Brazil: CTEEP negotiated with the Agência Nacional de Energia Elétrica –ANEEL– a series of expansions aiming to reinforce the State of São Paulo transformation network. Works will include 470 MVA of transformation capacity and 378 km of circuits, generating estimated annual revenues of USD19 million.

Additionally, ANEEL, in the transmission auction 004/2011, awarded CTEEP the design, building, operation and maintenance for 30 years of Itapeti substation at 345 kV. This project adds 800 MVA of transformation capacity to São Paulo state, increasing reliability to the electric energy supply in the Northeast region of Great São Paulo, Mogi das Cruzes and Vale do Paraíba. PINHEIROS will be in charge of works. Once operational, the project will generate annual revenue close to USD2.4 million.

At the same ANEEL auction, CTEEP (51%) and Companhia Hidro Elétrica de San Francisco –CHESF– (49%), were awarded a lot to design, build, operate and maintain for 30 years, two 500 kV substations, adding 2,100 MVA of transformation capacity and four transmission lines at 230 kV and 500 kV, with 1,380 km of circuits. Interligação Elétrica Garanhuns –IE GARANHUNS–, a CTEEP investment (51% share), will be in charge of the project works. Once operational, the project will generate annual revenue close to USD19 million. This is a significant project for ISA, because it will allow CTEEP to enter into Paraíba and Pernambuco, expanding to 14 the number of states where the company is operating.

Panama: Through the bi-national company Interconexión Eléctrica Colombia – Panamá –ICP–, ISA continues work to make viable, build and operate the transmission line between the two countries. In the frame of a technical cooperation with the Inter-American Development Bank –IDB–, the Environmental and Social Impact Study –EIAS, for its Spanish initials–, is under development in order to reduce

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

the environmental impact during project construction. Additionally, characterization, analysis and negotiation are being carried out in order to define the most viable pathway for the interconnection line across the Darien zone (Embera-Wounaan region) and the border region between the two countries, taking into account environmental, social, technical and financial issues.

As far as the interconnection harmonized rules are concerned, regulators in both countries have published the basic regulatory rules, consistent with the Central American Regional Electric Market –MER, for its Spanish initials–regulation. The purpose is to optimize the interconnection line use and encourage different agents to take part in the auction to assign financial rights to access interconnection capacity.

As part of the bi-national project management, permits to connect to the electric systems in both countries were granted. Additionally, Panama and Colombia governments signed an agreement to finance the interconnection line construction. According to the agreement, ISA and ETESA will contribute each with 50% of the investment.

BEST PRACTICES

ISA and its affiliates continue to adopt national and international procedures and standards allowing the company to implement the best practices in order to guarantee service provisioning with rigor and excellence. Among the most outstanding developments during the period, with its respective results, are the following:

- Service reliability: ISA, TRANSELCA and REP are working to update their control centers. A company was hired in order to implement the project and to define the internal support scheme.
- Non-interruptive Maintenance –TcT, for its Spanish initials–: the use of procedures for Non-interruptive Maintenance was transferred to the Colombia, Brazil and Peru subsidiaries.
- Technical information: the Integrated Technical Standardization System –SINTEC, for its Spanish initials–, was developed in order to support procedures and responsibility management allowing preparation, disclosure, application and quality assurance of every document related to the business technical standards. This tool collects knowledge built up by the organization about activities related to design, building, assembly, negotiation, reception, storing, factory and site testing, operation, maintenance, and asset management. The tool also keeps standardized documents about specifications, handbooks, technical guides, use guides and drawings.

Additionally, ISA and its companies promote and lead a series of initiatives associated with competencies development; technology strengthening and implementation of new management tools.

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

SERVICE QUALITY

One of ISA's goals is to guarantee that all its companies provide services under high levels of reliability, availability and safety, according to applicable regulation in each country. In order to assess these levels, ISA has, among others, the following transmission network quality indicators:

- Network availability: measures the percentage of time during the year when grid assets (substation bays, transformers, lines, etc.) were in service or available.
- Unserved load –ENS, for its Spanish initials–: measures energy not supplied to each country's electric system due to facts where the transporter is responsible.

SERVICE QUALITY INDICATORS							
COUNTRY	COLOMBIA		PERU			BOLIVIA	BRAZIL
Company	ISA	TRANSELCA	REP	Transmantaro	ISA Perú	ISA Bolivia	CTEEP
Network availability (%)	99.91	99.64	99.64	99.87	99.92	99.54	99.97
Unserved load (MWh)	1,876	4,442	4,986	1,777	171	1,208	1,051

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

ISA IN THE TRANSPORT OF ELECTRIC ENERGY IN COLOMBIA

With 70.32% ownership of the STN, ISA keeps its leadership in the Colombian electric sector, consolidated as the largest energy transporter in the country and the only one with national coverage

ISA's energy transport grid in Colombia is safe and reliable. The grid has 10,115 km of transmission lines at 230 kV and 500 kV; 61 substations; 12,811 MVA of transformation and 4,205 MVAR of reactive compensation.

PORTFOLIO OF SERVICES

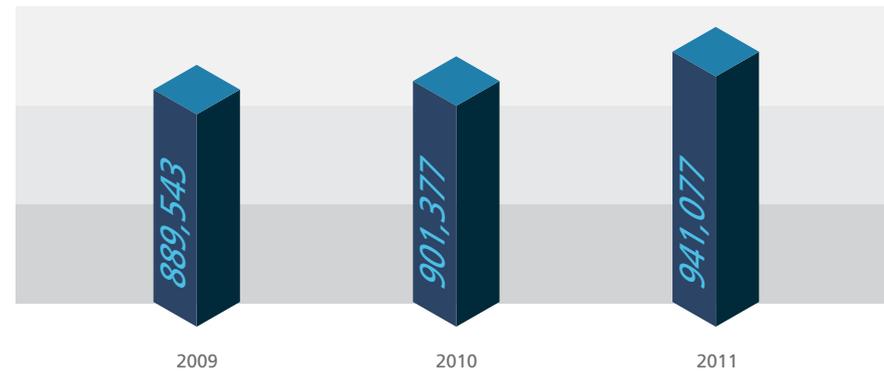
Availing from the synergy between ISA and TRANSELCA, the Company offers a complete service portfolio through an integrated commercial department:

- Electric energy transport: It is offered to market agents for energy trading and for regional electric systems interconnection.
- Connection to STN: It provides generators, grid operators, distributors, regional transporters and large consumers with access to the SIN, allowing them to deliver and receive the power and electric energy required or generated.
- Ancillary services: ISA offers its customers a series of additional services. The most outstanding are: electricity and energy studies and transmission system maintenance.

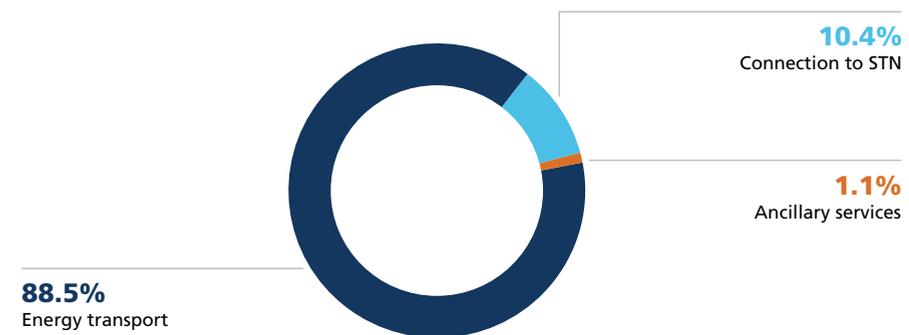
During 2011, revenues from these services totaled \$941,077 million, 4.4% higher than those of 2010.

SERVICE REVENUES

\$ million



BREAKDOWN OF REVENUES BY SERVICE



ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

ISA received the ISO 9001:2000 quality certification for the energy transport service to perform studies, design, supply, construct, build, test, commission, operate and maintain electric energy transmission systems. Additionally, for operation, maintenance and connection to the STN, ISA has been certified for environmental management and safety and occupational health, under ISO 14001 and OHSAS 18001 standards, respectively. As an additional challenge, ISA is working in order to obtain ISO 27001 certification for information security.

ISA's Electric Energy Transport business entered into social networks, especially Twitter, with the purpose of having a more permanent and on-time contact with their customers through new communication and relation channels. Through @tenergialSA Twitter account, the business establishes a real time communication with its customers, based on relevant information, adding value to its service.

GRID PERFORMANCE

Management indicators of ISA's transmission grid exceeded the goals set for 2011 confirming the rigor and excellence with which each of the business processes is performed. Availability and continuity of energy supply indicators are as follows:

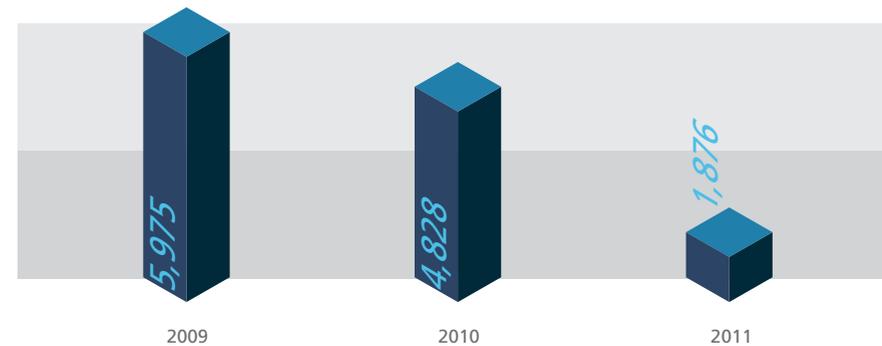
UNSERVED LOAD:

During 2009, Unserved Load to the SIN was 1,876 MWh, well below the target set for the year (6,895 MWh). This value is the result of facts where the Company was responsible and does not take into account terrorist attacks. 78.2% of unserved load was due to scheduled maintenance activities, coordinated with affected customers. This is the result of

optimum system operation, because only 0.003% of SIN's total demand (57,150 MW) corresponded to unserved load.

UNSERVED LOAD

MWh

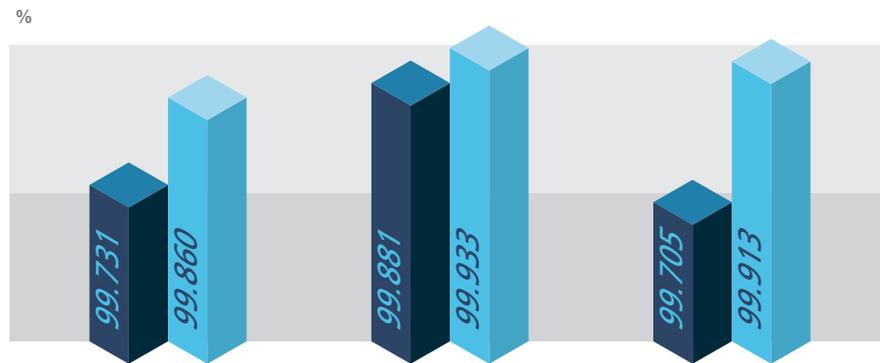


ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

TRANSMISSION GRID AVAILABILITY

Total average availability of ISA's transmission assets was 99.913%, a figure that outdoes the average goal of 99.881% set by the Energy and Gas Regulatory Commission –CREG–.

ISA'S NETWORK AVAILABILITY

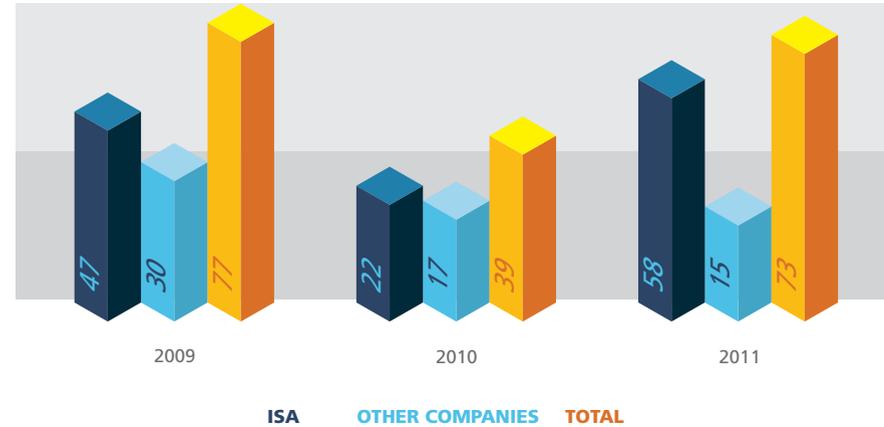


TERRORIST ATTACKS TO ELECTRIC INFRASTRUCTURE

During 2011, 58 towers of ISA's transmission grid were hit by terrorist attacks, 36 more than in 2010. From all the attacks, 36 were located in Antioquia province, 15 in Arauca province and the rest in La Guajira and Norte de Santander provinces.

SIN'S TOWERS DAMAGED

number of towers



With the decided support of the National Government, the Armed Forces and the power sector's companies, ISA carried out the necessary tasks for guaranteeing service availability. By the end of 2011, 98% of the Company's infrastructure that was affected by terrorist attacks had already been recovered.

The average time to recover damaged structures was 21.8 days per tower, similar to the mean value (20.9 days) reached during 2010, representing a significant increase compared to previous years (5.9 days in 2009 and 6.73 days in 2008). This was due to public order problems that hindered access to the sites of damaged towers in the Porce – Cerromatoso 500 kV circuit in Antioquia province.

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

TECHNOLOGICAL DEVELOPMENT

ISA has focused its efforts on strengthening business technologies, looking for the development of core competencies and improving processes, with the objective of keeping its leadership in providing energy transport services in a safe and reliable way; in complying with regulation; and in performing processes safe to the people and in balance with the environment. During this period, the following initiatives were implemented:

- Service reliability: ISA continues updating several substations, for which it is working on updating control, protection and ancillary systems and the replacement of isolators and breakers. Works are under way at Jaguas (Antioquia province), La Esmeralda (Caldas province), La Mesa (Cundinamarca province) and Yumbo (Valle del Cauca province) substations. Studies are underway to start equipment manufacturing and civil works construction during 2012.
- Non-interruptive maintenance techniques –TcT–: Innovations reached in this field allowed performing new non-interruptive maintenance procedures, like replacement of a power transformer at Caño Limón 230 kV substation, auto-transformer connection at Torca 230 kV substation, and replacement of polymeric isolators in transmission lines. Additionally, all members of ISA's TcT team received the "Work Competency Standards" certificate.
- New technologies: Inspection by air using high technology cameras permitted obtaining improvements in the performance diagnostics of transmission lines. Additionally, a new technology will permit significant improvements in transmission lines performance and substation control systems under atmospheric disturbances.
- Smart grids: As a step forward into the field of Smart Grids, and looking for improvements in the effectiveness of the transmission grid operation and maintenance, ISA implemented two automatic systems. The Information Acquisition Automatic System –SARIM, for its Spanish initials– to improve field data acquisition; and the Substation Device Management Automatic System –SAGES, for its Spanish initials– to remotely acquire information from protection relays and fault recorders.
- Publications: At international level, ISA published several technical papers, relative to the development and use of new procedures of live line maintenance. The most outstanding are: "South American Utilities plan live line replacement program to solve problems with composite insulators", published by INMR International; "Disconnection and connection of CCVTs and PQS applying live line working methodology", in Croatia (ICOLIM-2011); and "Connection and disconnection of CCVTs using Non-interruptive maintenance techniques", in Argentina (CITES-2011), awarded as the best paper in the transmission category.

ELECTRIC ENERGY TRANSPORT BUSINESS UNIT

- Patents: ISA received patent titles in Mexico and Guatemala for bird-flight deflector devices to be installed on transmission lines to protect migratory species. Patent rights are also valid in Colombia, Honduras, Panama, Chile, United States and Peru.

OUTLOOK

Due to the dynamics and favorable climate for private investment offered by governments of countries in which ISA and its subordinates are present, the Company will pursue its efforts to consolidate its share in them; it will evaluate new growth opportunities in Latin America and will look for the integration of regional energy markets with the aim of improving quality and reliability of electric service, optimizing available generation resources and looking for more economic tariffs for end users.

Colombia: ISA will also take part in the bids for the 2011 – 2024 Reference Expansion Plan, prepared by the Mining and Energy Planning Unit –UPME, for its Spanish initials–, with foreseen investments in transmission of USD500 million.

Peru: The Company, according to its intention to continue growing in this country, will be alert for new invitations to bid under the Energy Transitory Plan with foreseen investments of USD700 million, for extensions, reinforcements and new concession processes.

Brazil: ISA will continue to be interested in new auctions that will allow expanding its infrastructure and consolidating its position in this market. To date, the 2011 – 2019 Decennial Energy Expansion Plan, approved by the Ministry of Mines and Energy, foresees investments of nearly USD20 billion for the next few years.

Panama: ISA, through ICP, will continue promoting the Colombia-Panama interconnection viability, with a foreseen investment of nearly USD500 million. The main priority is to make possible in 2012 a bid to assign access financial rights to the interconnection capacity, which will be the way for ICP to get revenues.

Chile: ISA has given evidence of its interest to enter this market, which has great economic growth, is attractive for investment, offers legal stability and has large needs for energy supply. At the time, ISA is evaluating the bid open by the Chilean government for construction of a series of energy transmission projects to strengthen the current electric system of the country, requiring investments for nearly USD1 billion. Additionally, ISA is paying attention to the HidroAysén Project progress, consisting of five hydroelectric power plants, requiring large investments in transmission in order to transport energy generated in the southern region of the country to Santiago.

ANNUAL REPORT
2011

**Telecommunications
Transport Business Unit**

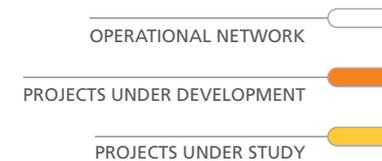


TELECOMMUNICATIONS CONNECTIVITY INFRASTRUCTURES



Country	Company	Optic fiber km in operation
Colombia:	INTERNEXA	6,652
Ecuador:	TRANSNEXA	926
Peru:	INTERNEXA	2,598
Chile:	INTERNEXA	1,676
Venezuela:	In association with local operator	1,977
Argentina:	Internexa	2,577
Brazil:	INTERNEXA	3,506
Total:		19,912

Network in verification, adaptation and development	km
Central America	1,800
Chile:	787
Total:	2,587



TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

Telecommunications is one of the most promising commercial activities of modern economy and under this name are found companies engaged in media, content, internet access, fixed line telephony, mobile telephony, data transmission and others.

Telecommunications is recognized as a basic support for industry, representing entertainment and closeness and allowing distant events to be accessed immediately.

ISA participates in this business unit through INTERNEXA, a company that after ten years in operation, has consolidated a unique fiber optics network with more than 19,912 km, connecting the main cities of Venezuela, Colombia, Ecuador, Peru, Chile, Argentina and Brazil.

CONNECTIVITY INFRASTRUCTURE FOR TELECOMMUNICATIONS		
COUNTRY	Company	Operational fiber optics (km)
Colombia	INTERNEXA	6,652
Peru	INTERNEXA	2,598
Chile	INTERNEXA	1,676
Ecuador	TRANSNEXA	926
Venezuela	Association with local operator	1,977
Argentina	Internexa	2,577
Brazil	INTERNEXA	3,506
TOTAL		19,912

Additionally, ISA, through EPR has 11.11% stake in REDCA(*), the company in charge of administering the fiber optics assets of the SIEPAC Project.

INTERNEXA, as an ISA subsidiary, in association with the other member companies, takes part in building the network infrastructure, preparing the company to operate in the mid-term 1,800 km of fiber optics in Central America, consolidating this way a 21,712 km network in the continent.

INTERNEXA is the only company of telecommunication solutions and connectivity infrastructure in Latin America dedicated to the “carrier’s carrier” business. Based on the fiber optics network support, INTERNEXA transmits information signals through national and international networks in order to connect two or more sites. Additionally, INTERNEXA is the first telecommunications company in Colombia to be awarded the ISO 9001:2000 certification for the carrier service.

INTERNEXA’s network connects more than 60 cities in South America, offering a total capacity of 1,108 GB/s, with access to Emergia, Maya and SAC undersea cables. INTERNEXA is also the owner of transmission capacity in the ARCOS 1–CFX S System; it has a platform offering direct connection to the main internet Service Providers in the United States and provides telecommunication operators and content generators the possibility to emulate their own fiber optics networks. These features allow local, regional and international operators to positively assess the excellent quality and high reliability levels provided by the company.

(*) The Central America Fiber Optics Network –REDCA, for its Spanish initials– is the company responsible for managing the fiber optics assets of Project SIEPAC, whose main objective is to develop, design, finance, build, maintain, operate and commercially exploit the fiber optics network and, additionally, interconnect the region telecommunication systems

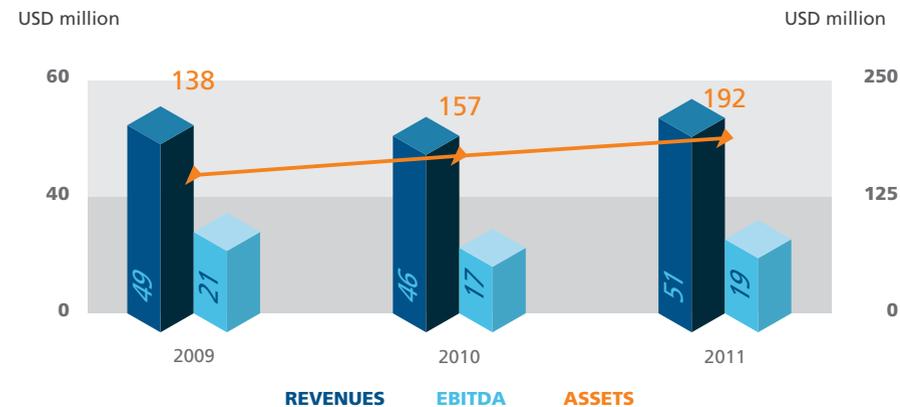
TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

GROWTH

Starting its second decade of operations, INTERNEXA focuses its efforts on reaching its dream of improving the life quality of more than 380 million people in Latin America. To achieve this goal, INTERNEXA has reached important corporate milestones like starting operations in Brazil and Argentina, consolidating operations in Chile and Peru, and implementing a digital content migration strategy to South America.

The business has kept its growing trend during the last three years:

TELECOMMUNICATIONS TRANSPORT GROWTH



CONNECTIVITY INFRASTRUCTURE

Colombia: During the last year, and thanks to having been awarded projects for the Instituto Colombiano de Bienestar Familiar –ICBF– and the Colombian Geological Service, INTERNEXA entered into new economy

areas and increased its share of the telecommunications market. These new business opportunities will allow the company to offer connectivity channels and Information Technology services, like design, development and provisioning of a web registration system, as well as information technology software and hardware, among other

Peru: The company commissioned a 1,305-km link connecting Arequipa and Cuzco. This initiative allows offer of better telecommunications services to a fast growing region, driven by tourism. The link, now in operation, is part of a project to bring telecommunications services to the Peruvian jungle and mountain regions.

Ecuador: TRANSNEXA, an INTERNEXA investment, started offering local services to the eastern region of the country during 2011, at market prices and through a fiber optics network with high reliability and wide coverage, using high voltage electric transmission lines.

Chile: INTERNEXA completed ringing work of the network between Valparaiso, Viña del Mar, Santiago, Rancagua, San Fernando and Talca, consolidating a 1,676-km strong and redundant network, guaranteeing complete availability of services in the country. The ring will guarantee customers that communication flow will always have a second path, bringing the risk of interruptions to a minimum.

Argentina: INTERNEXA honored its promise to interconnect the Pacific and Atlantic coasts thanks to the commissioning of a 2,577-km fiber optics network connecting Chile to Brazil. This initiative included the operations configuration and the start of marketing activities.

TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

Brazil: 3,506 km of a fiber optics network, connecting Rio de Janeiro to Uruguayana (in Rio Grande do Sul Province, in the Argentina and Uruguay border) started operation. This grid allowed the international connection through Argentina to the rest of countries in the network. Operation was configured and marketing management started in this country in order to make the company known among possible customers and the government.

Central America: ISA continued to actively take part in the SIEPAC Project, an initiative led by REDCA, to build a 1,800-km fiber optics network over the electric transmission network infrastructure from Guatemala to Panama. This project optimizes resources through convergence of electricity and telecommunication infrastructure, improving return ratios for both investments. INTERNEXA's presence in the project has permitted 98% progress in the construction of the required infrastructure.

REGIONAL STRATEGY FOR CONTENTS

In accordance with the criteria that broadband growth and the immediate availability of contents produced both internationally and locally, are key factors in improving people's life quality, INTERNEXA developed a strategy that will allow the company to become a leader in Latin America in the field of relevant digital content distribution.

In order to achieve this goal, the company configured a data center in Medellin, Colombia (North Node) and another one in Belo Horizonte, Brazil (South Node). These data centers store digital content international distributor servers. This allows TIER 1 contents previously stored in the United States and Europe to be now available in Latin America. Colombia, Venezuela,

Ecuador and Peru will use the North Node, while Chile, Argentina and Brazil will use the South Node.

This land fiber optics network, open to operators, is the only one allowing fast access to contents from South America and with higher cost efficiency. It avoids the use of different connection hierarchies and shortens the distance information has to travel to the destination where it has been requested from.

In this way, INTERNEXA is consolidating as a unique provider, allowing access to the most sought after contents by Latin American users in a direct and integrated manner. This ecosystem offers favorable conditions for a high level development of contents industry in the region.

TECHNOLOGICAL DEVELOPMENT

The company updated the regional control center, adjusting it to international standards and adapting the regional network to support the new Internet Protocol version 6 –IPv6–, solving problems of Internet Protocol version 4 –IPv4– address exhaustion. This new version allocates IP addresses to each device connected to the web, guaranteeing internet communication.

TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

OUTLOOK

During 2012 INTERNEXA foresees to continue the consolidation process as a telecommunications service provider with the largest land continuous network in the continent, crossing seven countries in order to connect the Pacific coast with the Atlantic coast, uniting telecommunications throughout South America.

In this direction, the company will continue working to build a 3,000-km fiber optics network, extending to the mountains and jungle of Peru.

Additionally, INTERNEXA will continue the building process of new links in Chile: Santiago – San Antonio – San Fernando and San Fernando – Constitución – Concepción. This fully ringed infrastructure will make INTERNEXA into the most attractive option for telecommunications operators in this country.

The company will also work to promote and consolidate its presence in Argentina and Brazil.

In Central America, INTERNEXA will continue, along with REDCA, building the project that will interconnect Central and South American telecommunications, from Mexico to Colombia, crossing six Central American countries. The fiber optics network backbone is expected to start operations in 2012.

In the field of international connections, INTERNEXA will progress in the final definitions of a project connecting land networks of Peru and Chile.

INTERNEXA also expects to find a structural solution in order to guarantee long term connectivity between its South American operation and the internet backbone in the United States. With this project, INTERNEXA aims to increase coverage, quality and competitiveness of its IP transit portfolio. As far as products and services to customers are concerned, INTERNEXA will focus on the contents strategy consolidation. In order to achieve this objective, INTERNEXA will continue to receive content distribution devices and host them in the North and South Nodes.

Actions taken by INTERNEXA in the near future will have an impact on the whole industry. Given its recognition as a regional player, this stimulates many producers to host its contents in Latin America. For this reason it is likely that new nodes could be built in other cities in the continent, according to the demand coming up from the content strategy implementation.

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Roads Concessions Business Unit



ROAD INFRASTRUCTURE



CHILE in operation

Concessions		km
1	Ruta del Maipo	237
2	Ruta del Maule	193
3	Ruta del Bosque	161
4	Ruta de la Araucanía	144
5	Ruta de los Ríos	172

Total: **907**

COLOMBIA under evaluation

Autopistas de la Montaña Project		km
1	Túnel de Occidente - El Tigre y Santa Fé de Antioquia - Bolombolo	279
2	San José del Nus - Cauca	224
3	San José del Nus - Puerto Berrío	51
4	Camilo C. - Tres Puertas e Irra - Asia - La Virginia	206

Total: **760**



ROADS CONCESSIONS BUSINESS UNIT

ISA structures, designs, constructs, operates and maintains road infrastructure in markets where it can be relevant. To operate and maintain, ISA takes into account standards established by the regulators in each of the countries where it is present and is supported by processes guaranteeing operational excellence and safety for the users.

In 2011, ISA entered into the road concessions business, after completing purchase of 100% of INTERVIAL CHILE shares, the controller of five road concessions in this country. ISA also completed its first year managing these companies. By doing so, ISA managed to achieve one of the objectives set in its BHAG, entering the road infrastructure sector and especially the Chilean road concession system, one of the most advanced in the world.

In Colombia, ISA delivered for evaluation by Instituto Nacional de Concesiones –INCO– (today, Agencia Nacional de Infraestructura –ANI–), the engineering, environmental, traffic, legal and financial studies of the Autopistas de la Montaña project. These studies will help define details about construction, operation, maintenance, preservation and commercial exploitation of four road corridors in Antioquia, Caldas and Risaralda, permitting to connect the national competitiveness corridors under development by the National Government (West Trunk Road and Magdalena Trunk Road).

Entrance into this business is shored up by a series of competencies to structure, design, build, operate and maintain linear infrastructure systems, acquired along its corporate history, and permitting the

Company to reach the outstanding position it has today in Latin America. This process has been levered up by an efficient management system and a company culture signed by values as relevant as ethics, excellence, social responsibility and innovation.

ISA INTERVIAL

As part of its business strategy, and in order to ease positioning the company in the Road Concession business, ISA developed the brand ISA INTERVIAL. To be consistent with this decision, ISA changed the brand Cintra Chile for INTERVIAL CHILE and unified the corporate name of its five concessionaires under the concept “Ruta”, grouping them under the umbrella brand ISA INTERVIAL.

INTERVIAL CHILE

PURCHASE OF THE REMAINING 40%

In December 2011, ISA and Cintra Infraestructuras de España, closed a transaction allowing the purchase of the remaining 40% of INTERVIAL CHILE, (formerly, Cintra Chile), controller of five concessions in the country. The transaction amounted to USD211 million and was funded by a bond program of ISA in the Colombian market and with own resources from INTERVIAL CHILE. On September 15, 2010, ISA had purchased the initial 60% of shares of the company.

ROADS CONCESSIONS BUSINESS UNIT

INFRASTRUCTURE

Since 1996, Cintra Chile (today, INTERVIAL CHILE) has been the leading player in interurban road concessions in that country. Control, operation and management of 907 km of roads, going from Santiago to Río Bueno City, covering six important regions that contribute 80% of population, 70% of Gross Domestic Product –GDP– and to 74% of the number of cars in Chile, are under Cintra's responsibility. These regions have a strong presence of relevant economic sectors, like tourism, agricultural industry, fisheries and forestry.

Through its concessionaires, INTERVIAL CHILE operates: Ruta del Maipo, Ruta del Maule, Ruta del Bosque, Ruta de la Araucanía and Ruta de los Ríos, together representing nearly 40% of Chile's road concessions and positioning the company as the largest interurban road operator in the country.

INTERVIAL CHILE's roads are designed to operate at 120 km/h and have 293 bridges, 368 structures, (among them grade crossings, junctions and other elements), 188 pedestrian walkways, and 95 toll plazas, with a transit of more than 85 million vehicles during 2011.

ROAD INFRASTRUCTURE IN CHILE						
CONCESSIONAIRES	RUTA DEL MAIPO	RUTA DEL MAULE	"RUTA DEL BOSQUE"	"RUTA DE LA ARAUCANÍA"	"RUTA DE LOS RÍOS"	TOTAL
Stretch	Santiago -Talca	Talca -Chillán	Chillán -Collipulli	Collipulli -Temuco	Temuco -Río Bueno	Santiago -Río Bueno
Length (km)	237	193	161	144	172	907
Concession end date	2024	2015	2021	2024	2023	
Concession end MDI (*)	2041	2025	2021	2030	-	

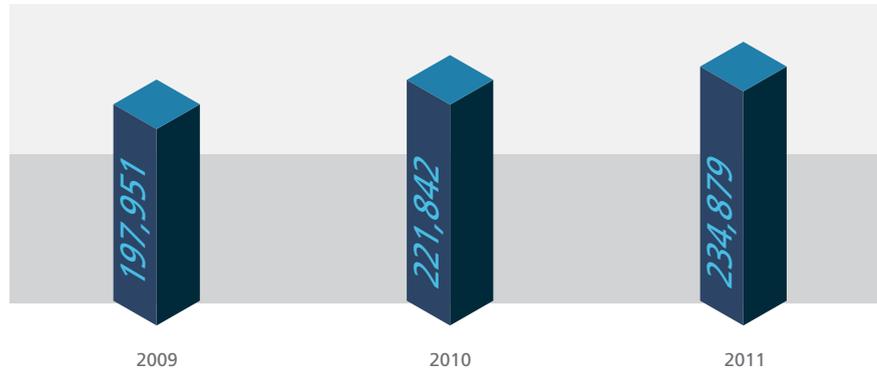
(*) MDI: Revenue Mechanism

ROADS CONCESSIONS BUSINESS UNIT

Since 2009, annual traffic and toll revenues show a growing trend, an evidence of the good moment the Company is going through, despite the earthquake affecting the country in 2010, which had an important impact on the road infrastructure.

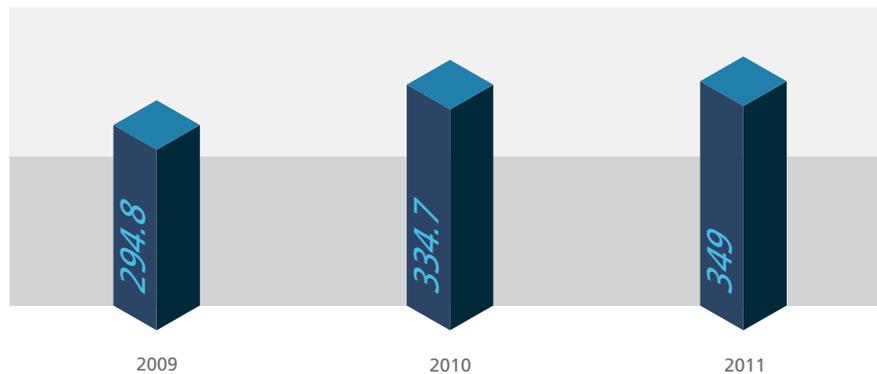
ANNUAL TRAFFIC

daily equivalent traffic



ANNUAL REVENUES

USD million



In order to help users, concessionaires have available services and infrastructure such as emergency centers, S.O.S. signposts, tow trucks, patrols, control areas, service areas, truck parking lots, etc.

In order to have a fluent and timely communication with users and the community, there are Twitter accounts available to get information about the state of roads, weather conditions and specific advice for a safer trip.

Additionally, INTERVIAL CHILE, showing interest in the users, perform annual customer satisfaction evaluations, with the purpose of identifying needs and expectations and defining which issues affect service in a most significant way. In 2011, the average result was 77%, corresponding to a “high” range.

Companies are certified under International Quality Standards UNE-EN-ISO 9001:2008 for the road concession exploitation service. Certification, ratified in 2011, was awarded by the Chilean branch of the Normalization and Certification Spanish Association –AENOR, for its Spanish initials–.

PROJECTS

EARTHQUAKE RECOVERY

After the earthquake that struck Chile in 2010, severely damaging infrastructure, re-establishing connectivity was considered the main priority. 24 hours after the event, the objective was achieved, traffic

ROADS CONCESSIONS BUSINESS UNIT

recovered and safe travel conditions could be offered to users. At the same time emergency works started in order to recover affected infrastructure.

Once this phase was concluded, damages were evaluated and a two-year repair and reconstruction schedule was defined. At the same time, and in order to minimize reconstruction financial costs, advance payment of indemnity from insurance policies was negotiated. Total amount of damages were USD172 million; out of this total, USD165 million was covered by insurance policies.

At the end of the period, all concessionaires have executed 100% of repair work, except Ruta del Maipo, whose progress, in December, was 90%.

TELE-TOLL

Ruta del Maipo is working on a project to implement an electronic toll collection system, allowing users to pay charges after using the infrastructure. The new system will allow users to pay charges on a monthly basis without having to stop at the toll both to pay cash.

With an investment of USD18 million, the first stage of the project, at the tollbooth of Angostura, in the VI Region, entered into operation for cars and vans without trailers. A tele-toll Management Center was implemented in order to help users to solve queries via call center.

The system is expected to enter into full operation in mid 2012 for all

types of vehicles and in all tollbooths (three main roads and 39 side roads).

INTEGRATION PLAN

ISA is making progress integrating acquired concessions to its management model, preserving knowledge and the efficient practices INTERVIAL CHILE is recognized for. Additionally, ISA is working on a knowledge transfer process and studying possible synergies.

After the purchase, ISA performed an initial diagnostic identifying the main gaps compared to ISA's management model and important actions to be taken were defined. During 2011, activities developed were focused on:

Technical	Financial	Management
Benchmarking	Financial planning	Organization
	Accounting	Human management
	Treasury	IT Management
Knowledge transfer	Risk management	Management tools
	SAP	Brand management

AUTOPISTAS DE LA MONTAÑA PROJECT

On January 28 of 2011, the National Institute of Concessions – INCO, for its Spanish initials – (today, ANI) and ISA, subscribed an inter-administrative agreement to prepare the relevant studies of the evaluation phase of the Autopistas de la Montaña Project and later, prepare the design of Project's Phase III. Additionally, and under a concession scheme, the contract includes scheduling and construction of works, funding, land property management, operation, maintenance, preservation and commercial exploitation of actual and future roads.

During the first or collaborative phase, ISA develops technical, economic and financial studies for the evaluation phase, allowing determining the Project's scope and feasibility. During the second or inter-administrative phase, ISA prepares Phase III designs, constructs, operates, maintains and commercially exploits all roads.

FIRST PHASE: EVALUATION STAGE

On August 10, 2011, the first phase, or inter-administrative phase, concluded. ISA submitted to INCO the corresponding studies of the Autopistas de la Montaña Project evaluation phase.

The technical and financial structuring studies presented give evidence of a wide and deep analysis of different issues and allow adequately understanding and dimensioning the project. ISA proposed a road system configuration, giving answer to the country's current competitive needs, to the zone's geographical and geological complexity and to current and future transport dynamics.

Designs and structuring making part of the studies were done in an integral and modular way, permitting the project's suggested configuration to be developed gradually or by phases, until the final stage.

From this perspective, studies presented offer a large dimension solution and consider a total investment of up to \$15,560,000 million (December 2008 Pesos) for the development of the Project's total scope. This will include the main road to Urabá (segment 1) on a two lane road, the North-South corridor (segments 2 and 4) on four lane roads, and the road to Puerto Berrío (segment 3) on a new two lane road, operating in parallel with the existing road.

Project design includes four competitiveness corridors, three of them integrating the country from the south, the border with Ecuador, to the Caribbean Sea in Cartagena and in the Urabá Gulf; the other corridor will connect transversally the West Trunk Road with the Magdalena Trunk Road (Ruta del Sol). Total length under design is 760 km, including 15 tunnels of more than 1 km, adding nearly 52 km; 116 of less than 1 km tunnels (38 km) and 696 bridges with a total length of nearly 63 km.

ROADS CONCESSIONS BUSINESS UNIT

AUTOPISTAS DE LA MONTAÑA PROJECT								
STRETCHES	LENGTH (KM)	BRIDGES		TUNNELS				
		NUMBER	LENGTH (KM)	LESS THAN 1 KM		MORE THAN 1 KM		
				NUMBER	LENGTH (KM)	NUMBER	LENGTH (KM)	
Stretch 1	Túnel de Occidente - El Tigre Santa Fé de Antioquia - Bolombolo	279	190	14	68	23	4	15
Stretch 2	San José del Nus - Caucasia (Incluye Túnel de la Quebra)	224	354	33	36	10	4	18
Stretch 3	San José del Nus - Puerto Berrío	51	20	2	10	4		
Stretch 4	Camilo C - Tres Puertas	156	111	12	2	1	6	16
	Irra - Asia - La Virginia	50	21	1			1	3
TOTAL		760	696	63	116	38	15	52

New corridors, as well as new roads, offer effective solutions to competitiveness. Roads are proposed with high standards, in comparison with existing ones, taking into account geographical location (mountains) and geological and geotechnical conditions for the project, forcing fundamental changes in the way this type of infrastructure is conceived. Roads are designed according to the Instituto Nacional de Vías –INVIAS, for its Spanish initials– Geometric Design Handbook (2008) and consider design speeds of 80 km/h, maximum slopes of 6% and a mean width of 10.5 m.

ISA incorporated an analysis model to select project routes, where different options were analyzed, taking into account technical, financial and economic issues. The economic factor was used for selecting the best alternative from the social cost-effectiveness point of view, expressed as shorter traveling times and lower operating cost for freight carriers.

Compared to international standards, traffic on these corridors is not too high; as a result, revenues from tolls are not enough to cover the large investments needed, requiring additional State resources and a long-term development plan.

The cost of the study, developed by a qualified team of consultants, using state-of-the-art-technology, was nearly \$37,000 million. At the moment, the engineering firm hired by ANI, is analyzing the studies presented by ISA; when this phase is concluded, national, regional and local governments will determine the basic scope of the project, work schedule, amount of investment and availability of state resources for the project. In the meantime, ISA, in coordination with ANI, is carrying out an information plan to have the studies' results known to several audiences.

ROADS CONCESSIONS BUSINESS UNIT

SECOND PHASE: INTER-ADMINISTRATIVE STAGE

During this phase, ISA will receive segments to operate, maintain and commercially exploit, and will start work construction.

PREPARATION FOR THE CONSTRUCTION PHASE

Once the studies and designs of Autopistas de la Montaña Project, Phase II, were submitted to ANI, ISA started planning the pre-construction and construction stages, according to the inter-administrative contract (second phase), taking into account the following aspects:

- Definition of specific scopes for each construction stage.
- Definition of construction packages or sub-segments to contract.
- Contracting schedule.
- Environmental and land property activities scheduling in order to obtain the required environmental permits and licenses to start construction.
- Design, licensing, land acquisition and construction timetable.
- Cost control structure definition.
- Project management organization.
- Preparation of bidding terms for suppliers pre-qualification and for works construction bidding process.

- Structuring of the legal framework for land acquisition.

PREPARATION FOR THE OPERATION AND MAINTENANCE PHASE

During 2011, ISA spent resources and developed a series of activities in order to prepare this stage, among which the following stand out:

- Incorporation of Autopistas de la Montaña S.A.S., a company conceived as a vehicle for project development.
- Preparation of an operation and maintenance handbook.
- Inventory and recovery proposal for road corridors' signaling.
- Definition of operating facilities, operation schemes and road reception and intervention plans.

OUTLOOK

Despite the difficulties and lag Latin America is facing in road infrastructure issues, compared to other regions in the world, this economy sector has excellent prospects due to the fact that governments in the region have understood the important role this issue plays in developing a country's economy, boosting domestic and international connectivity, helping competitiveness and economy growth and improving quality of life for all people.

ROADS CONCESSIONS BUSINESS UNIT

Evidence of the above are the growing attempts to make improvements done by Latin American governments, taking important steps forward in order to include strategies, policies and budgets in their short and long term development plans to strengthen economy and development in the region.

Colombia: Capacity improvement of the road infrastructure is a key factor to strengthen the country's competitiveness. For this reason, the National Government has as a challenge in its National Development Plan 2010 – 2014, to boost the consolidation of corridors transporting foreign trade load and connecting the main production and consumption centers with sea ports, airports and borders. In this direction, projects under development will be given priority and for doing this, mechanisms will be adopted to guarantee their effective execution and actions will be implemented in order to have, as soon as possible, the infrastructure in operation. For the period 2011– 2018, investment is estimated at USD19 billion.

Chile: The region's most advanced country in road concessions development, it has an active participation of local and foreign private sectors in projects execution, as well as clear contracting rules for investors and great growth potential, evidenced in future project bids. This sector has a stable regulatory frame, with solid and experienced institutions in charge of concessions, with traffic risk mitigation mechanisms and with economic incentives to increase road safety. The Ministry of Public Works –MOP, for its Spanish initials–, in its 2011– 2016 Road Concessions Plan is considering infrastructure projects amounting to USD8 billion.

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Real-time Systems Intelligent Management Business Unit



REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

Since the end of 2010, ISA and XM started a strategic analysis of the Market Operation and Administration Business Unit, allowing identification of a new business competency that could help XM to widen its mid-term and long-term strategic intention: information coordination, supervision and management.

Experience acquired by XM operating the electric system and administering the electricity market, allows the company to offer intelligent solutions to different economic sectors, based on technology and on acquired knowledge.

XM's core competency is determined by its ability to supervise, coordinate and add value to information, through real-time systems associated with different types of infrastructures (electricity, gas, water and traffic) and transactional platforms for goods and services markets.

Real-time systems acquire information, both from infrastructures and from markets, at the precise time it is produced. This information is processed in a fast way and adding value to it (by simulations, mathematical and statistical modeling, among others) and later delivered to decision makers that will take action on the relevant systems, in a continuous improvement cycle.

After the strategic analysis of 2010, XM analyzed the convenience of changing the name to the Market Operation and Administration Business Unit. In order to make a decision, XM performed a benchmarking process with Knowledge Process in Outsourcing –KPO– and Business Process in

Outsourcing –BPO–, two models with some similarity with XM, which could give important elements for the repositioning process.

Corporate, a company specialized in branding and positioning strategies, was the consulting firm hired for this process. The company decided that the current Market Operation and Administration Business Unit should be called Intelligent Management of Real-Time Systems Business Unit. It additionally removed from its name “The Market Experts (Los Expertos en Mercados)” endorsement.

At the moment, XM is applying its expertise in three different sectors:

Power sector: XM's core business based on the operation of the National Interconnected System –SIN– and administration of the Wholesale Energy Market –MEM– in Colombia, including the International Electricity Transactions –TIE– with Ecuador.

Financial sector: In association with the Colombian Stock Exchange –BVC–, XM takes part in Derivex, a company in charge of administering the electric energy commodities derivatives market in Colombia. Additionally, XM is an investor in Cámara de Riesgo Central de Contraparte –CRCC–.

Traffic and transport sector: XM's subsidiary, Sistemas Inteligentes en Red –SIR–, in association with UNE EPM Telecomunicaciones and consortium ITS operate the Traffic Control Center –CCT– of Medellín's Intelligent Mobility System –SIMM–.

REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

With the services rendered through Real-Time Systems Intelligent Management, XM contributes to the evolution of cities, improving thereby the quality of life of its peoples and the efficiency and competitiveness of its enterprises.

ISA considers that the proven expertise and capacity of XM to coordinate, supervise and manage information can be applied to projects in its different business lines (electricity, telecommunications, roads and, probably in the future, new lines like the oil industry). This consideration is consistent with the strategic focus defined for the group of ISA's companies, which is to develop linear infrastructure systems.

POWER SECTOR

ISA through its subsidiary XM, delivers services of operation planning and coordination of the resources of the National Interconnected System –SIN–, administers the electric power Commercial Settlement System –SIC– in the Wholesale Energy Market –MEM–, administers the International Electricity Transactions –TIE– with Ecuador, and carries out the settling and clearing of charges for use of the SIN's grids.

As operator of the SIN, XM guarantees the continuous balance between electric production and consumption in the country. Based on electricity demand estimates, XM carries out the coordinated real-time operation of the generation plants and the electric grid in order to continuously match generation with consumers' demand.

ENERGY GENERATION

During 2011, SIN operation and MEM administration were highly impacted by above-average rainfall in most of the country, as a result of La Niña phenomenon. Rainfall during the year was 39% higher than average.

In 2011, electric power generation in Colombia totaled 58,620.4 GWh, 3% above that of 2010 (56,887.6 GWh). Such evolution was mainly the result of increased energy exports to Ecuador and Venezuela.

ENERGY GENERATION				
RESOURCES	2010 (GWh)	2011 (GWh)	%	Variation (%)
Hydraulic	38,089	45,583	77.8	19.7
Thermal	15,591	9,384	16	-39.8
Minor	2,986	3,337	5.7	11.8
Co-generators	223	317	0.5	42.3
TOTAL	56,888	58,620	100	3

As of December 31, the SIN had an effective net installed capacity of 14,420 MW to supply an energy demand of 57,150.3 GWh and a power demand of 9,295 MW.

ENERGY DEMAND

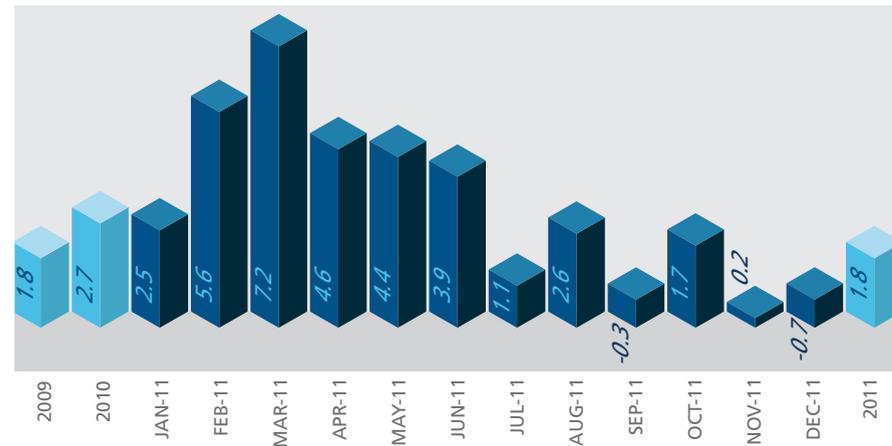
Energy demand reached in Colombia 57,150.3 GWh, with an increase of 1,002.7 GWh, equivalent to 1.8%, lower than the increase of 2010 (2.7%) and equal to that in 2009 (1.8%). This slowing down in demand growth was mainly due to a residential sector decrease and to a scheduled

REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

maintenance at Cerromatoso ferronickel mines which affected the behavior of unregulated market demand, increasing only 3%, compared to 3.8% during 2010.

VARIATION IN ENERGY DEMAND

%



BEHAVIOR OF THE ELECTRIC MARKET

The Administrator of the Commercial Settlement System –ASIC, for its Spanish initials–, provides services to agents trading in the market. By the end of 2011, there were 5,024 delivery points for regulated consumers, 5,058 for big consumers and 414 for public lighting. Compared to 2010, the number of delivery points increased by 11.2%.

MARKET AGENTS		
ACTIVITY	REGISTERED	TRADING
Generators	53	47
Traders	80	64
Network operators	32	32
Transmitters	11	9

At \$9,500,000 million, total energy purchased and sold in the MEM was \$546 lower than in 2010 (\$10,100,000 million).

Energy-pool average price fell by 41.6% compared to 2010, from \$130.35 per kWh to \$76.2 per kWh, due to the excess of water inflow, caused by La Niña phenomenon during the second half of 2010 and the whole 2011. Average annual price for bilateral contracts, in turn, increased 7.3%, from \$110 per kWh in 2010 to \$118 per kWh in 2011.

Invoicing collection through accounts administered by XM totaled \$2,600,000 million for SIC and charges for use of the National Transmission System –LAC STN–.

REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

INVOICE COLLECTION (\$ MILLION)			
ITEM	2010	2011	VARIATION (%)
Purchases in the energy pool	2,378,933	1,270,891	-46.6
STN use charges	1,186,547	1,350,603	13.8
TOTAL	3,565,480	2,621,494	-26.5
FAER, FAZNI, FOES, PRONE funds	176,794	194,681	10.1

INTERNATIONAL ELECTRICITY TRANSACTIONS –TIE–

Energy exports to Ecuador during the period totaled 1,294.6 GWh, 62.3% higher compared to 2010 (797.7 GWh), while exports to Venezuela were 248.8 GWh.

INTERNATIONAL ELECTRICITY TRANSACTIONS –TIE–				
AÑO	ENERGY (GWH)		VALUE (USD THOUSAND)	
	Exports	Imports	Exports	Imports
2009	1,076.7	20.8	107,712	1,118
2010	797.7	9.7	73,812	565
2011	1,543.3	8.2	92,996	231

Between 2003 and 2011 Colombia has exported to Ecuador and Venezuela 10,747.5 GWh, amounting to USD870 million. Additionally, Colombia has imported 233.9 GWh, amounting to USD9 million.

ENERGY AUCTIONS

A second firm energy auction took place in order to attend electric energy demand from December 2015 to November 2016.

This mechanism, part of the reliability charges scheme, offers all generators the Firm Energy Obligations –OEF, for its Spanish initials– required to supply demand, giving each company, during a pre-defined term, fixed and known remuneration in Dollars per MWh. In return, all generators are bound to deliver to the Energy Pool a pre-established amount of energy when the market shows signs of shortages.

During the auction, 3.8 TWh-year of energy were allocated with installed capacity at 572 MW; the reliability charge assigned was USD15.7 per MWh.

Assigned projects were: Río Ambeima Hydroelectric Project (45 MW) in Tolima province; Carlos Lleras Restrepo Hydroelectric Plant (78 MW) and San Miguel (42 MW) in Antioquia province; Gecelca 32 (250 MW) in Córdoba province; and Tasajero II (160 MW) in Norte de Santander province. These plants will demand investments of nearly USD700 million.

The energy auction was scheduled in advance in order to make up for firm energy that will not be supplied because of construction delays in hydroelectric plants Miel II and Porce IV.

REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

FINANCIAL SECTOR

Derivex, the company administering in Colombia the negotiation and recording system of derivatives based on energy commodities, entered into operation at the end of 2010 as a joint initiative between XM and the Colombian Stock Exchange –BVC–, to offer the electric sector an organized market allowing to trade instruments for market and credit risk hedging through compensation and settlement of derivatives traded in the Cámara de Riesgo Central de Contraparte –CRCC–, fully guaranteeing the credit risk coverage of derivatives traded there.

At the end of the year, twelve settlers and negotiators had joined the scheme, providing intermediation services between the power market, Derivex and the CRCC. Total amount traded during the first full year in operation was \$4,400 million with the power sector having a 65.42% share, the real sector 21.13% share, and the financial sector 13.44% share.

Representatives from the power and financial sectors conformed in 2011 a Technical Committee in order to advise the derivatives market on issues related to required product characteristics and other issues concerning its correct operation. Under the Committee's guidance, a wider variety of products is being offered to the market.

Colombia's Financial Superintendency authorized Derivex to expand the 360,000 kWh monthly futures curve, from four months to one year, and to negotiate mini-monthly futures contracts, having 10,000 kWh per month as underlying price.

Additionally, traders received training focused on financial, accounting and tax related issues, as well as on compensation and settlement of derivatives.

TRAFFIC AND TRANSPORT SECTOR

ISA (15%) and XM (85%), established in August 2011 Sistemas Inteligentes en Red –SIR–, a company that, from October 1 started to operate the Medellín Traffic Control Center –CCT– belonging to the Medellín Mobility Intelligent System –SIMM–.

CCT, a pioneer in Colombia, prepares and commissions the strategy for traffic and transport management in Medellín, using a state-of-the-art infrastructure and positioning the city as one of the most advanced in intelligent traffic control systems in the world. The Center coordinates research on traffic and transport; manages vehicle traffic and incidents on the roads, and delivers related information to authorities managing incidents (fire department, police, and the Disaster Attention and Prevention Municipal System –SIMPAD, for its Spanish initials–, among others).

SIR performs activities defined in the corporate collaborative agreement signed between UNE, Consorcio ITS and XM with the purpose of jointly developing all activities related to management, operation and administration of SIMM.

This initiative will help to lower traffic accidents indexes and will help to improve public transport performance in the city.

REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

OUTLOOK

The recent strategic definition done by XM, determined by its capacity to supervise, coordinate and add value to real-time information systems, will help the company to detect new growing possibilities in other economy sectors.

Besides operating SIN and administering MEM in Colombia, with high levels of quality and efficiency, XM will be taking part in management and control centers in infrastructure or goods and services markets requiring information processing with high value added, strongly based on information and communications technology.

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2011

Construction of Infrastructure Projects Business Unit



CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

ISA offers customized integral solutions to its subsidiaries for project design and construction of lines and substations for energy transmission and fiber optics.

The business unit develops complex projects and adopts technological innovations, engineering solutions, and management processes in line with the best practices worldwide.

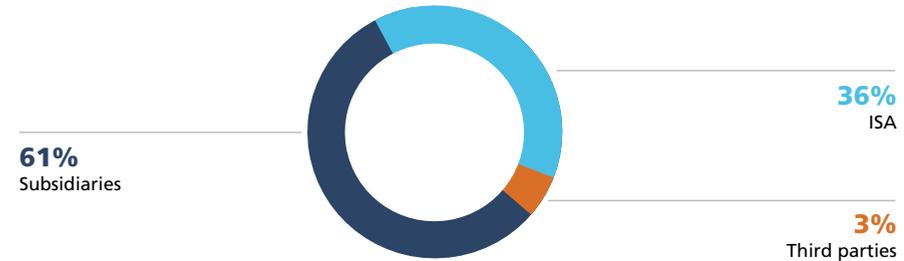
In Colombia the company has received from the Colombian Institute of Technical Standards –ICONTEC, for its Spanish initials– the quality certification under ISO 9001:2008 standard for the processes of studies, design, supply, construction, assembly, tests and commissioning of electric energy and telecommunications infrastructure projects. In Peru, Bureau Veritas granted subsidiary Proyectos de Infraestructura del Perú –PDI– certification under the same quality standard.

PROJECTS

PORTFOLIO OF CONTRACTS

Construction of Infrastructure Projects closed five new business deals in 2011, for USD214 million, with USD130 million in Peru and the rest in Colombia.

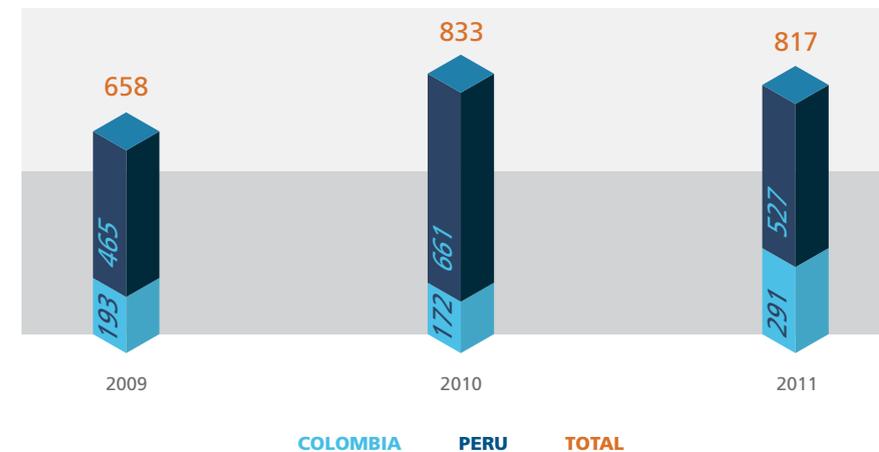
NEW CONTRACTS BY CUSTOMER TYPE



At the end of the period, the business unit consolidated a contract portfolio of nearly USD817 million. From this total amount, USD527 million belong to ISA’s subsidiaries in Peru, USD131 million to ISA and the balance to other companies.

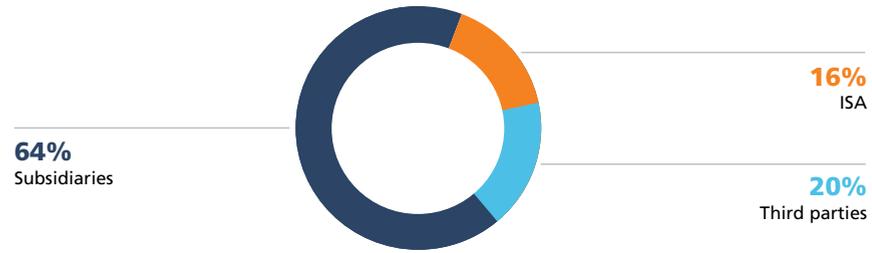
CONTRACTS RECEIVABLES EVOLUTION

USD million



CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

CONTRACTS BY CUSTOMER TYPE

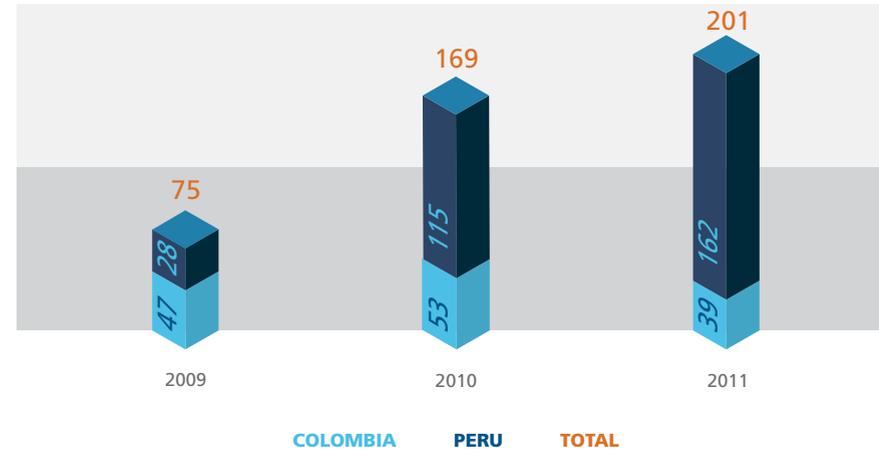


BILLING

Gross revenues increased 19% and invoicing totaled USD201 million, 80% from Peru and the rest from Colombia. Operating benefit totaled USD2.9 million.

INVOICING EVOLUTION

USD million



CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

MAIN ONGOING PROJECTS

The business unit worked on 25 projects for construction, expansion and/or renovation of electric infrastructure in 65 substations in Colombia and Peru, representing 3,439 km of transmission circuits with 7,384 MVA transformation capacity.

MAIN BUSINESS FIGURES BY COUNTRY								
COUNTRY	PROJECTS DELIVERED IN 2011				PROJECTS UNDER CONSTRUCTION			
	CIRCUIT KM	MVA	SUBSTATIONS	VALUE (USD MILLION)	CIRCUIT KM	MVA	SUBSTATIONS	VALUE (USD MILLION)
Colombia	0	0	2	3	1,219	1,326	17	291
Peru	558	2,368	20	278	1,662	3,690	26	527
TOTAL	558	2,368	22	281	2,881	5,016	43	818

CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

COLOMBIA:

ISA worked on the following projects:

PROJECTS UNDER CONSTRUCTION	BENEFITS	CUSTOMERS	COMMISSIONING
UPME 02 2008 public bidding – El Bosque 230 kV substation and associated works	Improves energy supply reliability in Cartagena (Bolívar province)	ISA	2012 (*)
Expansion of Sucre electric distribution grid	FAER funds: Expands coverage of rural electrification in La Mojana region (Sucre province)	Ministry of Mines and Energy	2012 (*)
Popayan – Guapi 115 kV line and associated substations	FAZNI funds: Improves energy service in Cauca and Nariño provinces	Ministry of Mines and Energy	2012 (*)
34.5 kV electric interconnection and associated substations in Chocó province	Electric interconnection from Istmina municipality to Paimadó and San Miguel	DISPAC	2012
Piedecuesta 115 kV substation	Connection of Piedecuesta substation to Bucaramanga - San Gil transmission line	ESSA	2012
UPME 04 2009 public bidding: Sogamoso 500/230 kV substation and associated lines	Permits connection of Sogamoso 800 MW hydroelectric power plant (Santander province) to the STN	ISA	2013

The entry into operation of some projects was re-scheduled:

- UPME 02 2008 public bidding – El Bosque 230 kV substation and associated works: in Colombia, ISA received in the first quarter of 2012, the environmental license from the Ministry of the Environment and Sustainable Development authorizing to start construction in Cartagena of the double-circuit transmission line. The substation has been already completed.

CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

- Expansion of the electric distribution network in Sucre province: as an answer to a previous request from the Ministry of Mines and Energy, ISA agreed to expand the initial work's characteristics, which lead to change designs and make additional works in order to connect new users. In addition, the heavy rainfall of last year, particularly high in the Depresión Momposina region, has produced serious flooding in work sites, making them difficult to access and increasing risk associated to construction.
- Popayán - Guapi 115 kV transmission line and associated substations: the project team finished design and studies in 2011 and submitted to Corporación Autónoma Regional del Cauca –CRC– the required documentation to apply for an environmental license. At the moment, this entity, with the support of the Corporación Autónoma Regional de Nariño –CORPONARIÑO–, is studying the social and environmental characteristics of the area and analyzing the Environmental Management Plan –PMA, for its Spanish initials– and the required measures to mitigate possible environmental impact. In August, CRC issued the permit to start construction works in substations located in Cauca province and the expansion of San Bernardino substation in Popayán.

PERU:

Proyectos de Infraestructura del Perú –PDI–, ISA's subsidiary headquartered in Lima, commissioned the following projects:

COMMISSIONED PROJECTS:	BENEFITS	CUSTOMERS
Public Bidding: Chilca – La Planicie – Carabayllo 220 kV line, Chilca – Carabayllo 500 kV line and associated substations	Reinforces SEIN to transport energy from new thermal generation projects in Lima Southern region	Transmantaro
Public Bidding: Independencia – Ica 220 kV line and associated substations	Meets demand growth in the center region	Transmantaro
Expansion 1: Increase of short-circuit tolerance of 220 kV Mantaro-Cotaruse-Socabaya line and associated substations	Increases transmission capacity to ensure serving demand in the country's Southern region	Transmantaro
Expansion 5: Independencia, Quencoro, Azangaro, Trujillo Norte, Piura, Tingo Maria, Tocache and Bellavista substations	Meets generation growth and increases transformation and load capacity	REP
Expansion 6: Second circuit of Chiclayo Oeste – Piura Oeste 220 kV line and associated substations	Improves reliability in the country's Northern region	REP

CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

Additionally, the company is working on the following projects:

PROJECTS UNDER CONSTRUCTION	BENEFITS	CUSTOMERS	COMMISSIONING:
Expansion 7: Integral adaptation of Chavarría, San Juan, Santa Rosa, Ventanilla and Zapallal substations	Supports new growth conditions of the short-circuit level in Lima region	REP	2012
Expansion 9: Second circuit of Chiclayo Oeste – Guadalupe – Trujillo Norte 220 kV line and associated substations	Increases power transfer capacity in the country's Northern region	REP	2012
Expansion 11: Increase of short-circuit tolerance of Pomacocha - Pachachaca 220 kV line and expansion of Pomacocha and Tintaya substations	Increases power transfer capacity in the country's Northern region	REP	2012
Public Bidding: Zapallal – Trujillo 500 kV line and associated substations	Permits timely and reliable supply in the country's Northern region	Transmantaro	2012
Public Bidding: Talara – Piura second circuit at 220 kV and adaptation of associated substations	Improves capacity of SEIN's 220 kV links to serve electricity demand increase in the Northern region	Transmantaro	2012
Public Bidding: Pomacocha – Carhuamayo 220 kV transmission line and associated substations	Increases transmission capacity for the Central and Northern zones of the National Interconnected Electric System (SEIN), boosting the system's reliability by forming a ring among associated substations.	Transmantaro	2012
Public Bidding: Machupicchu - Abancay - Cotaruse 220 kV transmission line and associated substations	Adapts SEIN in Southern region for connection of new hydro generation developments.	Transmantaro	2012
Connection: Fénix – Chilca 500 kV line and expansion Chilca 220/500 kV substation	Permits connection to SEIN of Fenix thermal plant	Transmantaro	2012
Public Bidding: Trujillo - Chiclayo 500 kV line and associated substations	Permits timely and reliable supply in the country's Northern region	Transmantaro	2013

CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

OUTLOOK

As part of its corporate strategy, ISA decided to dedicate the management capacity of the Construction of Infrastructure Projects Business Unit to support developing new initiatives, especially those related to the Electric Energy Transport Business Unit in the group's companies. With this decision, ISA expects to guarantee operational excellence, to manage technical knowledge and to support profitable growth in Colombia and in other countries where the processes of selecting and acquiring infrastructure equipment, project management and suppliers integration required for infrastructure construction will provide comparative advantages to become more competitive and to give more value to shareholders.

ANNUAL REPORT
2011

Corporate management



CORPORATE MANAGEMENT

ADMINISTRATIVE MANAGEMENT

ISA and its companies understand integral management to be the continuous process of development of their associates, aimed to focalize (*), synchronize, and verify their actions, so that the permanent search for efficiency and increase of productivity will be their source of motivation to carry out work.

This definition stems from recognition that inadequate performance puts at risk the Organization’s capability of operation, growth, and aggregation of value for the stakeholders, which makes it a priority to adopt international standards in line and integrated with intangible assets.

ISA and its companies consider as intangibles the array of capabilities (knowledge and competencies) they have to define and implement business strategies. They are part of administrative management, and they are mainly made up of the human, organizational and technological capital.

HUMAN CAPITAL

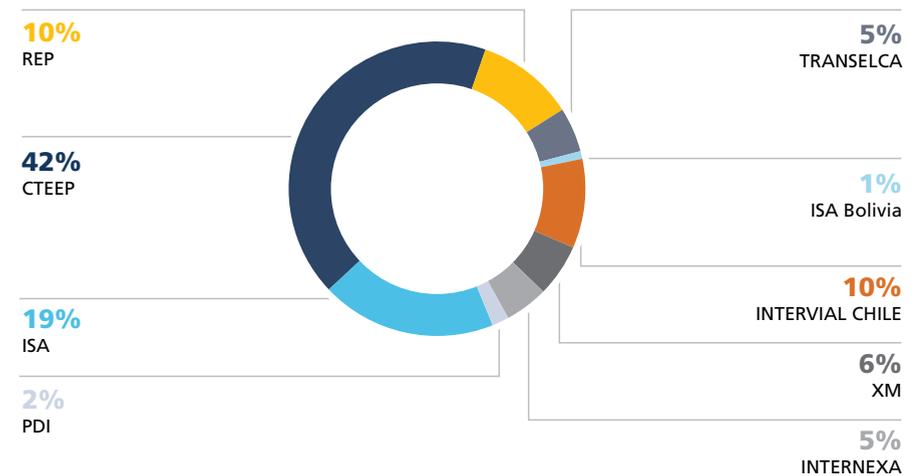
It refers to the individual and group knowledge of the companies’ labor force, as well as to their ability to learn, share, and regenerate that knowledge. By means of this resource ISA and its companies obtain the

(*) focalization: knowing where attention must concentrate; synchronize: knowing that reaching development dynamics calls for the coordinated work of everybody toward the same objectives; verify: involving uninterrupted processes of internal and external measuring, without ever losing track of where we want to reach.

skills, talents and know-how necessary to develop those activities called for strategically.

Along 2011, ISA and its companies had an average of 3,366 associates; during the period, 408 joined in and 218 left. At December, 3,435 associates worked in the different companies.

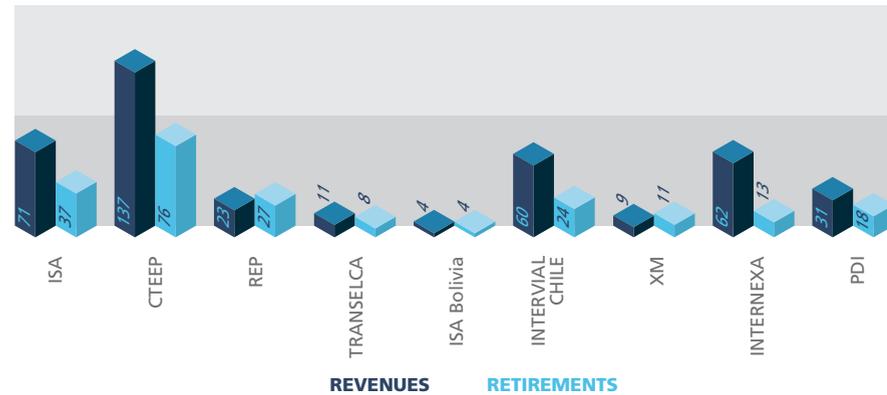
AVERAGE WORKFORCE DISTRIBUTION



CORPORATE MANAGEMENT

PERSONNEL ARRIVALS AND RETIREMENTS

number of employees



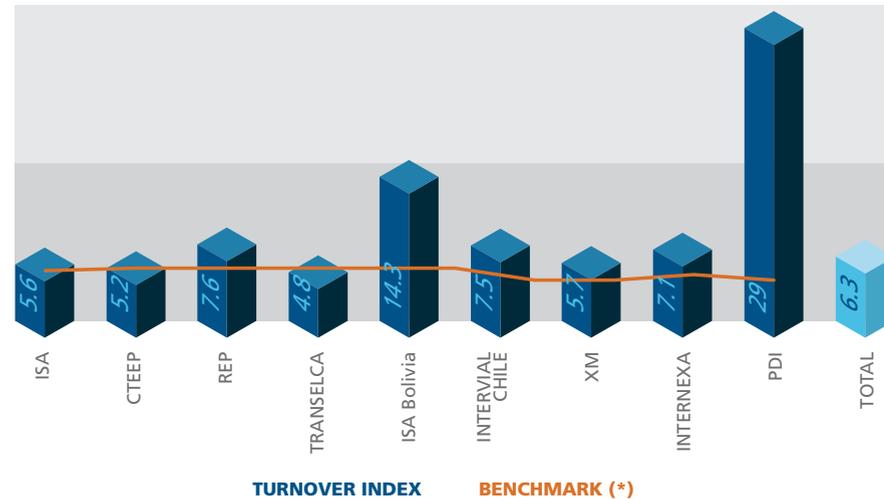
CTEEP showed the largest number of new arrivals, with hiring of 137 new employees, representing 34% of total, while ISA saw 71 new arrivals, corresponding to 17%.

The largest proportion of associates leaving was at CTEEP, with 76 departures, 38% of total, followed by ISA, with 37 people, 17% of total, of who three retired.

The total number of people leaving was 6.3%. The highest turnover rate took place in the business unit of Electric Energy Transport, in the companies of ISA Bolivia (14.3%) and REP (7.6%); and in the business unit of Construction of Infrastructure Projects, with company PDI with 29.1% turnover rate, the highest among all the companies.

TURNOVER INDEX

(%)



PERSONNEL DEVELOPMENT

ISA and its companies are committed to the professional and personal development of their associates, framed by a strategy that seeks to attract, attend to, retain and develop the best human talent, taking into account its importance for business growth and productivity.

During 2011, ISA and its subordinates developed an educational plan worth USD2.3 million, or USD683.2/associate, a figure that outdoes benchmarks among all business areas.

(*) International reference: results of the study by PricewaterhouseCoopers –PwC–: Human Capital Indicators of Latin American Organizations. Year 2011.

CORPORATE MANAGEMENT

Training programs developed resulted in an average of 52.2 training hours per associate, an indicator high above the international reference for the Electric Energy Transport business, and close to that of the business of Telecommunications Transport.

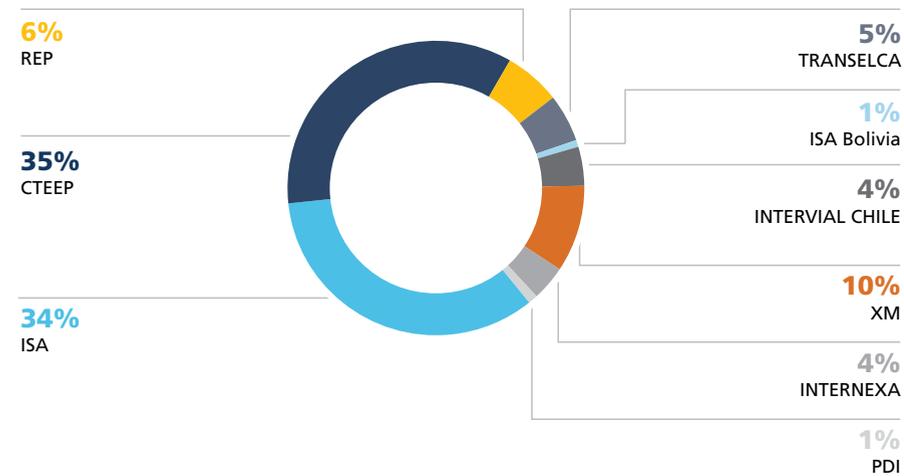
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FORMATION PLAN								
BUSINESS UNITS	COMPANIES	AVERAGE WORKFORCE	FORMATION HOURS	RATIO (HOURS/ PERSON)	BENCHMARK (HOURS/PERSON)	INVESTMENT (USD)	RATIO (USD/ PERSON)	RATIO (USD/ PERSON)
Electric Energy Transport	ISA	644	41,107	63.8	33.6	785,654	1,220	307
	CTEEP	1,423	76,189	53.5		804,546	565.4	
	REP	360	20,155	56		141,677	393.5	
	TRANSELCA	165	9,571	58		120,539	730.5	
	ISA Bolivia	29	1,584	55.4		17,464	611.1	
Road Concessions	INTERVIAL CHILE	330	9,982	30.2	18	98,645	298.7	249
Real-Time Systems Intelligent Management	XM	194	11,077	57.1	33.6	219,687	1,132.4	307
Telecommunications Transport	INTERNEXA	160	4,899	30.7	38.5	87,955	551.4	417
Construction of Infrastructure Projects	PDI	62	1,241	20	18	23,554	379.9	249
TOTAL		3.366	175,805	52.2		2,299,721	683.2	

MENU ▲

CORPORATE MANAGEMENT

TOTAL INVESTMENT IN FORMATION



The internship program aimed at managing the technical knowledge of business through learning and transfer of best practices, strengthening technical knowledge, and participation in research activities within both the company and/or other entities and suppliers goes hand in hand with formation activities and allowed development of 13 internships along the period: nine in CTEEP, two in REP, and two in ISA Bolivia.

MANAGEMENT BY COMPETENCIES

ISA has an experience of over 10 years developing human management practices with an emphasis on models by competencies, thanks to which it nowadays has a strategic focus that aims to:

- Integrate the business strategy to the associate's performance, thus determining each individual's required contribution for successful execution of organization strategies, and developing persons of high performance.
- Identify each individual's competencies, independently of their hierarchical position in the Organization.
- Guide the development of individuals and their potential, specifically to reach effective results.

Management by competencies falls in the frame of the model of the four stages of contribution (dependent, independent, through others, and strategic), that pinpoints requirements for better performance and progress reached by people within the Organization.

Competencies are the array of observable behaviors characteristic of skills, capabilities and attitudes necessary for superior performance in a given role. Behaviors are differentiated in high and low performance. ISA and its companies work the following competencies:

CORPORATE MANAGEMENT

LEVEL	COMPANIES	COMPETENCIES
Group	All	Judgment and decision
		Focus on results
		Construction of collaborative networks
Parent company role	ISA	Influence
		Strategic thinking
Electric Energy Transport Business Unit	ISA	Continued improvement
		Problem analysis and solution
Construction of Infrastructure Projects Business Unit	ISA	Planning and organization
		Business insight
Additional	REP	Adaptability
		Business understanding and management
	TRANSELCA	Effective communication
		Creativity and innovation
	XM	Flexibility and focus on change
		Learning, creativity and ingenuity
		Effective planning
	INTERNEXA	Service culture
		Integrity
		Focus on the customer
		Integral vision of business

Competency assessment is a management tool indispensable to face corporate challenges, deepen in the development of human capital, and help raise excellence degree of each associate's competencies. Its results feed not only performance management, but also the diverse mechanisms of formation and learning.

In 2011, the human competencies of all of the associates of ISA and its companies were evaluated:

EVALUATION OF COMPETENCIES			
COMPANIES	AVERAGE VALUE OBTAINED (%)	% OF WORKERS WITH CONSOLIDATED COMPETENCY	% OF WORKERS WITH AT LEAST ONE DEVELOPING COMPETENCY
ISA	81.58	74	26
CTEEP*	79.52	50	50
REP	78.09	62	38
TRANSELCA	81.79	75	25
ISA Bolivia	69.82	22	78
XM	82.64	74	26
INTERNEXA	81.8	73	27
PDI	70.3	26	74

* includes upper management only

CORPORATE MANAGEMENT

MANAGEMENT OF MANAGERIAL TALENT AND SUCCESSION PLAN

It focuses on development of internal human talent as an alternative to external recruiting. It is applicable at both the managerial and the technical level, promotes dissemination of valuable practices around the Organization, and constitutes a tool to keep high-potential associates.

Talks were held with the managerial group, aiming at leadership reinforcement; also the performance/potential matrix was updated resulting in determining that 80.7% of ISA's managerial positions have successors already prepared or in development stage.

SUCCESSION PLAN FOR MANAGERS				
COMPANIES	MANAGERIAL POSITIONS	KEY POSITIONS (MANAGERS WITH PREPARED SUCCESSORS ≤ 2 YEARS)	NUMBER OF SUCCESSORS FOR KEY POSITIONS	% SUCCESSORS DEFINED
ISA	35	31	42	88.6
CTEEP	31	23	51	74.2
REP	21	19	38	90.5
TRANSELCA	16	14	26	87.5
ISA Bolivia	4	2	2	50
XM	18	18	41	100
INTERNEXA	25	14	27	56
TOTAL	150	121	227	80.7

CORPORATE MANAGEMENT

Technical talent of business units was also identified, and a program was developed that works on actions of exposition (70%), feedback (20%), and formation (10%).

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SUCCESSION PLAN FOR TECHNICAL TALENT				
BUSINESS UNITS	COMPANIES	CRITICAL POSITIONS	IDENTIFIED TECHNICAL TALENT	PROPORTION
Electric Energy Transport	ISA	22	40	1.82
	CTEEP	22	42	1.91
	REP	14	21	1.5
	TRANSELCA	16	37	2.31
	ISA Bolivia	4	7	1.75
Telecommunications Transport	INTERNEXA	7	21	3
Real-Time Systems Intelligent Management	XM	11	41	3.73
Construction of Infrastructure Projects	ISA	7	20	2.86
TOTAL		103	229	2.22

MENU ▲

CORPORATE MANAGEMENT

ASSESSMENT OF PERFORMANCE AND PROFESSIONAL DEVELOPMENT

Assessment of performance is an ample participation program that encompasses actions leading to the associate's commitment to the results that both ISA and its companies expect from him and to the development of technical and human competencies.

It is also one of the Organization's most important participation processes, a reason why dialog is required between the performance leader and the associate, regarding results and personal objectives to be achieved in the phases of definition, follow-up, and closure.

ISA's results achieved for the category of excellent or very good were 90% (505 people, out of a total of 560). In the area of development goals, it obtained 68% for the category of excellent or very good (379 people, out of a total of 560).

ORGANIZATIONAL CLIMATE

In order to know the associates' perception in work-related aspects, ISA and its companies conducted assessment of organizational climate, in which 92% of associates took part.

Evaluation included four dimensions: commitment, company's effectiveness, individual effectiveness, and effectiveness in work recognition. In turn, the dimensions considered break down in 17 factors that measure: autonomy, communication, benefits, workload, direction, satisfaction with position, resources availability, immediate superior, commitment, remuneration, development possibilities, and equitable workloads, among others.

The assessment scale classifies as: clear strength, over 75%; moderate strength, between 50% and 75%; opportunity to improve, between 20% and 50%; and alert, under 20%.

Organizational climate at ISA and its companies went down one point in relation to that of last year, but it is still in the realm of moderate strength, and it remains consistent with assessments from previous years.

The layout defines as clear strengths: direction, values and general commitment; and as improvement opportunities: remuneration and benefits, career development, balance, and workload.

EVALUATION OF ORGANIZATIONAL CLIMATE			
COMPANIES	2009	2010	2011
ISA	73	72	68
CTEEP	54	56	57
REP	72	71	71
TRANSELCA	71	76	74
ISA Bolivia	75	76	77
INTERVIAL CHILE			59
XM	77	83	82
INTERNEXA	67	72	68
PDI		59	61
TOTAL	64	65	64

CORPORATE MANAGEMENT

ORGANIZATIONAL CAPITAL

It is the array of explicit, implicit, formal and informal intangibles allowing effective and efficient development of corporate activities.

Organizational capital optimizes the organization's structures and resources to generate value for the business units through clear definition of processes and responsibilities, competencies, and models for productivity and efficiency.

MANAGEMENT MODEL OF ISA AND ITS COMPANIES

The rapid growth and diversification reached by ISA and its companies in the last few years, as well as the challenges it permanently faces, boost reviewing of the organizational design so as to guarantee alignment with the organizational strategy and layout that will turn out most efficient in order to comply with the demands of the BHAG.

Along 2011, a diagnosis was reached and organizational design proposals were constructed in order to separate the core role from operation of the Electric Energy Transport business unit. This analysis is expected to conclude in 2012, so as to make required decisions and start up implementation plan.

TOOLS OF CONTINUOUS IMPROVEMENT

In 2009, ISA started a project to develop and implement a "tool box" based on the Lean Six Sigma –LSS– Methodology, proven and structured for problem-solving, close of gaps, and steady improvement. The purpose

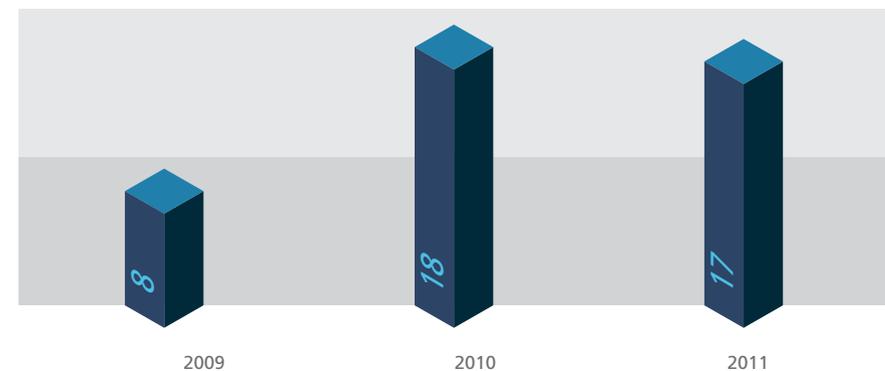
of the initiative is to give continuity, and enhance to a higher and more effective level the efforts made through the Day-to-Day Management program and the Integrated Management System.

Today, three years later, we present the following results:

Thirty three projects have been developed in ISA and its companies, together with six process mappings, and four replicas in the affiliates and subsidiaries in the business unit of Electricity Transport.

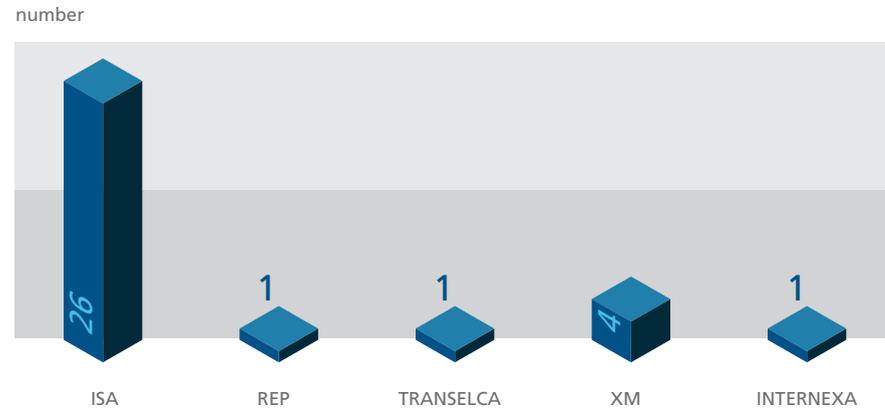
PROJECTS BY YEAR

number



CORPORATE MANAGEMENT

PROJECTS BY COMPANY



The following mechanisms were defined to ensure permanency of results obtained in projects:

- Creation of LSS Committee to supply direction, mobilize, integrate, define and follow up improvement projects.
- LSS guidelines, as to the structure of ISA and its subsidiaries, their roles and responsibilities, decision flows, definition and assignment of priorities of LSS' project bank.
- LSS introduction workshops at REP and TRANSELCA.
- Disclosure and training in the areas of improvement spotted out in each project.

- Project indicators in the Quick Score information system.
- Implementation and launch of the LSS webpage in ISANET.

Today, ISA and its companies have 108 green belts, formed and certified in LSS methodology (65 in ISA, six in REP, six in TRANSELCA, 24 in XM and seven in INTERNEXA). Along 2011, two master black belts (cornerstone for successful LSS implementation) underwent training and certification and they will allow further specialization and savings in consultancy; additionally, 226 associates underwent training in this methodology.

LSS TRAINING AND FORMATION			
WORKSHOPS	GROUP	PERSONS	HOURS PER PERSON
LSS Certification	Green belts	45	120
	Work heads		32
New LSS and TRIZ tools	Black belts	10	16
	New business units	9	12
LLS improvement tools	ISA's managers	26	4
	Information Direction	30	4
LSS awareness	Northwest CTE	21	8
TOTAL		226	196

CORPORATE MANAGEMENT

TECHNICAL COMPETENCIES MODEL

In order to boost development of knowledge, a new model of technical competencies was developed; it includes a catalog for business core and support processes, and an evaluation methodology that, starting off from evidence, allows further objectivity in assessing competencies.

INTEGRATED MANAGEMENT SYSTEM –SIG–

In line with its intention to apply international standards that decidedly contribute to heighten competitiveness levels, ISA and its companies advanced in adoption of ISO and OHSAS standards, to which end they continue to integrally manage aspects of quality, safety, occupational health, environment, and process information security.

INTEGRATED MANAGEMENT SYSTEM -SIG-					
BUSINESS UNITS	COMPANIES	ISO 9001	ISO 14001	OHSAS 18001	ISO 27001
Electric Energy Transport	ISA	Certified	Certified	Certified	Certified
	CTEEP	Certified	In process	Certified	
	REP	Certified	In process	Certified	
	TRANSELCA	Certified	In process	Certified	
	ISA Bolivia	In process	In process	Certified	
Road Concessions	INTERVIAL CHILE and concessionaires	Certified			
Telecommunications Transport	INTERNEXA	Certified			
Real-Time Systems Intelligent Management	XM	Certified	Not applicable	Certified	Certified
	ISA	Certified	In process	Certified	
Construction of Infrastructure Projects		Certified			

CONVENTIONS	
Certified	Certified
In process	In process
Not applicable	Not applicable

CORPORATE MANAGEMENT

TECHNOLOGICAL CAPITAL

It is the set of intangibles related to development of the functions and activities that are part of the technical system of operations of the companies. It enables high competitiveness in the global market, by means of support to critical business processes, offering availability, reliability, standardization, optimization and business practices, based on a common technological platform that allows scale economies, corporate synergies, and integral management of companies.

IT management in ISA and its companies has allowed scale economies obtained through joint negotiations and IT services management under a unified model. Likewise, it has guaranteed IT plan formulation in line with strategic direction.

In 2006, the IT business government model was adopted as a common operation outlay at ISA and its companies for achievement of group synergies, providing an answer for the specificities of each business unit and company, and enabling a vehicle for transfer and integration of information and activities that has made automation of a new company possible in just six weeks.

Along 2011, the IT business government model and technological strategy were updated and the 2012-2014 technological plan was defined for ISA and its companies.

Among the series of projects advanced along the year, the following stand out:

- Implementation of the SAP system modules that back up the financial process of ISA Inversiones Chile, INTERVIAL CHILE, and its concessionaires. This project became operational in early 2012.
- Implementation start-up of the SAP system to back up the logistic and financial processes of the pre-operating stage of the Autopistas de la Montaña Project (the system will be supplemented once the project achieves viability), and enabling of a website to facilitate the project's document management to support the development of the feasibility studies and design of the roads.
- Implementation of the Substation Device Management Automatic System –SAGES, for its Spanish initials– that allows remote acquisition of information from protection relays, fault recorders and meters, as well as access to centralized and timely information of STN events, facilitating discharge, administration and analysis of equipment information.
- Automation of substations and enabling of intelligent devices: it incorporates a platform to solve obsolescence, high costs and also the maintenance complexity of the systems installed at the substations.

CORPORATE MANAGEMENT

- GIS supplement for handling of rights of way: it offers nimbler and more efficient information administration, facilitating more accurate decision-making related to management of inspection, valuation and follow-up of the environment and infrastructure in rights of way of ISA's infrastructure corridors.
- Enabling of facilities for field maintenance: it increases efficiency in the information collection processes for planning and execution of preventive and corrective maintenance of lines and substations equipment. It facilitates decision making and increases reliability of network equipment.

CORPORATE AUDIT

The internal control system of ISA and its companies is based on the COSO international standard, and its application is homologated in each one of the companies. The aim of its use is to guarantee reasonable achievement of corporate goals, and in particular, preserve reliability of the integrity of the information disclosed to the various stakeholders, adequate monitoring, and timely response to the risks inherent to each business unit.

Internal control is a process conducted by the Board of Directors, management, and associates; it establishes for ISA and its companies the formal existence of the function of Internal Audit, an entity led by the Corporate Audit Committee to supervise adoption of and compliance

with good internal audit and control practices. This responsibility also allows it to conduct objective and independent evaluation of processes, support risk management, internal control, and corporate governance, generating recommendations for steady improvement, achievement of goals, and promotion of transparent business practices.

The activities developed along the period contributed to strengthening of the internal control system as well as generation of both value for ISA and its companies, and confidence in the integrity of information delivered to the stakeholders.

Along 2011, evaluations conducted by the Audit Office evidenced no significant or material deviation that might put at risk the continuity of business for ISA and its companies, an assessment not different from that of the external control entities: National General Auditing Office, Statutory Auditor, and External Auditor for Management and Results, who issued favorable opinions regarding the internal control system.

Also outstanding is structuring of a support network made of Grupo EPM, ISA, and ISAGEN to provide the power sector with efficacious audit and immediate response methods to counter corruption or inefficiency in the development of entrepreneurial processes. This alliance, unique within this type of companies in the country, is intent on guaranteeing efficacious auditing, with updated proceedings, modern technology, and on being a solidarity actor in its endeavors.

CORPORATE MANAGEMENT

On the other hand, money laundering and terrorism funding prevention practices were adopted to increase ISA's security levels and those of its companies, in the face of risks that might act against their reputation and international expansion process.

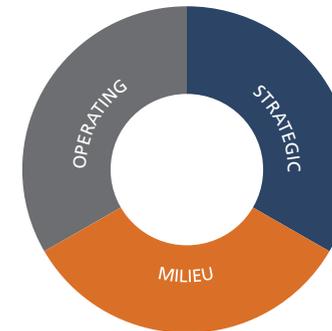
RISK MANAGEMENT

Guided by their Policy for Integral Risk Management, ISA and its companies identify, evaluate, implement management measures, monitor, consolidate and disclose the main risks they are exposed to.

Each company has its own risks map, and starting from the probability of occurrence, and the severity of their consequences on fundamental resources, it assigns priorities to those utmost relevant ones, and manages them through protection measures, including risk transfer. The companies periodically present the advances of their endeavors and the main events that have materialized.

In 2011, ISA and its companies updated their risks maps, reviewing the names, descriptions and components of the risks they are exposed to; risks related to the Roads Concession business unit were also included. The Company's new map consolidates 16 risks, classified in the categories of strategic, operating, and environment.

RISK MAP



OPERATING	STRATEGIC	MILIEU
Human and procedural errors	Financial	Natural phenomena
Equipment faults and failures	Legal and regulatory	Socio-political
Road infrastructure failures	Reputation	
TIC unavailability	Human capital	
Fraud	Breach of contract	
Environmental	Governance	
Land and easement management	Growth	

CORPORATE MANAGEMENT

Through a process of quantitative assessment of risks, ISA and its companies determined those risks with a priority, on the basis of the fundamental resources they affect: financial, human, information and corporate reputation. Also, they identified and assessed the effectiveness of the management measures implemented to counter them.

Priority risks identified were:

Legal and regulatory: Changes or deficiencies in legislation, precedent or regulatory frame; increased demands from regulators, or supervisory or controlling entities; differences in application or interpretation of regulation among entities or between entities and the companies.

Main administration actions:

- Permanent analysis of changes in regulations and rules.
- Consultation with external advisors to interpret and apply regulation.
- Creation of the Regulatory Committee
- Creation of the legal environmental management program for ISA and its companies.
- Judicial and out-of-court acts.

Reputation: Understood as every unfavorable public opinion that brings about credibility loss for ISA and its companies among their stakeholders.

Main administration actions:

- Application of the communication manuals for mitigation of crisis or reputational risk, as well as of relations with the media.
- Design and implementation of communication strategies.

Breach of contract: Partial or total default on terms of contracts, covenants or agreements, signed by the companies, acting either as contractors or contracting parties.

Main administration actions:

- Strengthening follow-up in implementation of projects.
- Definition and application of internal ruling for contracting processes.
- Confidentiality agreements and clauses in contracts.
- Demand on contractors in terms of policies, guarantees, prevention and protection plans within the framework of environmental management and occupational health.

CORPORATE MANAGEMENT

Growth: Defined as growth without value or the difficulty or impossibility to venture into or to increase participation in target business areas or markets, while securing current business.

Main administration actions:

- Analysis of milieu in target countries.
- Follow-up and evaluation of compliance with business plans and management of companies.
- Ex-post evaluation of offers and business.
- Follow-up of action plans related to renewal of CTEEP concession contract.

Human and procedural errors: Deviation between what must be done and what is done caused by human acts, not motivated by ill intention, or by the absence or deficiency of procedures.

Failure of equipment, materials or spare parts: Total or partial loss of equipment or system function, and the failure of elements, or existence of elements with inadequate features; Information and Communications Technology –TIC– elements are excluded.

Main administrative measures to counter these two risks:

- Implementation of recommendations from crossed audits of operation and maintenance processes.
- Implementation of the operation and maintenance training center.
- Implementation of the management system: quality, environment, occupational health and information security.
- Qualification and certifications for prevention of electric risk and safe work in elevated places.
- Unified handbook for safe operation and maintenance.
- Preventive and corrective maintenance of equipment and infrastructure.
- Implementation of continuity plans.
- Construction and implementation of the assets management model.

Natural phenomena: manifestations of Nature affecting the companies' resources, processes, and goals.

- Evaluation of adjustments and adaptations of existing installations as well as adjusting to anti-seismic regulation.
- Emergency plans.

CORPORATE MANAGEMENT

- Over-flights of most vulnerable lines.
- Preventive and corrective maintenance of equipment and infrastructure.
- Shielding and grounding system for infrastructure and firefighting systems.
- Transfer through the insurance market.

Sociopolitical: understood as the dynamics of the armed conflict, social context, and decisions and situations with a political nature that affect the companies.

Main administration actions:

- Permanent analysis of the political and economic situation of the target countries.
- Monitoring and analysis of the dynamics of the armed and social conflict.
- Execution of social-environmental management programs.
- Strategy for entrepreneurial viability amidst the armed conflict in Colombia.

CORPORATE COMMUNICATION

From its position as parent company, ISA kept on offering its affiliates and subsidiaries guidelines that allow development of homologated communication processes and practices leading to adequate management of corporate reputation. In the course of this activity, the basic guidelines to present ISA's fourth competency were approved, competency that groups XM's new business lines; advancement was reached in definition of guidelines for the Roads Concessions business; a document was constructed that expands leading speaking positions in the area of corporate topics from the parent company to the speakers of ISA's companies; and the type of presence that ISA brand should have in the social networks was defined.

Likewise, formal work was started on the communication with the diverse stakeholders from the perspective of reputation management, understood as the perception that the public has regarding a given company. Management of that perception allows strengthening of relations with the public to obtain support conducts toward the organization.

So as to provide continuity to the positioning campaigns previously structured, and to better inform society in general as to what ISA's occupations are, the 2011 positioning campaign aimed to better explain the business units, generate greater closeness, and increase knowledge about the Corporation.

CORPORATE MANAGEMENT

LEGAL AFFAIRS MANAGEMENT

In joint efforts with its subordinate companies, ISA continues homologation work of guidelines for implementation of a juridical culture and development of topics framed in processes of mutual interest.

No litigations or contingencies arose with the potential to materially affect ISA's situation along 2011. Judiciary and administrative actions against it were timely and adequately countered to defend the Company's interests, and to comply with its duties and responsibilities.

In turn, and on its own behalf, the Company undertook the judicial 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 and claims is available to the shareholders in the notes to ISA's Financial Statements.

ANNUAL REPORT
2011

Corporate Social Responsibility –CSR–



CORPORATE SOCIAL RESPONSIBILITY –CSR–

Actions of Corporate Social Responsibility –CSR– implemented by ISA and its companies aim to contribute to sustainable development of the milieu where they have operations and to allow viability of their business. This proposal arises from the commitment to sustainable management, which in turn is part of the corporate objective of sustainability.

Consequent with these principles, ISA and its companies carried out in 2011 a diagnosis that compared CSR management with ISO 26000 Standard - Social Responsibility Guide, which had as noteworthy results an outstanding score on respect for the Law, the international standards of behavior, ethical behavior, and transparency. Also, the investigation identified as improvement opportunity a higher respect for the interested parties, which can translate into the promotion of spaces for dialog with the stakeholders.

The results from this experience defined a long-term improvement route through which ISA and its companies committed themselves to working on issues like the Ethics Code, Human Rights, compliance with the legal environmental frame, and development of suppliers.

HUMAN RIGHTS

ISA, well aware that Human Rights are a worldwide aspiration, and that the operation of its business takes place in complex settings, constructed an ambitious plan around this issue. In it, ISA identified the need to ratify its will and commitment to promoting among its stakeholders practices of respect and promotion of Human Rights, as well as rejection for their violation and complicity with it. To reaffirm this commitment,

the Company signed in 2011 the Declaration of Commitment to Human Rights.

This document implies a great challenge in the work currently being jointly developed with the suppliers, taking into account that for ISA, the fact that when along the corporate endeavors of its suppliers these guidelines are known, adhered to and practiced, constitutes a considerable advance.

INSTITUTIONAL STRENGTHENING PROGRAM

Thanks to this initiative, ISA endorses actions that promote the Rule of Law, to contribute to regional viability. In this sense, the Company has voluntarily committed itself to developing technical capabilities in the municipal administrations, facilitating their compliance with their participative planning, social control, public finances, territorial organizing, delivery of basic services to the communities, and creation of conditions for the effective exercise of Human Rights.

On the other hand, ISA has been supporting social and community organizations in acquisition of technical, administrative, financial, and political capabilities, in order to help improve the living conditions of their inhabitants.

CORPORATE CSR MANAGEMENT GUIDELINES

As a strategy to consolidate CSR in ISA and its companies, guidelines were approved to facilitate homologation of practices and construction of joint indicators and reports that account for CSR management.

CORPORATE SOCIAL RESPONSIBILITY –CSR–

In 2011, the minimal indicators of the Global Reporting Initiative –GRI– methodology were homologated for sustainability reports of the companies.

GLOBAL COMPACT

In 2011, CTEEP adhered to the Global Compact, an initiative of the United Nations Organization. By adhering to the Global Compact, it joins a network of over 5,000 organizations worldwide that seek adoption of sustainable practices in the conduction of their business.

ANNUAL REPORT
2011

Evolution of the stock



EVOLUTION OF THE STOCK

STOCK MARKET

2011 was one of the most complex years for the three stock markets belonging to the Integrated Latin American Market –MILA, for its Spanish initials–. The General Index of the Lima Stock Exchange –IGBVL– fell by 16.6% in the year; the Chilean Stock Selective Price –IPSA, for its Spanish initials– lost 15.2%; the General Index of the Colombian Stock Exchange –IGBC, for its Spanish initials– fell by 18.3%; and the Colcap dropped 13.8%.

VARIATION OF ISA STOCK QUOTE VS. MAIN INDICES

Variation (%)



Likewise, the *Morgan Stanley Capital International Emerging Markets – MSCI EM– Latin America*, designed to measure performance of emerging stock markets (Brazil, Chile, Colombia, Mexico and Peru) closed with a loss of 21.9%.

The situation was equally difficult in the international context with countries in the European Union forced to implement strategies to counter the difficult fiscal situation. However, results were unfavorable despite common economic policy decisions intended to mitigate the negative effects and adoption of monetary stabilization measures. Undoubtedly, this situation had an impact on the variable-income market behavior. Nevertheless, the country’s major issuers posted positive financial results.

Add to this scenario the fact that 2011 was a year with record stock issuances in the Colombian market, which, according to some analysts, had the effect of individuals selling shares for approximately \$1,800,000 million of in the secondary market, a figure above accumulated sales for 2010 (approximately \$528,000 million). At the same time, foreign investors and ADR programs were the major buyers with high levels of investment.

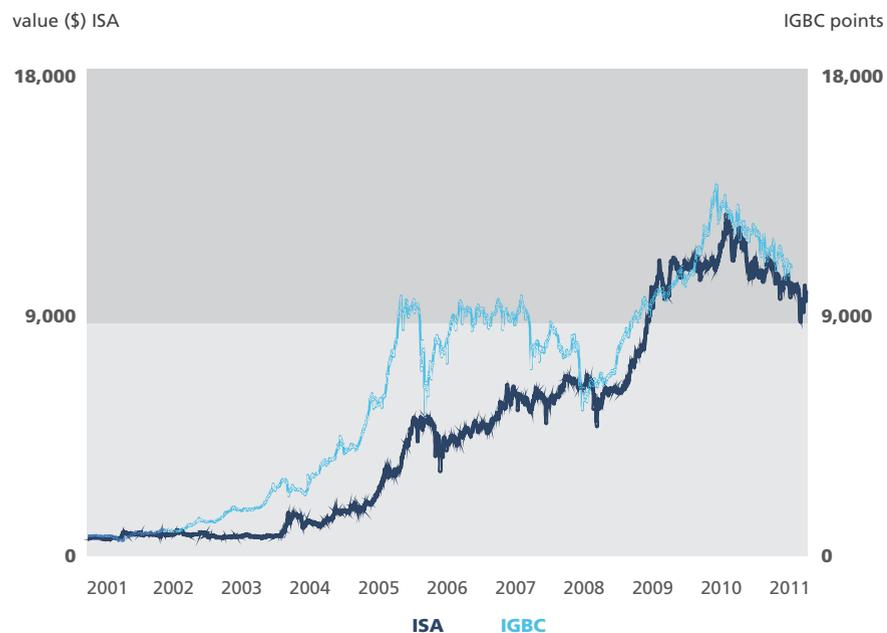
EVOLUTION OF THE STOCK

PERFORMANCE OF THE STOCK

As can be supposed, ISA stock was equally influenced by global market phenomena, trading volumes and liquidation and recomposition of portfolios, closing 2011 at \$11,200 per share, equivalent to 20.57% loss of value, similar to the IGBC behavior.

However, from 2001 to 2011, ISA stock has appreciated by 1.218%, a raise similar to that of the IGBC (1,167%).

ISA APPRAISAL vs IGBC (2001-2011)



The Company's market capitalization as of 31 December, 2011 stood at \$12,405,992 million, with 1,107,677,894 outstanding shares.

STOCKMARKET INDICATORS			
	2009	2010	2011
Outstanding shares (No.)	1,107,677,894	1,107,677,894	1,107,677,894
Free - Float (%)	31.44	31.42	31.44
Shareholders (No.)	53,215	51,204	48,168
Par value (\$)	32.80	32.80	32.80
Book value including appreciation (\$)	5,528.96	5,813.69	5,774.55
Closing quote \$	12,980	14,100	11,200
Market capitalization (USD million)	7,033	8,160	6,386
Average traded (\$ million)	3,166	4,490	2,337
IGBC (points)	11,602.14	15,496.77	12,665.10
Colcap (points)	1,366.85	1,823.70	1,571.55
Col20 (points)	1,115.43	1,452.68	1,287.63
ADR closing quote (USD)	158.84	183.59	144.44
ADR average quote (USD)	114.83	173.70	166.64

EVOLUTION OF THE STOCK

SHAREHOLDING

As of 31 December, 2011, ISA had 48,168 shareholders.

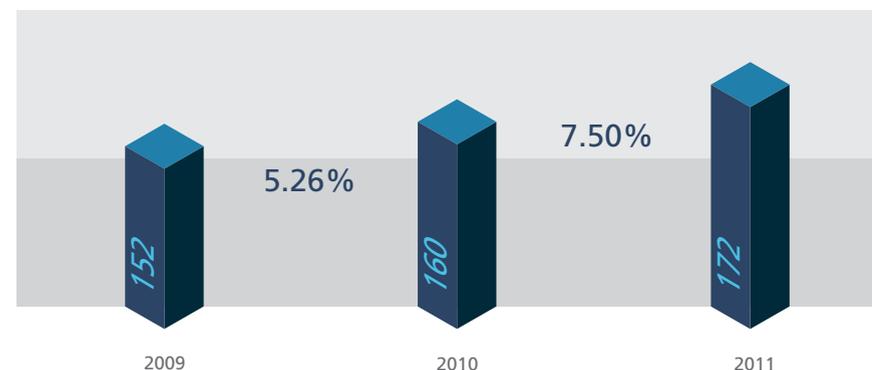
SHAREHOLDING		
SHAREHOLDERS	SHARES	%
State investors	682,078,108	61.58
The State	569,472,561	51.41
Empresas Públicas de Medellín	112,605,547	10.17
Public and private capital investors	77,373,530	6.99
ECOPETROL	58,925,480	5.32
Empresa de Energía de Bogotá	18,448,050	1.67
Private investors	348,226,256	31.44
Institutional investors	213,061,778	19.23
Individuals	84,911,927	7.67
Legal persons	20,750,545	1.87
Foreign investment funds	28,157,106	2.54
ISA ADR Program	1,344,900	0.12
SUBSCRIBED AND PAID SHARE CAPITAL	1,107,677,894	100

DIVIDENDS

The Shareholders' Meeting held on 31 March, 2011 approved distribution of \$190,521 million earnings and reserves, materialized in a dividend of \$172 per share, 7.5% up on last year. Payment was made in four quarterly installments of \$43 each, on April 18th, July 18th and October 18th of 2011 and January 27th of 2012.

REGULAR DIVIDENDS PER SHARE

pesos \$



ANNUAL REPORT
2011

Financial and economic management



FINANCIAL AND ECONOMIC MANAGEMENT

CONSOLIDATED FINANCIAL MANAGEMENT

113

CONSOLIDATED RESULTS FOR THE PERIOD (\$ million)	2011	2010	VARIATION	VARIATION %
INCOME STATEMENT				
Operating revenues	4,368,600	3,513,617	854,983	24.3
Operating costs and expenses	(2,175,211)	(1,642,591)	(532,620)	32.4
EBITDA	3,027,413	2,526,445	500,968	19.8
Operating income	2,193,389	1,871,026	322,363	17.2
Non-operating results	(706,718)	(416,473)	(290,246)	69.7
Income before taxes	1,486,671	1,454,553	32,118	2.2
Income tax provision	(457,394)	(424,462)	(32,932)	7.8
Income before minority interest	1,029,277	1,030,091	(814)	-0.1
Minority interest	692,501	686,195	6,306	0.9
Net income	336,776	343,896	(7,121)	-2.1
BALANCE SHEET				
Assets	26,659,165	25,819,800	839,365	3.3
Liabilities	15,836,240	14,148,821	1,687,419	11.9
Minority interest	4,398,238	5,227,182	(828,945)	-15.9
Equity	6,424,687	6,443,797	(19,109)	-0.3
INDICATORS				
EBITDA margin (%)	69.3	71.9		
Operating margin (%)	50.2	53.3		
Margin before minority interest (%)	23.6	29.3		
Net margin (%)	7.7	9.8		
Return on assets (%)	1.3	1.3		
Return on equity (%)	5.2	5.3		
Leverage (%)	59.4	54.8		
Net Debt / EBITDA (times)	2,7	2,7		
EBITDA / Interest (times)	4,7	7,6		

MENU ▲

FINANCIAL AND ECONOMIC MANAGEMENT

The results of ISA and its companies in 2011 include: consolidation for 12 months of INTERVIAL CHILE (only three months were consolidated in 2010); consolidation for 10 months of Brazilian companies PINHEIROS and IEMG (CTEEP's subsidiaries); and consolidation for four months of Internexa (Argentina) and Sistemas Inteligentes de Red –SIR– (Colombia). These figures were also affected by the devaluation of the Brazilian Real and the Chilean Peso with respect to the US Dollar - 12.6% and 10.9% respectively.

CONSOLIDATED INCOME STATEMENT

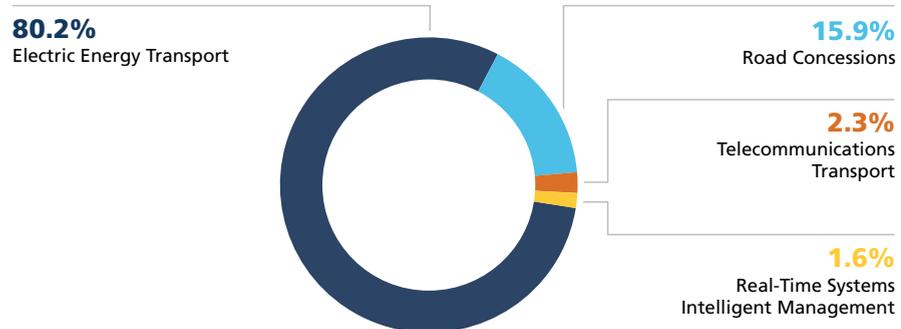
Operating revenues totaled \$4,368,600 million, equivalent to 24.3% increase with respect to 2010 (\$3,513,617 million). Such variation is explained mainly by:

- **Chile:** Higher revenues from concessionaires of INTERVIAL CHILE (12 months) .
- **Brazil:** Increase in revenues as effect of the Market Prices General Index –IGPM–, to which CTEEP prices are indexed, and 10-month revenues of PINHEIROS and IEMG.
- **Colombia:** Increase in revenues in ISA and TRANSELCA mainly due to increase in Produce Price Index –IPP–, indicator to which these companies' revenues are indexed.

CONSOLIDATED REVENUES BY COUNTRY



CONSOLIDATED REVENUES BY BUSINESS UNIT



FINANCIAL AND ECONOMIC MANAGEMENT

Operating costs and expenses in turn, totaled \$2,175,211 million, 32.4% up on last year's figure (\$1,642,591 million). This result is due mainly to:

- **Chile:** incorporation of a full-year costs and expenses of INTERVIAL CHILE and its concessionaires (75% of variation)
- **Brazil:** increased civil and labor contingencies, increased personnel expenses, and increased asset amortization in CTEEP, IEMG and PINHEIROS (13% of variation).
- **Peru:** increased provision for overhaul and increased amortization derived from assets that started operations during the year (6% of variation).
- **Colombia:** increased maintenance of grid and damaged towers, and increased contributions and taxes (5% of variation).

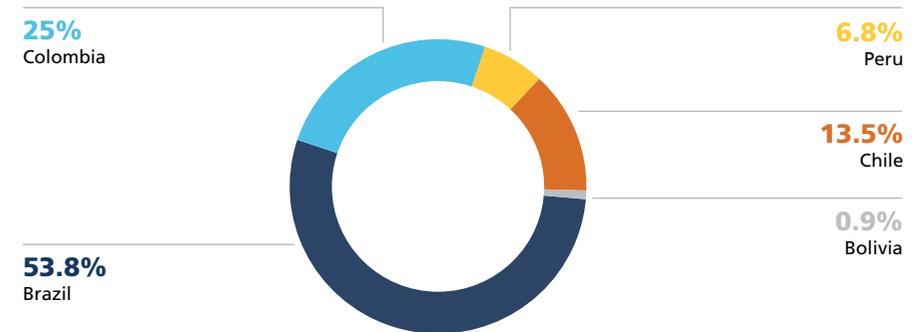
At \$3,027,413 million, consolidated EBITDA increased \$500,968 million or 19.8%, with respect to 2010 (\$2,526,445 million), mainly because of:

- **Chile:** \$408,330 million EBITDA for 12 months of INTERVIAL CHILE and its five concessionaires (three months in 2010 for \$120,338 million).
- **Brazil:** \$199,894 million increase in EBITDA due to higher revenues from CTEEP, PINHEIROS and IEMG.

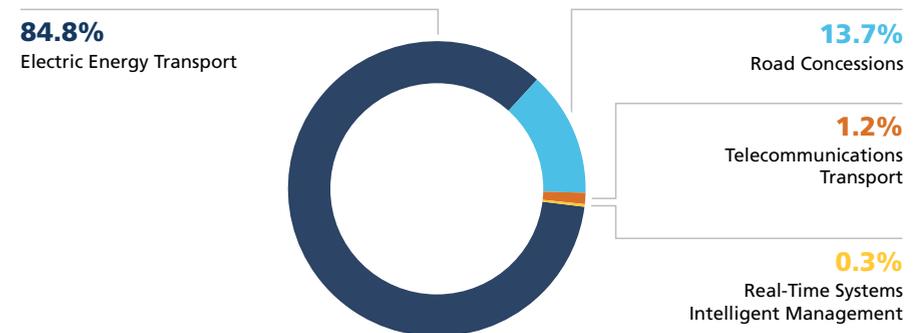
As a result, EBITDA margin dropped from 71.9% in 2010 to 69.3% in 2011. EBITDA margin of Roads Concessions in Chile (58.5%) had also an effect on the variation.

As a consequence, consolidated operating income totaled \$2,193,389 million, 17.2% up on 2010 (\$1,871,026 million), while operating margin fell from 53.3% in 2010 to 50.2% in 2011.

CONSOLIDATED EBITDA BY COUNTRY



CONSOLIDATED EBITDA BY BUSINESS UNIT



FINANCIAL AND ECONOMIC MANAGEMENT

Non-operating results went from -\$416,473 million in 2010 to -\$706,718 million in 2011 as a result of:

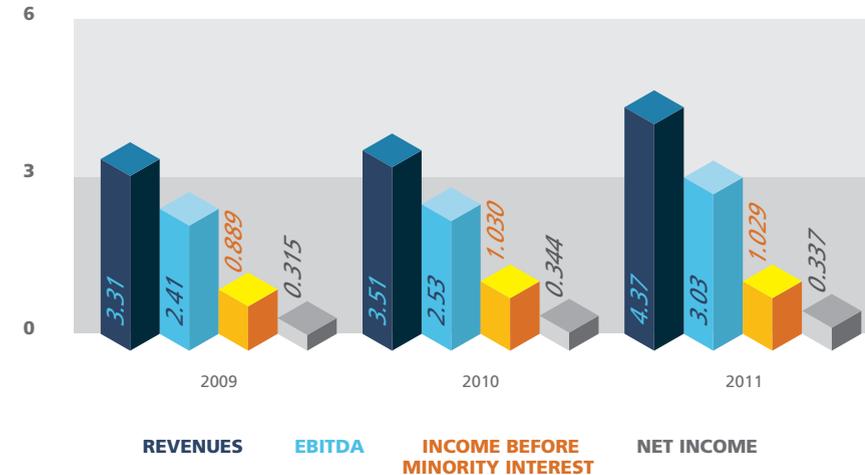
- Higher financial expenses as a result of incorporation of 12-month expenses of INTERVIAL CHILE and its concessionaries.
- Higher financial expenses from increased debt in CTEEP, REP, TRANSELCA and Transmantaro.
- Higher extraordinary expenses in CTEEP due to application of Equity Control Manual, according to ANEEL Resolution No. 367 (June 2009).
- Higher exchange difference expense in debt of INTERVIAL CHILE's concessionaires due to devaluation of Chilean Peso during 2011.

Income tax expense increased by 7.8% from \$424,462 million in 2010 to \$457,394 million in 2011. This variation is explained particularly by higher taxes resulting from deferred tax on exchange difference of investments abroad, and by consolidation of 12-month income tax provision of INTERVIAL CHILE and its concessionaires.

As a consequence, net income totaled \$336,776 million, 2.1% down on 2010 (\$343,896 million), while net margin stood at 7.7% versus 9.8% in 2010.

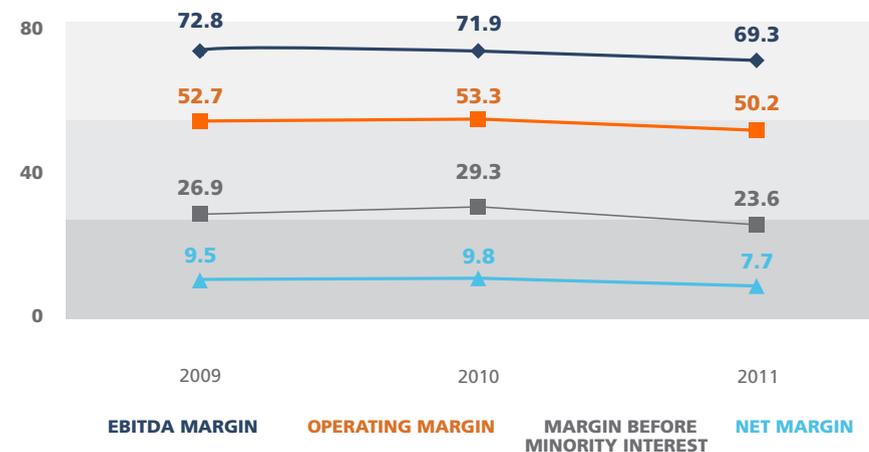
CONSOLIDATED FINANCIAL FIGURES

\$1,000,000 million



CONSOLIDATED FINANCIAL RATIOS

%



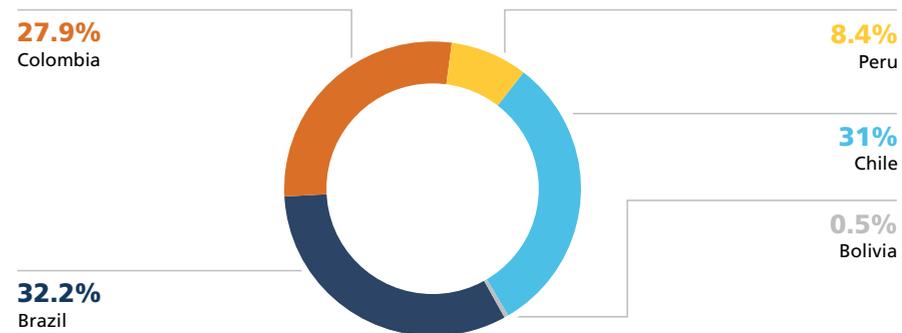
FINANCIAL AND ECONOMIC MANAGEMENT

CONSOLIDATED BALANCE SHEET

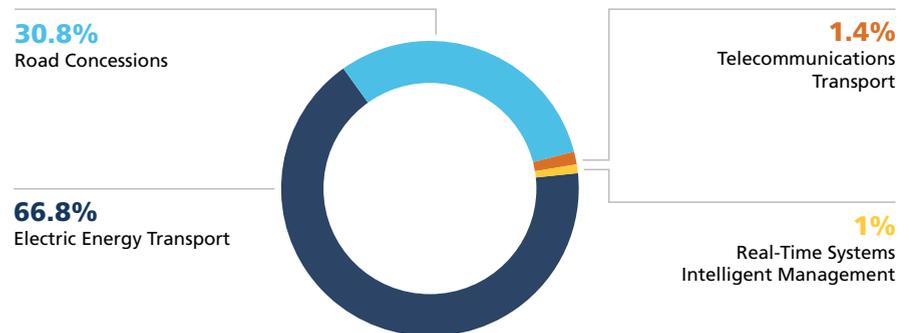
The assets of ISA and its companies amounted to \$26,659,165 million, which means 3.3% growth with respect to 2010 (\$25,819,800 million). Such increase is explained principally by:

- Incorporation into the consolidated balance sheet of assets of PINHEIROS and IEMG.
- New investments in Brazil, Peru and Chile.
- Increase in Chilean assets due to homologation to the Colombian standards of debt issuance costs (under Chilean standard they are handled as amortized costs).
- Updating of assets valuation in Colombia.

CONSOLIDATED ASSETS BY COUNTRY



CONSOLIDATED ASSETS BY BUSINESS UNIT



Liabilities increased by 11.9% from \$14,148,821 million in 2010 to \$15,836,240 million in 2011, due to:

- Incorporation into the consolidated balance sheet of liabilities of PINHEIROS and IEMG.
- Increase in debt of CTEEP, REP, TRANSELCA and Transmantaro.
- Homologation to Colombian standard of debt issuance costs in Chile.
- Recognition of equity tax in the companies in Colombia,

FINANCIAL AND ECONOMIC MANAGEMENT

CONSOLIDATED LIABILITIES BY COUNTRY

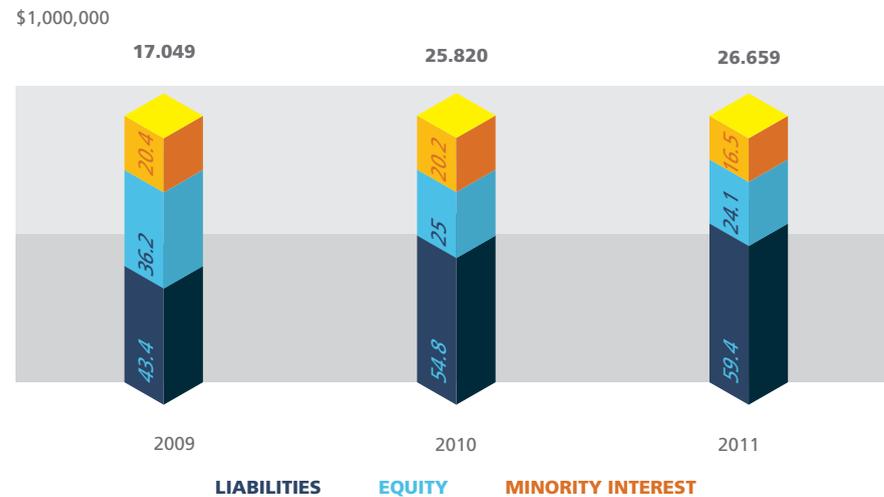


CONSOLIDATED LIABILITIES BY BUSINESS UNIT



Equity, in turn, amounted to \$6,424,687 million, representing 0.3% decline versus 2010 (\$6,443,797 million) due mainly to: recognition of equity tax in the Colombian companies that affects revaluation surplus, and to effect of translation into Pesos of equity of foreign companies that is offset with appreciation of operating assets.

CONSOLIDATED BALANCE SHEET STRUCTURE



FINANCIAL LIABILITIES

At year's end, consolidated financial liabilities amounted to \$9,495,310 million, 17.3% increase with respect to former year (\$8,094,240 million). Important facts during the period had effect on such result:

- ISA issued the seventh tranche of the bond program for \$300,000 million of which, \$180,000 and \$120,000 million were placed with maturities in 2023 and 2041, respectively. Funds were earmarked for investment.
- In 2010, ISA received a loan from Banco Bilbao Vizcaya Argentaria –BBVA– for USD124 million to partially finance the acquisition of INTERVIAL CHILE and its concessionaires. In 2011, in order to reduce

FINANCIAL AND ECONOMIC MANAGEMENT

exchange risk, the Company prepaid the loan and substituted it with another loan in Pesos, with the same bank, and for \$222,432 million. Likewise, to finance cash flow, it acquired bridge loans with banking institutions for \$60,000 million.

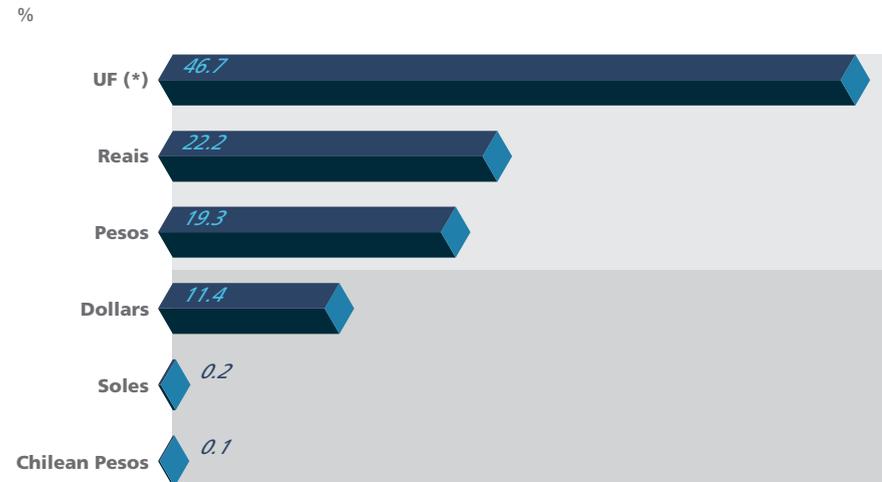
- TRANSELCA carried out the third bond issue for \$180,000 million, with \$80,000 and \$100,000 million placed with maturities in 2021 and 2026, respectively. Funds were earmarked for investment financing and debt substitution with local banks.
- CTEEP conducted the fourth and fifth issues of promissory notes for BRL 200 and BRL 300 million, both maturing in 2012. Funds received permitted financing of investments of projects awarded by ANEEL.
- CTEEP subscribed an international loan agreement with *Banco Itaú BBA Nassau* for USD64 million and contracted a swap for BRL 100 million maturing in 2013. Also, with *JP Morgan Chase* it subscribed a foreign loan agreement for USD86 million maturing in 2013 as well as a loan for BRL 150 million.
- To finance its expansion projects, REP carried out its seventeenth and twentieth issuances for USD20 and USD38 million, respectively. All of them part of the second corporate bond program.
- Under a Project Finance structure, Transmantaro subscribed a syndicated loan agreement for USD160 million with Banco de

Crédito del Perú and Bancolombia Puerto Rico Internacional to finance construction of the Zapallal – Trujillo 500-kV transmission line. At 2011 closing, the company has received USD75.5 million from the loan. This figure, which could be replicated in other projects, permits Transmantaro to optimize its financial structure.

- Additionally, in order to finance investments, Transmantaro subscribed with BBVA Banco Continental a USD90 million credit facility with eight-year term of which, USD40 have already been disbursed.
- Starting March 2011, ISA consolidated the debt of *PINHEIROS* and *IEMG*.

FINANCIAL AND ECONOMIC MANAGEMENT

CONSOLIDATED DEBT BY CURRENCY



(*) UF: The Chilean Unidad de Fomento is a unit of account re-adjustable according to Chilean inflation.

CONSOLIDATED DEBT BY SOURCE



FINANCIAL AND ECONOMIC MANAGEMENT

CREDIT RISK RATINGS

Corporate risk and local and international bond issues ratings given to ISA by specialized agencies ratified the strength and financial soundness of ISA and its companies, as well as the prominent position as energy transporter in Colombia, Peru and the Brazilian State of *São Paulo*, and as new player in the Chilean road concession business.

COMPANY	S&P	MOODY'S	FITCH	FELLER-RATE	APOYO Y ASOCIADOS	PACIFIC CREDIT RATING	EQUILIBRIUM
ISA	Investment degree BBB- Stable outlook (Mar 2011)	Investment degree Baa3 Stable outlook (Dec 2011)	Investment degree BBB- Stable outlook (Jun 2011)				
			Bonds AAA Stable outlook (Jun 2011)				
TRANSELCA			Bonds: AAA Stable outlook (Apr 2011)				
ISA Capital Do Brasil			BB+ Stable outlook (Jul 2011)				
			Bonds: BBB- Stable outlook (Jul 2011)				
CTEEP			Bonds: AA+ Stable outlook (Jul 2011)				
Transmantaro					Bonds: AAA Stable outlook (May 2011)	Bonds: AAA Stable outlook (Apr 2011)	
REP					Bonds: AAA Stable outlook (Sep 2011)		Bonds: AAA Stable outlook (Jan 2012)
Ruta del Maipo	Bonds: BBB- Stable outlook (Nov 2011)	Bonds: Baa3 Stable outlook (Feb 2011)		Bonds: A Stable outlook (Jun 2011)			
Ruta del Maule	BBB- Stable outlook (Nov 2011)	Baa2 Stable outlook (Feb 2011)		Bonds: A Stable outlook (Nov 2011)			
Ruta del Bosque	Bonds: BB+ Stable outlook (Nov 2011)	Bonds: Baa3 Stable outlook (Feb 2011)	Bonds: A- Stable outlook (Dec 2011)	Bonds: A Stable outlook (Jan 2012)			

FINANCIAL AND ECONOMIC MANAGEMENT

INVESTMENTS

ISA and its companies carried out investments worth \$1,900,000 million in line with their expansion plans.

Colombia: investments worth \$147,976 million, of which the following stand out:

- \$79,802 million earmarked by ISA for transmission projects, asset replacement and studies, with the most relevant being the Autopistas de la Montaña project.
- \$31,501 million invested by INTERNEXA for contributions to corporations, fiber optics network expansions and equipment for the Medellín data center.
- \$12,048 million invested by XM to finance new technological developments, implement supervision of the Medellín Mobility Management System, and to a smaller degree, for equity contributions to Derivex and CCRC.

Brazil: \$855,419 million investment, of which \$621,981 million were carried out by CTEEP in grid reinforcements and as capital contributions to the companies where it has stakes. Likewise, IEMG, PINHEIROS and SERRA DO JAPI, invested \$233,438 million in the construction of their assets.

Peru: Transmantaro invested \$346,758 million to execute projects awarded by Proinversión, while REP invested \$115,130 million in

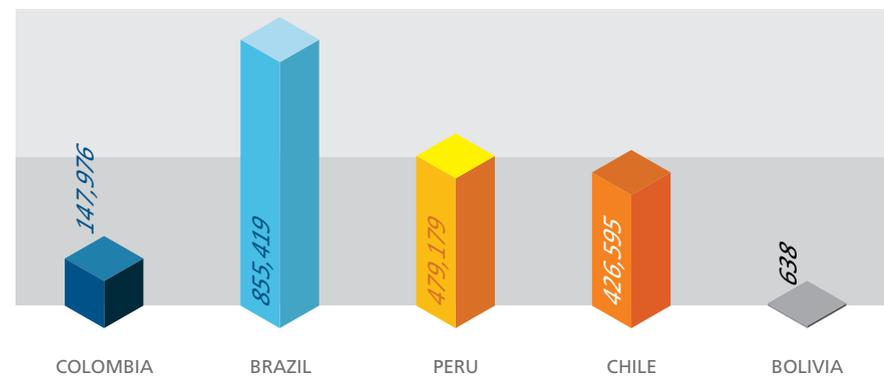
expansion of its electric grid. INTERNEXA in turn, invested \$17,111 million in expansion of its fiber optics network.

Chile: \$426,595 million invested, of which ISA Inversiones Chile used \$409,909 million to buy the remaining 40% of INTERVIAL CHILE; the concessionaires made investments for \$11,300 million in additional works mostly agreed upon with the Ministry of Public Works (this figure does not include investments for reconstruction works after the earthquake).

Figures include ISA's cash investments and those of the companies that are consolidated for accounting purposes. Translation to Colombian pesos is done at each quarter's closing date.

INVESTMENTS BY COUNTRY

\$ million



ISA'S FINANCIAL MANAGEMENT

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ISA'S RESULTS DURING THE PERIOD (\$ million)	2011	2010	VARIATION	VARIATION %
INCOME STATEMENT				
Operating revenues	996,688	941,971	54,717	5.8
Operating costs and expenses	(518,037)	(469,363)	(48,674)	10.4
EBITDA	614,212	623,946	(9,734)	-1.6
Operating income	478,651	472,608	6,043	1.3
Non-operating results	(19,358)	(20,075)	717	3.6
Income before taxes	459,293	452,533	6,760	1.5
Income tax provision	(122,517)	(108,637)	(13,880)	12.8
Net income	336,776	343,896	(7,120)	-2.1
BALANCE SHEET				
Assets	9,384,833	9,033,380	351,453	3.9
Liabilities	2,988,490	2,593,684	394,806	15.2
Equity	6,396,343	6,439,696	(43,353)	-0.7
RATIOS				
EBITDA margin (%)	61.6	66.2		
Operating margin (%)	48	50.2		
Net margin (%)	33.8	36.5		
Return on assets (%)	3.6	3.8		
Return on equity (%)	5.3	5.3		
Leverage (%)	31.8	28.7		
Net Debt / EBITDA (times)	2.31	2.25		
EBITDA / Interest (times)	5.26	5.37		

MENU ▲

FINANCIAL AND ECONOMIC MANAGEMENT

INCOME STATEMENT

LISA's revenues totaled \$996,688 million, equivalent to 5.8% growth with respect to 2010 (\$941,791 million). These results are explained mainly by: increased revenues from use and connection services, favored by the behavior of the PPI (5.2%); increased revenues from FAER, PRONE and project construction for third parties (Mitú and Piedecuesta); and reduced revenues from compensations for \$4,660 million.

Operating costs and expenses totaled \$518,037 million, with 10.4% growth with respect to 2010 (\$469,363 million) due to: higher maintenance expenses incurred in the repair of damaged towers, higher FAER and PRONE contributions, and costs associated with construction of projects for third parties.

As a result, EBITDA fell 1.6% (\$614,212 million) while EBITDA margin dropped from 66.2% to 61.6% as a result of increased expenses.

Operating income in turn, stood at \$478,651 million, 1.3% above the result for 2010 (\$472,608 million).

On the other hand, non-operating results grew by \$717 million (3.6%) going from -\$20,075 million in 2010 to -\$19,358 million in 2011, a fact explained essentially by:

- Higher revenues from recoveries and indemnities in suits and claims.
- Higher revenue from exchange difference due to the Peso revaluation most part of the year and to payment of a large portion of debt in Dollars.
- Lower revenues from equity method due to losses in ISA Inversiones Chile caused by higher financial expenses and exchange difference of financial liabilities.

FINANCIAL AND ECONOMIC MANAGEMENT

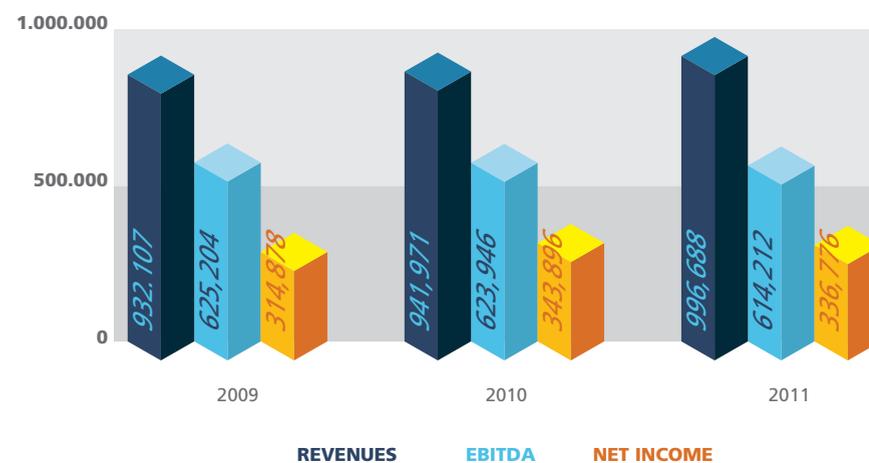
REVENUES FROM EQUITY METHOD BY COMPANY (\$ million)			
COMPANIES	2011	2010	VARIATION
Colombia			
TRANSELCA	56,479	41,880	14,599
INTERNEXA	(3,927)	(12,040)	8,114
XM	282	846	(564)
Sistemas Inteligentes en Red	23		23
Autopistas de la Montaña	(44)		(44)
Peru			
REP	12,123	11,153	970
Transmantaro	20,708	16,832	3,876
ISA Perú	2,609	2,497	112
PDI	6,848	2,694	4,154
Brazil			
ISA Capital Do Brasil	48,587	20,745	27,842
Bolivia			
ISA Bolivia	(839)	(3,380)	2,541
Panama			
ICP	(756)	(487)	(269)
Chile			
ISA Inversiones Chile	(79,888)	13,490	(93,378)
TOTAL	62,205	94,229	(32,024)

Income tax provision grew 12.8% from \$108,637 million in 2010 to \$122,517 million in 2011, as a result of deferred tax for exchange difference on investments abroad.

Lastly, net income totaled \$336,776 million, 2.1% down on 2010 (\$343,896 million), while net margin stood at 7.7% versus 9.8% in 2010.

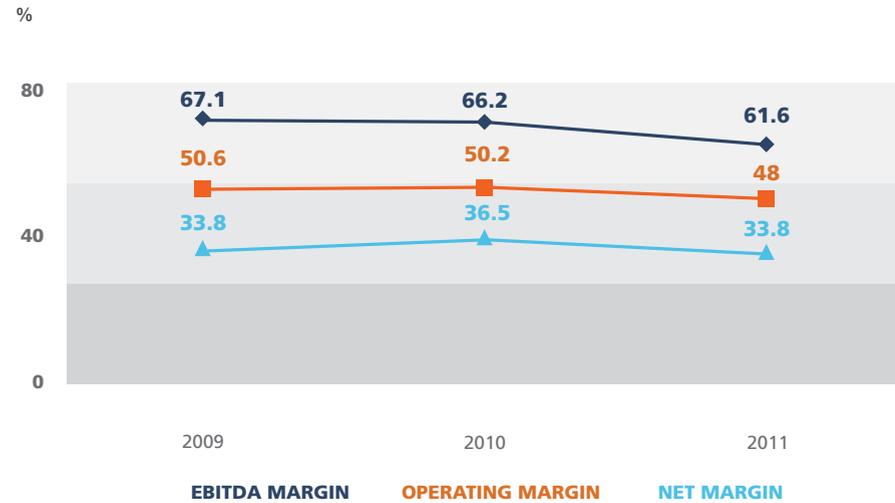
ISA'S FINANCIAL FIGURES

\$ million



FINANCIAL AND ECONOMIC MANAGEMENT

ISA'S FINANCIAL RATIOS



BALANCE SHEET

The Company's assets totaled \$9,384,833 million, 3.9% higher than in 2010 (\$9,033,380 million), as a result of appreciation of assets and the loan extended to ISA Inversiones Chile to finance purchase of the remaining 40% of INTERVIAL CHILE.

Liabilities stood at \$2,988,490 million, equivalent to 15.2% increase with respect to 2010 (\$2,593,684 million), due mainly to recognition of equity tax, to higher funds earned from delegated administrations, and to hiring of new debt.

BALANCE SHEET STRUCTURE

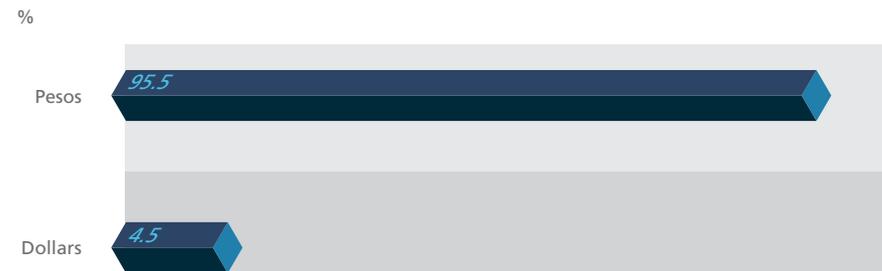


FINANCIAL AND ECONOMIC MANAGEMENT

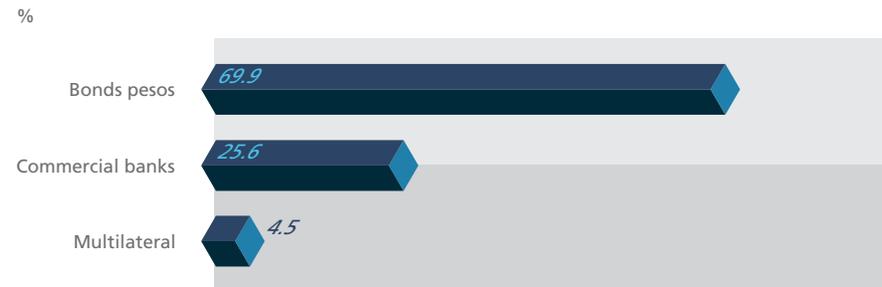
FINANCIAL LIABILITIES

At period's close, financial debt stood at \$1,575,399 million, 5.4% up on 2010 (\$1,494,515 million). This increase is due to bond issue for \$300,000 million and to bridge loans received for \$60,000 million. The increase was offset with amortization of bonds and bank loans for \$279,116 million.

DEBT BY CURRENCY



DEBT BY SOURCE



ISA CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continue to next page

	NOTES	DECEMBER 2011	DECEMBER 2010
ASSETS			
Current assets:			
Cash	(5)	393,728	291,587
Marketable investments	(5)	1,019,223	919,504
Accounts receivable – net	(7)	1,626,644	1,188,951
Inventories – net	(8)	36,661	15,667
Deferred charges and other assets	(10)	251,585	323,639
TOTAL CURRENT ASSETS		3,327,841	2,739,348
Non-current assets:			
Long-term investments – net	(6)	713,648	608,707
Accounts receivable – net	(7)	1,108,641	1,196,705
Inventories – net	(8)	56,369	55,853
Property, plant and equipment – net	(9)	2,960,138	3,024,146
Deferred charges and other assets	(10)	15,356,290	15,185,500
Reappraisals	(11)	3,136,238	3,009,541
TOTAL NON-CURRENT ASSETS		23,331,324	23,080,452
TOTAL ASSETS		26,659,165	25,819,800
Memorandum accounts:			
Debit	(19)	4,077,422	4,290,265
Credit	(19)	2,510,280	2,990,550

ISA CONSOLIDATED FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page and continue to next page

	NOTES	DECEMBER 2011	DECEMBER 2010
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Outstanding bonds	(12)	460,438	476,725
Financial liabilities	(13)	1,087,939	304,980
Accounts payable	(14)	1,163,792	1,087,429
Labor liabilities	(15)	29,186	35,267
Accrued liabilities and estimated provisions	(16)	165,856	205,977
Other liabilities	(17)	1,908,480	1,887,617
TOTAL CURRENT LIABILITIES		4,815,691	3,997,995
Non-current liabilities:			
Outstanding bonds	(12)	5,341,548	5,036,114
Financial liabilities	(13)	2,605,385	2,276,421
Accounts payable	(14)	391,995	345,818
Labor liabilities	(15)	1,487	1,341
Accrued liabilities and estimated provisions	(16)	850,897	995,175
Other liabilities	(17)	1,829,237	1,495,957
TOTAL NON-CURRENT LIABILITIES		11,020,549	10,150,826
TOTAL LIABILITIES		15,836,240	14,148,821

MENU ▲

ISA CONSOLIDATED FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page

	NOTES	DECEMBER 2011	DECEMBER 2010
Minority interest		4,398,238	5,227,182
Shareholders' equity	(18)		
Subscribed and paid share capital		36,916	36,916
Capital surplus		1,445,509	1,445,509
Reserves		795,990	642,614
Net income		336,776	343,896
Cumulative translation adjustment		28,344	4,101
Equity revaluation		415,645	571,845
Revaluation surplus		2,685,472	2,583,387
Surplus from equity method		680,035	815,529
TOTAL SHAREHOLDERS' EQUITY		6,424,687	6,443,797
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		26,659,165	25,819,800
Memorandum accounts:			
Credit	(19)	2,510,280	2,990,550
Debit	(19)	4,077,422	4,290,265

See accompanying notes to Consolidated Financial Statements.



Luis Fernando Alarcón M.
Chief Executive Officer



John Bayron Arango V.
Chief Accounting Officer
T.P. No. 34420-T



Alba Lucía Guzmán E.
Statutory Auditor
T.P. 35265-T

(See attached report of February 15, 2012)
Designated by Ernst & Young Audit Ltda. TR-530

MENU ▲

ISA CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continue to next page

	NOTES	DECEMBER 2011	DECEMBER 2010
OPERATING REVENUES	(20)		
Electric energy transmission services		3,091,571	2,821,636
Connection charges		363,554	323,054
Roads		696,543	164,696
Dispatch and CND-MEM coordination		39,455	38,592
MEM Services (STN, SIC, SDI)		29,781	38,915
Telecommunications		98,348	87,923
Other operating revenues		49,348	38,801
TOTAL OPERATING REVENUES		4,368,600	3,513,617
OPERATING COSTS AND EXPENSES			
Operating costs	(21)	1,590,598	1,114,814
Administration expenses	(22)	584,613	527,777
TOTAL OPERATING COSTS AND EXPENSES		2,175,211	1,642,591
OPERATING INCOME		2,193,389	1,871,026
NON-OPERATING REVENUES (EXPENSES)	(23)		
Non-operating revenues		545,075	403,815
Non-operating expenses		(1,251,793)	(820,288)
NON-OPERATING LOSS		(706,718)	(416,473)

ISA CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED INCOME STATEMENTS
DECEMBER 2011 - DECEMBER 2010
(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page

	NOTES	DECEMBER 2011	DECEMBER 2010
INCOME BEFORE TAXES		1,486,671	1,454,553
Income tax provision	(16.2)	(457,394)	(424,462)
INCOME BEFORE MINORITY INTEREST		1,029,277	1,030,091
Minority interest		692,501	686,195
NET INCOME		336,776	343,896

See accompanying notes to Consolidated Financial Statements.


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Chief Executive Officer


John Bayron Arango V.
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T.P. No. 34420-T


Alba Lucía Guzmán L.
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ISA CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continue to next page

	DECEMBER 2011	DECEMBER 2010
CASH FLOW FROM OPERATION ACTIVITIES:		
Net income	336,776	343,896
Add (less) – Adjustments to reconcile net income to net cash provided by operation activities:		
Minority interest	692,501	686,195
Depreciation of property, plant and equipment	171,683	175,915
Amortization of deferred charges and other assets	569,356	391,531
Amortization of retirement pensions and fringe benefits	29,166	51,603
Allowance for doubtful accounts	1,212	3,037
Provision for inventory protection	3,082	-
Investment allowance	522	3,124
Income tax provision	457,394	424,462
Loss on sale and retirement of property, plant, equipment and rights	113,015	3,184
Exchange difference expense (revenue)	17,500	(23,604)
Hedging operations valuation revenue	-	(24,057)
Equity variation	(24,612)	-
Recovery of provisions	(2,041)	(1,883)
Interest and commissions accrued	603,210	201,406
	2,968,764	2,234,809
Changes in operating assets and liabilities:		
Accounts receivable	(514,909)	(467,246)
Inventories	(24,592)	22,963

ISA CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page and continue to next page

	DECEMBER 2011	DECEMBER 2010
Deferred charges and other assets	(1,465,794)	(8,437,162)
Accounts payable	844,521	800,697
Labor liabilities	(5,935)	2,594
Accrued liabilities and estimated provisions	(574,413)	(289,962)
Collections for third parties	241,211	202,706
Minority interest	(1,026,563)	1,233,577
Other liabilities	340,049	2,385,161
Cash flow in other operations:		
Payment of retirement pensions	(24,241)	(28,344)
Payment of taxes	(828,623)	(442,699)
NET CASH USED IN OPERATION ACTIVITIES	(70,525)	(2,782,906)
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Increase in long-term investments	(105,463)	(238,325)
Sale of property, plant and equipment	-	752
Acquisition of property, plant and equipment	(114,548)	(106,235)
NET CASH USED IN INVESTMENT ACTIVITIES	(220,011)	(343,808)

ISA CONSOLIDATED FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page

	DECEMBER 2011	DECEMBER 2010
CASH FLOW FROM FINANCING ACTIVITIES:		
Interest received in cash	44,596	17,277
Interest paid in cash	(770,492)	(149,344)
Cash dividends paid	(187,198)	(173,796)
Increase in financial liabilities	1,879,210	1,387,710
Bond issues	591,804	3,935,583
Payment of financial liabilities	(640,654)	(1,001,177)
Bond payment/decrease	(424,870)	(693,588)
Equity variations	-	(1,682)
NET CASH USED IN FINANCING ACTIVITIES	492,396	3,320,983
INCREASE IN CASH AND CASH EQUIVALENTS – NET	201,860	194,269
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,211,091	1,016,822
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,412,951	1,211,091

See accompanying notes to Consolidated Financial Statements.



Luis Fernando Alarcón M.
Chief Executive Officer



John Bayron Arango V.
Chief Accounting Officer
T.P. No. 34420-T



Alba Lucía Guzmán L.
Statutory Auditor
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(See attached report of February 15, 2012)
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MENU ▲

ISA CONSOLIDATED FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

	CAPITAL SURPLUS				RESERVES									
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Total	Legal	For tax purposes mandatory	For repurchase of shares	For reinforcement of equity	For rehabilitation and replacement of STN assets	Total	Retained earnings	Equity revaluation	Surplus from revaluation and equity method	Total
Balances at December 31, 2009	36,916	1,428,128	17,381	1,445,509	17,934	240,550	38,100	170,946	37,435	504,965	372,030	592,019	3,225,597	6,177,036
Transfers approved by the Shareholders' Meeting					525	83,509		53,615		137,649	(137,649)			-
Dividends declared at \$160 per share on 1,107,677,894 outstanding shares payable in four quarterly installments in April, July and October of 2010, and January of 2011											(177,229)			(177,229)
Cumulative translation adjustment											(53,051)			(53,051)
Variation in equity revaluation												(20,174)		(20,174)
Increase in surplus from equity method													(4,380)	(4,380)
Increase in re-appraisals of the year													177,699	177,699
Net income year 2010											343,896			343,896
Balances at December 31, 2010	36,916	1,428,128	17,381	1,445,509	18,459	324,059	38,100	224,561	37,435	642,614	347,997	571,845	3,398,916	6,443,797
Transfers approved by the Shareholders' Meeting						83,785		69,591		153,376	(153,376)			-
Dividends declared at \$172 per share on 1,107,677,894 outstanding shares payable in four quarterly installments in April, July and October of 2011, and January of 2012											(190,520)			(190,520)
Cumulative translation adjustment											24,243			24,243
Variation in equity revaluation												(156,200)		(156,200)
Increase in surplus from equity method													102,085	102,085
Increase in re-appraisals of the year													(135,494)	(135,494)
Net income year 2011											336,776			336,776
Balances at December 31, 2011	36,916	1,428,128	17,381	1,445,509	18,459	407,844	38,100	294,152	37,435	795,990	365,120	415,645	3,365,507	6,424,687

See accompanying notes to Consolidated Financial Statements.



Luis Fernando Alarcón M.
Chief Executive Officer



John Bayron Arango V.
Chief Accounting Officer
T.P. No. 34420-T



Alba Lucía Guzmán L.
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T.P. 35265-T

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MENU ▲

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT December 31, 2011 AND 2010

(Amounts expressed in millions of Colombian Pesos and original currencies)

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I. GENERAL NOTES

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

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

The Corporation 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 Company 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; it also changed its name to Interconexión Eléctrica S.A. E.S.P. being able to use the initials ISA S.A. E.S.P. as well.

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.

MENU ▲

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Interconnected System.
4. The planning and operation coordination of the resources of the National Interconnected System.
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 ISA'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.

BRANCHES

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. 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

ISA established a branch in Argentina on January 24, 2007. 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. This branch is not in commercial operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ISA AND ITS COMPANIES

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 the Affiliates and subsidiaries are:

ISA Capital do Brasil S.A., and its subsidiary Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– and its affiliates Interligação Elétrica de Minas Gerais S.A. and Interligação Elétrica Pinheiros S.A., TRANSELCA, Interconexión Eléctrica ISA Perú S.A., Red de Energía del Perú S.A. –REP–, Consorcio Transmantaro S.A., Interconexión Eléctrica ISA Bolivia S.A., XM, Compañía de Expertos en Mercados S.A. E.S.P., and its affiliate Sistemas Inteligentes en Red S.A.S., Proyectos de Infraestructura del Perú –PDI–, INTERNEXA S.A. and its affiliates INTERNEXA in Peru and Chile, Transamerican Telecommunication in Argentina and INTERNEXA Participações in Brazil, ISA Inversiones Chile Ltda., and its affiliate INTERVIAL CHILE S.A., formerly Cintra Chile S.A., that in turn has the following concessionaire affiliates: Ruta de la Araucanía Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A. (formerly, Talca-Chillán Sociedad Concesionaria S.A.), Ruta del Bosque Sociedad Concesionaria S.A., Ruta del Maipo Sociedad Concesionaria S.A. (formerly, Autopista del Maipo Sociedad Concesionaria S.A.) and Ruta de los Ríos Sociedad Concesionaria S.A.

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

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS UNIT

ISA CAPITAL DO BRASIL S.A.

ISA Capital do Brasil S.A. was established on April 28, 2006 as an investment vehicle with registered office located in São Paulo, Brazil. 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. ISA has 99.99% participation. The corporation's term is indefinite.

Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

Located in the State of São Paulo, CTEEP is a public corporation authorized to work as a concessionaire of the electric energy service. The term of the corporation is indefinite; 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.

In August of 2009 and in April of 2010, CTEEP increased its capital by 1,169,404 common shares of which, 574,927 and 594,477, respectively, corresponded to its controlling company ISA Capital do Brasil.

BRL76,673 capital increase was approved on May 6, 2011 through private issue of up to 1,508,487 new shares at a unit price of 51.66 per common share and BRL50.24 per preferred share. Of total increase, BRL28,832, equivalent to 558,113 shares, correspond to ISA Capital do Brasil and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

were integrated into equity through capitalization of capital reserve (goodwill) corresponding to goodwill incorporated into the controlling company as a result of the corporate restructuring conducted in 2008.

As provided in article 171 of Law 6404/76, on May 26, 2011, 560,915 common shares were subscribed for BRL28,977 together with 105,596 preferred shares for BRL5,305. Between June 2 and 9, 2011, 198 common shares and 215,545 preferred shares were subscribed for the same issue price of BRL51.66 per common share and BRL50.24 per preferred share, for total capital increase of BRL10,839 .

Upon authorization by CVM and prior filing of public offer, on November 11, 2011, 339 common shares and 675,563 preferred shares were issued to shareholders under a capital increase.

The administration council meeting held on December 21, 2011 unanimously approved to increase CTEEP's capital by BRL42,715, through issue of 623,920 common shares and 208,665 preferred shares and cancellation of 339 common shares and 675,563 preferred shares, all issued by CTEEP and not subscribed by the shareholders within the term determined by the administration council in meeting held on April 25, and ratified on May 6, 2011. 2011 and ratified on May 6, 2011.

As a consequence of the above, participation of ISA Capital do Brasil in CTEEP totaled 37.8059%.

- **Interligação Elétrica de Minas Gerais S.A. –IEMG–:** IEMG is a company engaged in exploitation of concessions of the electric power transmission service, delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, including support and administrative services, equipment and reserve materials supply, programming, metering, and all other supplementary services called for by electric energy transmission, in accordance with the parameters set in the concession contract, legislation, and applicable regulation. CTEEP has 100% stake in it.
- **Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–:** Corporation engaged in the exploitation of concessions of the electric power transmission service, delivered through implementation, construction, operation and maintenance of electric energy transmission facilities. ISA owns 99% stake at this corporation.

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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% ownership.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

ISA Perú is a Peruvian corporation with main offices in the city of Lima. It was incorporated on February 16, 2001 and its main activities are the transmission of electric energy and the operation and maintenance of transmission grids. The corporation's term is indefinite. ISA owns 28.07%, and through TRANSELCA, 54.85%.

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 main corporate purpose is the transmission of electric power from generating companies and the provision of maintenance services for the electric infrastructure of the Peruvian Transmission Systems. Its legal domicile is in Lima, Peru. ISA owns 30%, and through TRANSELCA, 30%. The corporation's term is indefinite.

CONSORCIO TRANSMANTARO S.A. –CTM–

It was incorporated in Peru in January of 1998. 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. Since December 13, 2006, ISA participates with 60% ownership. The Shareholders' Meetings held in October 2009 and March 2010, approved increasing the company's capital stock by USD155 million, through cash contributions and issuance of 438,410,000 shares at a par value of one Nuevo Sol each. ISA's contribution equaled USD93 million. The corporation's term is indefinite.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

ISA Bolivia is a Bolivian corporation with main offices in the city of Santa Cruz. It was incorporated on July 14, 2003. Its term is indefinite, and its main activities are the transmission of electric energy and the construction, operation and maintenance of transmission grids. ISA owns directly 51.00% of capital stock, and indirectly, through TRANSELCA and INTERNEXA, 48.99% and 0.01%, respectively.

INVESTMENTS IN THE REAL-TIME SYSTEMS INTELLIGENT MANAGEMENT BUSINESS UNIT

XM, COMPAÑÍA DE EXPERTOS EN MERCADOS S.A. E.S.P.

XM is a Colombian mixed-ownership utility with main offices in Medellín. It was incorporated on September 1, 2005, and started operations on October 1, 2005. The corporation's term is indefinite and its corporate purpose is the development of activities related to operation planning and coordination of the resources of the National Interconnected System and the administration of the Commercial Settlement System in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the wholesale energy market wholesale Energy Market, as well as the settling and clearing of charges for use of the National Interconnected System's grids, the administration of financial derivative markets with electric energy and gas as underlying asset, including compensation systems, the planning, design, optimization, commissioning, operation, and management of goods and services markets requiring development of information systems and technological platforms that involve information exchange with value added, the operation of road toll collection centers, and the planning and operation of supervision, control and management of traffic mobility systems, both domestic and international, and also integrated mass transport systems, among others. ISA directly owns 99.73% of capital stock of XM.

SISTEMAS INTELIGENTES EN RED S.A.S. –SIR–

Corporation domiciled in Medellín, Colombia engaged in the planning, design, optimization, commissioning, operation, administration and management of goods and services markets requiring the development of information systems and technological platforms that involve value added information exchange, as well as in the operation of road toll collection centers, under concession or not, including activities related to design, procurement, installation and commissioning of technological equipment required, and the planning, operation and administration of the service of calculation, invoicing, collection and distribution of tolls, both national and international. XM and ISA respectively own 85% and 15% of capital stock in this company.

INVESTMENTS IN THE CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

PROYECTOS DE INFRAESTRUCTURA DE PERÚ S.A.C. –PDI–

PDI is a Peruvian corporation with main offices in the city of Lima. It was established on November 15, 2007 with indefinite term. 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 February 2008. ISA has control of and owns directly 99.97%, plus 0.03% indirectly through TRANSELCA.

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

INTERNEXA S.A.

INTERNEXA is a Colombian mixed-ownership utility with main offices in Medellín. It was incorporated on January 4, 2000, with indefinite term. Its corporate purpose is the organization, administration, commercialization and rendering of telecommunications services. It is currently engaged in development and promotion of the telecommunications transport business locally and internationally. ISA owns 99.27% of capital stock.

In October of 2011, INTERNEXA S.A. E.S.P. changed its corporate name, due to the fact that, pursuant to Law 1341 of 2009, articles 55 and 73, telecommunications sector companies will no longer be

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

subject to the domiciliary public utilities regime (Law 142 of 1994), and as a consequence, it must eliminate the abbreviation "E.S.P." from its corporate name.

- **INTERNEXA Perú S.A.** It is a Peruvian corporation with main offices in the city of Lima. It was incorporated on October 12, 2006. Its term is indefinite. Its main corporate purpose is the organization, administration, commercialization and delivery of telecommunications services such as carrier, IP-based and value added services. This company started service delivery in the first half of 2008. INTERNEXA S.A. in Colombia owns 99.99% stake at this corporation.
- **INTERNEXA Chile S.A.** Chilean corporation with main offices in the city of Santiago de Chile. Established under the name of Comunicaciones Intermedias S.A. by public deed of July 28, 2009. The Special Shareholders' Meeting of January 7, 2010 approved changing the name to INTERNEXA Chile S.A. It started operations in October 2010 and its term is indefinite. Its corporate purpose is the installation, operation, exploitation, organization, administration, commercialization and delivery of every type of telecommunications services. INTERNEXA S.A. in Colombia owns 99.99% stake at this corporation.
- **TRANSAMERICAN TELECOMUNICACIONES S.A.** Its domicile is Buenos Aires, –Argentina–, and its corporate purpose is to carry out on its own name or for third parties, or associated with third parties,

import, export, production and trading of all kinds of pieces, devices and instruments dedicated to telecommunications as well as to service them. The corporation has one single telecommunications services license. INTERNEXA S.A. in Colombia owns 99.99% stake at this corporation. Its term is indefinite and it is not yet in commercial operation.

- **INTERNEXA PARTICIPAÇÕES S.A.** Corporation domiciled in São Paulo, –Brazil– and established on July 21, 2008 whose 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, consortia and commercial initiatives of any kind. INTERNEXA S.A. in Colombia owns 99.99% stake at this corporation. Its term is indefinite.

INVESTMENTS IN THE ROADS CONCESSIONS BUSINESS UNIT

ISA INVERSIONES CHILE LTDA

Corporation with main offices in the city of Santiago de Chile. It was established on February 22, 2010 and its main activity is the long-term investment for profit in any type of real and personal property, including participation in other legal entities and associations of any type. ISA has 99.99% participation in ISA Inversiones Chile Ltda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- **INTERVIAL CHILE S.A. (formerly, Cintra Chile S.A.)** The company was established under the name Ferrovial Chile Ltda. by public deed of November 09, 1994 and has as its purpose the conduction of for-profit activities such as investment in real estate and personal property, shares, bonds, joint ventures, rights in any type of corporation and the execution and construction of works corresponding to public infrastructure concessions. Its main offices are located in the city of Santiago de Chile.

On March 30, 1999, shareholders agreed to change the name for Cintra Concesionaria de Infraestructura de Transporte de Chile Ltda.

On September 15, 2010, ISA Inversiones Chile acquired 60% of the shares held by Cintra Infraestructuras S.A. in Cintra Chile Ltda., and transformed it from a Limited Liability Company into a Corporation.

On October 10 2011, the partners decided to change its corporate name to INTERVIAL CHILE S.A.

In December 2011, ISA Inversiones Chile S.A. purchased remaining 40% of shares, to own total shareholding in INTERVIAL CHILE S.A.

The purpose of the concessionaires is the design, construction, maintenance, exploitation and operation under concession of five road corridors:

- **Ruta de la Araucanía Sociedad Concesionaria S.A.** Chilean corporation established on September 4, 1998 with main offices in the city of Santiago de Chile. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four-lane road. Intervial Chile S.A. (formerly, Cintra Chile S.A.) owns 99.99994% shareholding in this corporation. It started operations in 2024. However, upon subscription of supplementary agreement No. 4 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein.

- **Ruta del Maipo Sociedad Concesionaria S.A. (formerly, Autopista del Maipo Sociedad Concesionaria S.A.)** Corporation established on October 30, 1998 with main offices in Santiago de Chile. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four-lane road. Concession ends in 2024. However, upon subscription of supplementary agreement No. 4 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. (formerly, Cintra Chile S.A.) owns 99.9999% shareholding in this corporation.

- **Ruta del Bosque Sociedad Concesionaria S.A. (formerly, Talca-Chillán Sociedad Concesionaria S.A.)** Chilean corporation established on April 10, 1996 with main offices in the city of Santiago de Chile. The purpose of the corporation is the design,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

construction, maintenance, exploitation and operation under concession of Ruta 5, Talca-Chillán Segment. Concession ends in 2015. However, upon subscription of supplementary agreement No. 5 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. (formerly, Cintra Chile S.A.) owns 99.9993% shareholding in this corporation.

- **Ruta del Bosque Sociedad Concesionaria S.A.** Chilean corporation established on November 26, 1997 with main offices in the city of Santiago de Chile. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four-lane road. Concession ends in 2022; however, upon subscription of supplementary agreement No. 3 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. (formerly, Cintra Chile S.A.) owns 99.9909% shareholding in this corporation.

- **Ruta de los Ríos Sociedad Concesionaria S.A.** Chilean corporation established on December 17, 1997 with main offices in the city of Santiago de Chile. Concession ends in 2023. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four-lane road. INTERVIAL CHILE S.A. (formerly, Cintra Chile S.A.) owns 74.99% shareholding in this corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

2011						
Parent Company / Subsidiaries	SENIOR-LEVEL STAFF		OTHER		TOTAL	
	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE
Interconexión Eléctrica S.A. E.S.P.	489	52,404	221	16,895	710	69,299
TRANSELCA S.A. E.S.P.	15	3,394	151	21,186	166	24,580
XM, Compañía de Expertos en Mercados S.A. E.S.P.	201	22,636	2	118	203	22,754
Interconexión Eléctrica ISA Bolivia S.A.	4	570	28	738	32	1,308
INTERNEXA S.A.	146	12,758	-	-	146	12,758
INTERNEXA Perú S.A.	4	560	9	402	13	962
INTERNEXA Participações S.A.	1	36	-	-	1	36
INTERNEXA Brasil Operadora de Telecomunicações S.A.	2	250	7	152	9	402
INTERNEXA Chile S.A.	10	1,654	-	-	10	1,654
ISA Capital do Brasil S.A.	2	2,030	1	80	3	2,110
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	20	8,556	1,458	152,004	1,478	160,560
Interconexión Eléctrica ISA Perú S.A.	1	130	-	-	1	130
Red de Energía del Perú S.A. –REP–	21	14,386	336	55,351	357	69,737
Consortio Transmantaro S.A.	2	137	-	-	2	137
Proyectos de Infraestructura del Perú S.A.C. –PDI–	48	1,888	31	1,250	79	3,138
INTERVIAL CHILE S.A. (formerly Cintra Chile S. A.)	8	2,966	52	3,535	60	6,501

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Parent Company / Subsidiaries	SENIOR-LEVEL STAFF		OTHER		TOTAL	
	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE
Ruta del Maule Sociedad Concesionaria S.A. (formerly Talca Chillan Sociedad Concesionaria S.A.)(*))	-	-	54	1,892	54	1,892
Ruta del Bosque Sociedad Concesionaria S.A. (*)	-	-	31	757	31	757
Ruta del Maipo Sociedad Concesionaria S. A. (formerly Autopista del Maipo Sociedad Concesionaria S.A.) (*)	-	-	159	4,982	159	4,982
Ruta de los Ríos Sociedad Concesionaria S.A.(*))	-	-	34	656	34	656
Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	-	-	34	608	34	608
Interligação Elétrica Pinheiros S.A.	-	-	26	686	26	686
Interligação Elétrica de Minas Gerais	-	-	5	140	5	140
Sistemas Inteligentes en Red S.A.S.	2	19	13	68	15	87
TOTAL	976	124,374	2,652	261,500	3,628	385,874

(*) The concessionaire lacks senior level staff, since they are hired directly by INTERVIAL CHILE S.A. (formerly, Cintra Chile S.A.)

2010						
Parent Company / Subsidiaries	SENIOR-LEVEL STAFF		OTHER		TOTAL	
	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE
Interconexión Eléctrica S.A. E.S.P.	456	55,527	216	18,586	672	74,113
TRANSELCA S.A. E.S.P.	15	3,081	149	18,855	164	21,936
XM, Compañía de Expertos en Mercados S.A. E.S.P.	197	20,829	2	116	199	20,945
Interconexión Eléctrica ISA Bolivia S.A.	4	573	27	563	31	1,136
INTERNEXA S.A. E.S.P.	112	11,955	-	-	112	11,955

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2010						
Parent Company / Subsidiaries	SENIOR-LEVEL STAFF		OTHER		TOTAL	
	N° OF ASSOCIATES	VALUE	N° OF ASSOCIATES	VALUE	NO. OF ASSOCIATES	VALUE
INTERNEXA Perú S.A.	3	624	3	169	6	793
INTERNEXA Participações S.A.	1	155	-	-	1	155
INTERNEXA Chile S.A.	10	1,269	-	-	10	1,269
ISA Capital do Brasil S.A.	2	1,797	1	82	3	1,879
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	19	7,440	1,514	206,850	1,533	214,290
Interconexión Eléctrica ISA Perú S.A.	2	159	4	96	6	255
Red de Energía del Perú S.A. –REP–	23	12,091	341	44,418	364	56,509
Consortio Transmantaro S.A.	2	146	-	-	2	146
Proyectos de Infraestructura del Perú S.A.C. -PDI-	23	869	35	748	58	1,617
Cintra Chile S. A.	1	1,148	42	6,754	43	7,902
Talca Chillan Sociedad Concesionaria S.A.	2	716	51	1,889	53	2,605
Ruta del Bosque Sociedad Concesionaria S.A.	1	520	25	853	26	1,373
Autopista del Maipo Sociedad Concesionaria S.A.	7	2,887	116	4,297	123	7,184
Ruta de los Ríos Sociedad Concesionaria S.A.	1	548	27	728	28	1,276
Ruta de la Araucanía Sociedad Concesionaria S.A.	1	548	27	584	28	1,132
TOTAL	882	122,882	2,580	305,588	3,462	428,470

The figure for 2011 and 2010 includes retired personnel who worked less than twelve months in the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BASIS OF PRESENTATION OF CONSOLIDATED 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– and its subsidiaries Interligação Elétrica de Minas Gerais S.A. and Interligação Elétrica Pinheiros S.A., TRANSELCA S.A. E.S.P., ISA Perú S.A., Red de Energía del Perú S.A. –REP–, Consorcio Transmantaro S.A., ISA Bolivia S.A., XM, Compañía de Expertos en Mercados S.A. E.S.P. and its subsidiary Sistemas Inteligentes en Red S.A.S. –SIR–, Proyectos de Infraestructura del Perú S.A.C. –PDI–, INTERNEXA S.A. and its affiliates INTERNEXA Perú S.A., INTERNEXA Chile S.A., INTERNEXA Participações S.A., and Transamerican Telecomunicaciones S.A., ISA Inversiones Chile Ltda., INTERVIAL CHILE S.A. (formerly Cintra Chile S.A.), and its affiliates Ruta de la Araucanía Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A. (formerly, Talca-Chillán Sociedad Concesionaria S.A.), Ruta del Bosque Sociedad Concesionaria S.A., Ruta del Maipo Sociedad Concesionaria S.A. (formerly, Autopista del Maipo Sociedad Concesionaria S.A.) and Ruta de los Ríos Sociedad Concesionaria S.A., companies in which the parent company has participation (hereinafter, “subsidiaries”).

All significant balances and operations between ISA and the subsidiaries were deleted during consolidation. Consolidation is made through

the global integration method for companies over which the parent company has control; minority interests corresponding to equity and the period's results, are recognized and presented in the consolidated financial statements.

Investments in foreign subordinated companies 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 following figures were taken from the financial statements of ISA and its subsidiaries at December 31, reported in accordance with regulations in force in each country, and homologated to the Colombian standard:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL INFORMATION 2011				
COMPANY	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
Interconexión Eléctrica S.A. E.S.P. ISA	9,384,833	2,988,490	6,396,343	336,776
TRANSELCA S.A. E.S.P.	1,278,871	519,466	759,405	56,481
XM, Compañía de Expertos en Mercados S.A. E.S.P.	255,004	231,731	23,273	282
Interconexión Eléctrica ISA Bolivia S.A.	121,520	82,295	39,225	(1,646)
INTERNEXA S.A.	295,500	187,406	108,094	(3,955)
INTERNEXA Perú S.A.	83,224	77,894	5,330	(938)
INTERNEXA Participações S.A.	18,798	-	18,798	(2,649)
INTERNEXA Chile S.A.	25,497	19,925	5,572	(8,745)
ISA Capital do Brasil S.A.	2,879,888	1,752,203	1,127,685	48,587
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	7,306,632	2,791,276	4,515,356	892,069
Interconexión Eléctrica ISA Perú S.A.	91,611	40,799	50,812	9,294
Red de Energía del Perú S.A. –REP–	1,024,651	588,325	436,326	40,411
Consortio Transmantaro S.A.	1,202,356	705,247	497,109	34,514
Proyectos de Infraestructura del Perú S.A.C. –PDI–	84,764	70,794	13,970	6,850
ISA Inversiones Chile Ltda.	901,457	420,684	480,773	(79,888)
INTERVIAL CHILE S.A. (formerly Cintra Chile S. A.)	767,892	68,959	698,933	(120,469)
Ruta del Maule Sociedad Concesionaria S.A. (formerly Talca Chillan Sociedad Concesionaria S.A.)(*)	1,453,353	1,380,648	72,705	3,807
Ruta del Bosque Sociedad Concesionaria S.A.	947,106	897,468	49,638	(47,413)
Ruta del Maipo Sociedad Concesionaria S. A. (formerly Autopista del Maipo Sociedad Concesionaria S.A.) (*)	3,742,851	3,515,791	227,060	(93,737)
Ruta de los Ríos Sociedad Concesionaria S.A.	544,972	542,838	2,134	343
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,092,141	1,061,922	30,219	(34,390)
Transamerican Telecomunicaciones S.A.	10,452	7,636	2,816	(1,801)
Interligação Elétrica de Minas Gerais S.A. –IEMG–	145,439	62,529	82,910	2,461
Interligação Elétrica Pinheiros S.A.	370,155	155,288	214,867	574
Sistemas Inteligentes en Red S.A.S. –SIR–	1,649	220	1,429	153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL INFORMATION 2010				
COMPANY	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
Interconexión Eléctrica S.A. E.S.P. ISA	9,033,380	2,583,684	6,449,696	343,896
TRANSELCA S.A. E.S.P.	1,237,039	503,914	733,125	41,882
XM, Compañía de Expertos en Mercados S.A. E.S.P.	216,394	193,130	23,264	848
Interconexión Eléctrica ISA Bolivia S.A.	127,664	88,267	39,397	(6,460)
INTERNEXA S.A. E.S.P.	290,326	175,671	114,655	(12,128)
INTERNEXA Perú S.A.	52,235	46,013	6,222	(2,208)
INTERNEXA Participações S.A.	19,745	9	19,736	(269)
INTERNEXA Chile S.A.	21,759	6,769	14,990	(2,639)
ISA Capital do Brasil S.A.	3,175,384	2,722,262	453,122	20,745
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	7,327,062	2,226,389	5,100,673	863,217
Interconexión Eléctrica ISA Perú S.A.	95,656	47,329	48,327	8,894
Red de Energía del Perú S.A. –REP–	830,115	442,089	388,026	37,178
Consortio Transmantaro S.A.	764,250	309,999	454,251	28,053
Proyectos de Infraestructura del Perú S.A.C. –PDI–	58,681	52,014	6,667	2,695
ISA Inversiones Chile Ltda.	591,276	222	591,054	13,490
Cintra Chile S.A.	1,015,114	108,252	906,862	55,569
Talca-Chillán Sociedad Concesionaria S.A.	1,366,284	1,290,894	75,390	(14,933)
Ruta del Bosque Sociedad Concesionaria S.A.	1,024,411	919,413	104,998	19,685
Autopista del Maipo Sociedad Concesionaria S.A.	3,796,302	3,409,937	386,365	(22,415)
Ruta de los Ríos Sociedad Concesionaria S.A.	596,546	586,252	10,294	(3,820)
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,173,586	1,065,819	107,767	629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.2 CONSOLIDATION EFFECTS ON ASSETS, LIABILITIES, EQUITY AND RESULTS OF ISA

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	2011		2010	
	FIGURES BEFORE CONSOLIDATION	FIGURES AFTER CONSOLIDATION	FIGURES BEFORE CONSOLIDATION	FIGURES AFTER CONSOLIDATION
Assets	9,384,833	26,659,165	9,033,382	25,819,800
Liabilities	2,988,490	15,836,240	2,593,684	14,148,821
Equity	6,396,343	6,424,687	6,439,698	6,443,797
Minority interests – Equity		4,398,238	-	5,227,182
Income before minority interests	336,776	1,029,277	343,896	1,030,091
Minority interests – Results		692,501	-	686,195
Total year results	336,776	336,776	343,896	343,896

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:

	2011	2010
Parent company's net income	336,776	343,896
Subsidiaries' net results	854,336	1,069,460
TOTAL NET INCOME OF PARENT COMPANY AND SUBSIDIARIES	1,191,112	1,413,356
ELIMINATION OF AMOUNTS AFFECTING CONSOLIDATED RESULTS		
Equity method	(161,835)	(383,265)
Minority interests	(692,501)	(686,195)
Consolidated net income	336,776	343,896

MENU ▲

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 callable, 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 accounting 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 16.2).

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 Consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 defined by the Colombian General Accounting Office, 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 Consolidated 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, as amended, through which the Public Accounting Regime was implemented in order to harmonize its provisions with the criteria established by international accounting standards.

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 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 that approximate their value to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of application of the Public Accounting Regime, for matters of their valuation, the Company's investments 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 policy 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 Consolidated 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, are initially recorded at cost and are updated monthly through methodology issued by 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, ISA'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.

INVESTMENTS WITH POLICIES PURPOSE

Investments with policies 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EQUITY INVESTMENTS

a. Equity investments 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 2007, amended by Resolution 145 of 2008. Under the equity method long-term investment in subsidiaries is recognized at cost and subsequently adjusted as follows:

- Credit or charge to the investment's cost equal to the participation of the Company in profits and losses of the subsidiary, with a matching entry in the income statement.
- 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, except when originated in equity variations from translation effect.
- 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 intrinsic value and book value of the investment recorded on equity basis is:

- Positive: re-appraisal of assets is increased, and the revaluation surplus included in the equity accounts is credited.
- Negative, re-appraisal of assets is decreased with a charge to revaluation surplus until its exhaustion. Any additional deficit is recognized in the income statement as a loss.

Investments in subordinated companies abroad are recorded on the basis of their financial statements at December 31 of each year, translated into Colombian pesos, using the United States dollar as functional currency. Accordingly, when translating financial statements, the following principles are observed: balance sheet items are calculated using the closing exchange rate; income statement items are calculated using the accumulated average exchange rate for each month's closing; net effect with respect to closing rate is recognized as translation adjustment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 prospects 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, are reduced to their sale value, if it is lower than their book value. 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 associated to acquisition and construction of assets not in operational conditions and,
- b. Until year 2000, includes inflation adjustments on costs, excluding capitalized exchange differences 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.

DEFINITION OF COMPONENTS OF THE ENERGY TRANSMISSION SYSTEM:

A component of a fixed asset is an element that can be regarded as a part of another asset, but due to its own features, because of the function it serves, and the type of strategies or activities developed along its technical service life, can be treated as an independent asset.

Based on International Council of Large Electric Systems reference statistics and ISA's experience in terms of transmission grid, the average useful life of transmission lines is estimated at a maximum of 63 years.

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 for 2011 and 2010:

ASSET / COMPONENT	Useful Life
Transmission lines	63
Buildings	100
Fiber optics	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ASSET / COMPONENT	Useful Life
Computer equipment and accessories	5
SUBSTATION COMPONENTS	
Lines (Substations' grounding nets)	63
Power transformer	40
PT	38
Breaker	32
CT	30
Lightning arrester	30
Diesel plant	30
SVC reactors	30
Main breaker	30
Reactor	27
Mobile substation	25
SCI	20
Battery bank	15
Charger	15
SAS component	15
Condensers	15
SVC condensers	15
Series compensation control	15
SVC control	15
Converter	15
Inverter	15
Telephone exchange	15

PLC	15
Sequence of events recorder	15
Protection relays	15
RTU	15
LIS	15
Teleprotection	15
SVC thiristor valve	15
VQ	15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maintenance expenditures of these assets are charged to the Income Statement, while improvements and additions are added to their costs, since they increase useful life, expand productive capacity and operational efficiency, improve service quality, and permit significant cost reduction.

Repairs required because of attacks to the electric infrastructure are recorded as expenses in the period when the attacks occur and do not increase the useful life originally assigned to the assets. Due to the difficulties to insure this type of risk, 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, easements, bond underwriting commissions, legal stability agreement premium, 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. Goodwill, bond underwriting commissions, legal stability agreement premium, 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, except in the case of INTERVIAL CHILE S.A. (formerly, Cintra Chile S. A.) and its concessionaires, where they are amortized according to vehicle traffic.

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, except when contractually, the Company has guaranteed their economic benefit.

Useful life of intangibles can be indefinite or finite. It is indefinite when there is no foreseeable limit for the period in which the asset is expected to generate future economic benefits; It is finite when the period during which economic benefits or service potential will be received can be estimated (see note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 as temporary differences that result in the accrual of deferred tax, among others, the one resulting from inflation adjustments recognized only for tax effects on depreciable fixed assets, since these generated a greater fiscal revenue from monetary correction in the period of adjustment, increasing the payable income tax recoverable during the following years as the fixed assets are depreciated (See Notes 10 and 17.2).

Starting 2010, the Company records deferred tax on exchange difference of investments abroad.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

total actuarial estimate pending amortization by the number of years remaining to complete the term set by regulation in force, applicable to each particular entity, and counted from the actuarial estimate closing date. For ISA, maximum time provided for by accounting regulation is 30 years starting on December 31, 1994.

Regarding the methodology to amortize benefits and aids, ISA amortizes 100% of actuarial liabilities

3.11 SENIORITY COMPENSATION

According to the legislation in force, seniority compensation of the personnel of the Energy Transmission Centers –CTE– 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 REC LASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the consolidated financial statements at December 31, 2010 were reclassified to conform to the presentation of the consolidated financial statements for 2011.

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 REVENUE, COSTS AND EXPENSES

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

ISA

Revenue from service provision is recognized during the contractual period or when services are rendered.

Amounts received to remunerate recovery of investments in UPME, 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. This deferred revenue is amortized over the periods along which it accrues.

XM

According to the provisions of laws 142 and 143 of 1994, it is the duty of the Energy and Gas Regulatory Commission –CREG– to approve revenue from CND, ASIC and LAC services to be billed to market agents.

For 2010 and 2009, CREG Resolution 048 of 2008 establishes remuneration for the regulated services of XM S.A. E.S.P. for the next

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

five years, between June 2008 and May 2013, defining, for each month, the Regulated Maximum Revenue as equal to the sum of the following monthly items: operating expenses, investments, adjustment due to regulatory changes or to deviation in investment execution, and equity's return margin.

For 2010, in addition to Resolution 048 of 2008 and 071 of 2009, CREG Resolution 074 of 2010 is applicable approving recognition of adjustment to maximum regulated revenue defined in Resolution 048 for the third tariff year, for higher expenses and investments coming from regulatory changes, legal fees expenses, and the effect on income tax of working capital recognized in the previous fiscal period.

For 2011, in addition to the resolutions referred to above, CREG Resolution 064 of 2011 is applicable approving recognition of adjustment to maximum regulated revenue defined in Resolution 048 of 2008 for the fourth tariff year, for higher expenses and investments coming from regulatory changes, legal fees expenses, and the effect on income tax of working capital recognized in the previous period.

Based on the above, XM defined the following accounting criteria for recognition of regulated revenues:

- a. Revenues from operating cost: they are recorded as revenues the moment the service is delivered.
- b. Revenues from investment cost: XM's current methodology for recognition of regulated revenues establishes approval of revenues from investments subject to compliance with quinquennial 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. Value of non-realized investments is transferred to the next tariff year; that is, it decreases by the amount invoiced in the following tariff period.
- c. Remuneration of shareholders' equity: Such revenues are recognized at the time of rendering the regulated service.
- d. Remuneration of the adjustment of maximum regulated revenues: total revenues from this source are recorded as deferred revenue and amortized proportionally to the realization of additional expenses approved. Adjustment value of non-realized maximum regulated revenues related to implementation of new resolutions and judiciary defense expenses is transferred to the next tariff year; that is, it decreases by the amount invoiced in the next tariff period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERVIAL CHILE AND ITS CONCESSIONAIRES

In Chile, the toll system adopted is for right of way. Tariffs are readjusted annually on January 1 according to annual variation in the CPI and are rounded up to the next hundred, as established in the bid conditions.

Based on the Road Safety Bonus, concessionaires may additionally raise tariffs up to 5%, for decreased number of accidents and fatalities.

Concessionaires will earn, if necessary, the Guaranteed Minimum Revenue (IMG, for its Spanish initials) guaranteed by the Chilean Government in case actual revenues are lower than the IMG defined in the bid conditions.

3.15 USE OF ESTIMATES

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

3.16 OPERATING AND ADMINISTRATIVE LIMITATIONS AND/OR DEFICIENCIES

During 2011 and 2010, no operating or administrative limitations or deficiencies were found that would significantly affect the normal accounting processes, or the consistency and reliability of the accounting figures.

3.17 CONTINGENCIES

Contingent conditions may exist on the date of issue of the Financial Statements that can result in a loss for ISA and its companies; they will only be solved in the future upon the occurrence of one or several facts and they 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 that are pending against ISA and its companies, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 in the case of ISA parent company.

Operations and balances in foreign currency are translated at the exchange rates in force, as certified by Banco de la Republica de Colombia or by the State banks in the countries where the Company carries out transactions.

The exchange rates used for the preparation of the financial statements at December 31, 2011 and 2010, expressed in Colombian pesos, were:

CURRENCY	CODE	2011	2010
US Dollar	USD	1,942.70	1,913.98
Euro	EUR	2,522.20	2,567.99
Nuevo sol	PEN	720.31	681.62
Boliviano	BS	279.12	274.59
Brazilian Real	BRL	1,035.66	1,148.71
Chilean Peso	CLP	3.74	4.09

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:

	2011	2010
Revenues	168,039	210,603
Expenses	(156,021)	(140,259)
TOTAL EXCHANGE DIFFERENCE GENERATED - NET	12,018	70,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTA 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

	2011	2010
CASH		
Cash and deposits in banks, other financial institutions and trusts (1)	393,728	291,587
MARKETABLE INVESTMENTS		
Fixed-income investments (2)	928,315	908,069
Other variable yield investments (3)	90,908	11,435
TOTAL MARKETABLE INVESTMENTS	1,019,223	919,504
TOTAL CASH AND MARKETABLE INVESTMENTS	1,412,951	1,211,091

(1) Includes mainly \$177,865 (2010: \$143,337) of funds from the agents related to administration of the pool transactions in the wholesale energy market handled by XM. Use of these sums is restricted to transactions in the energy pool, as provided by current regulations.

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

Except as mentioned above, there are no cash restrictions for ISA and its companies.

(2) Includes fixed-term deposits of ISA Capital do Brasil for \$363,893 (2010: \$295,438), of CTEEP for \$155,548 (2010: \$45,644), of the companies in Chile for \$318,458 (2010: \$430,485), \$32,298 (2010: \$37,076) of the companies in Peru, and \$57,441 (2010: \$98,709) of the companies in Colombia.

(3) Includes basically trust deposits of ISA for \$74,844 (2010: \$2,914), increased in 2011 by the funds available from the company's bond issue by late 2011; and of INTERNEXA Colombia \$10,195 (2010: \$2,551).

NOTE 6: LONG-TERM INVESTMENTS – NET

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS UNIT

Below is the information of the companies where ISA has a participation, either directly or indirectly through its subsidiaries:

INTERCONEXIÓN ELÉCTRICA COLOMBIA-PANAMÁ S.A. –ICP–

ICICP is a corporation with main offices in Panama City. It was established on May 14, 2007 and its term is indefinite. 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. This corporation is not in commercial operation yet.

Along 2011, ISA made capitalizations in ICP worth USD 751,000 (\$1,398). In 2010, capitalizations were USD 1,441,000 (\$2,837)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI S.A. –SERRA DO JAPI–

Serra do Japi is a Brazilian corporation with main offices in the city of São Paulo. It was incorporated on June 01, 2009. The term of the concession is 30 years. CTEEP owns 99.99% and exercises control. The Salto substation entered commercial operation in January of 2012, and the Jandira substation is scheduled to enter operation the first quarter of the same year.

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

IENNE is a Brazilian corporation with main offices in the city of São Paulo; it was established on December 3, 2007. The term of the concession is 30 years. CTEEP has shared control and 25.00% stake in this concern, which started commercial operation in 2011.

INTERLIGAÇÃO ELÉTRICA SUL S.A. –IESUL–

IENNE is a Brazilian corporation with main offices in the city of São Paulo; it was established on July 23, 2008. Concession duration is 30 years, with CTEEP holding 50.1% of the company's shares, and thus shared control. The new Santa Rita – Scharlau transmission line and the Scharlau Substation entered commercial operation in December of 2010. The Forquilha Substation entered operation in October of 2011.

INTERLIGAÇÃO ELÉTRICA DO MADEIRA S.A. –IEMADEIRA–

IEMADEIRA is a Brazilian corporation with main offices in the city of São Paulo; it was established on December 18, 2008. Concession term is 30 years, with CTEEP holding 51.00% of shares, as well as shared

control of this company. The IEMADEIRA facilities have not yet started commercial operation.

INTERLIGAÇÃO ELÉTRICA GARANHUNS S.A. –IE GARANHUNS–

Corporation with main offices in the city of Recife, state of Pernambuco. It was incorporated on October 07, 2011. Concession term is 30 years and its main activity is the exploitation of concessions of transmission services delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, lines, substations, control centers and respective infrastructure. CTEEP has 51% shareholding. IE GARANHUNS is scheduled to start commercial operations in mid 2014.

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

TRANSNEXA S.A. E.M.A.

Transnexa is an Ecuadorian corporation with main offices in Quito. It was established on November 29, 2002. This corporation 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. INTERNEXA S.A. has 50.00% participation and shared control. Its term is 99 years.

INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇÕES S.A.

On January 4, 2010, INTERNEXA established this subsidiary, with 100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

share in it. On September 8, 2010, INTERNEXA obtained a Multimedia Communication Service license (–SCM, for its Spanish initials) to operate both nationally and internationally.

INVESTMENTS IN THE ROADS CONCESSIONS BUSINESS UNIT

AUTOPISTAS DE LA MONTAÑA S.A.S.

Corporation established on January 18, 2011 with main offices in Medellín and Interconexión Eléctrica S.A. E.S.P. ISA as sole shareholder. This corporation may carry out any activity both in Colombia and abroad, especially those related to:

- Developing engineering-related activities
- Operating and maintaining road transport infrastructure
- Providing services to road transport infrastructure users
- Promoting and structuring road infrastructure projects

This corporation is not in commercial operation yet.

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. As of December 31, 2011 and 2010,

the investment is represented by nine shares equivalent to 0.00069% participation.

EMPRESA PROPIETARIA DE LA RED S.A. -EPR-

EPR is a Panamanian corporation with main offices in San Jose de Costa Rica. Established in 1998, it 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. ISA owns 6,500 common shares equivalent to 11,11% participation. This company has already begun operation in some of the line segments.

ELECTRIFICADORA DEL CARIBE S.A. E.S.P. –ELECTRICARIBE–

ELECTRICARIBE is the company that delivers electric energy distribution and trading services in the Colombian Caribbean. ISA has 0.48072666% participation. These shares were received by ISA as payment.

CÁMARA DE RIESGO CENTRAL DE CONTRAPARTE DE COLOMBIA S.A. –CRCC–

CCRCC is a Colombian corporation with main offices in Bogotá. It was incorporated on October 03, 2007. 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

rules, procedures, mechanisms and technological components for accepting, settling and clearing operations with assets, either as a counterparty or not. XM owns 6.25% (2010 - 5.9722%) of this corporation's capital stock.

DERIVEX S.A.

It was established on June 2, 2010. Its purpose is administration of a system for negotiation of operations with financial derivatives that meet the definition of security included in paragraphs 3 and 4 of Article 2 of Law 964 of 2005 and have electric energy, fuel gas, and other energy commodities as underlying assets, all as authorized by the Colombian Financial Superintendency in Resolutions Nos. 2001 of December 23, 2009 and 1069 of May 27, 2010. XM owns 49.948% (2010 - 49.9334%) participation and has joint control over it. Its term is 50 years.

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

	2011	2010
INVESTMENTS IN SHARES		
Financiera Energética Nacional S.A. – FEN –	3	3
Empresa Propietaria de la Red – EPR –	12,627	14,693
Transnexa S.A. E.M.A.	304	269
Internexa Brasil Operadora de Telecomunicaciones (1)	18,727	-
Camara de Riesgos Central de Contraparte de Colombia S.A.	2,587	2,070
Derivex S.A.	730	600

	2011	2010
INVESTMENTS IN SHARES		
Electrificadora del Caribe S.A. E.S.P. (2)	12,114	12,114
Interconexión Eléctrica Colombia - Panamá S.A. -ICP-	3,965	2,676
Autopistas de la Montaña S.A.S.	955	-
Interligação Elétrica de Minas Gerais S.A. -IEMG- (3)	-	54,004
Interligação Elétrica Pinheiros S. A. -IEPINHEIROS- (3)	-	227,970
Interligação Elétrica Norte Nordeste S. A. -IENNE- (4)	80,872	93,136
Interligação Elétrica Sul S.A. -IESUL- (4)	68,006	50,654
Interligação Elétrica Madeira S.A. -IEMADEIRA- (4)	401,271	141,480
Interligação Elétrica Serra do Japi S.A. (4)	89,685	22,225
Interligação Elétrica Garanhuns S.A. (4)	1,102	-
Other investments	416	(17)
Long-term investment allowance (5)	(11,199)	(13,170)
TOTAL INVESTMENTS IN SHARES	682,165	608,707
OTHER LONG-TERM INVESTMENTS		
In financial instruments (6)	31,483	-
TOTAL LONG-TERM INVESTMENTS	713,648	608,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (1) Corresponds to investment by INTERNEXA Participações in the company INTERNEXA Brasil Operadora de Telecomunicações S.A.
- (2) Corresponds to shares received as payment.
- (3) These companies are consolidated in the financial statements of 2011.
- (4) Capital contributions by CTEEP
- (5) Provision on investments in ELECTRICARIBE for \$2,291 (2010: \$2,066), ISA Bolivia S.A. for \$2,045 (2010: \$2,045), Proyectos de Infraestructura del Perú S.A.C. –PDI– for \$238 (2010: \$238), Consorcio Transmantaro S.A. for \$5,459 (2010: \$5,459) and EPR \$0 (2010: \$2,492).
- (6) Hedging operation hired by CTEEP in 2011.

Starting 2010, as provided by Resolution 193 of July of 2010 of the CGN, ISA's Colombian companies record under equity the exchange difference of equity entries resulting from translation of investments abroad.

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

	2011	2010
CUSTOMERS		
Energy services	495,962	511,059
Telecommunications	36,172	25,868
Market Administration	14,416	8,316
Constructions (1)	17,435	171
Other technical services	217	7,277
TOTAL CUSTOMERS	564,202	552,691
INTEREST RECEIVABLE		
From customers	133	290
Other interest receivable	1,244	2,428
TOTAL INTEREST RECEIVABLE	1,377	2,718
LOANS EXTENDED (2)	10,293	659
PREPAYMENTS AND ADVANCES		
Taxes and contributions (3)	479,053	359,061
To suppliers	419	770
For purchase of goods and services (8)	7,384	47,477
Advances and prepayments of per-diem and travel expenses	505	540
Other	2,073	1,299
TOTAL PREPAYMENTS AND ADVANCES	489,434	409,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011	2010
OTHER ACCOUNTS RECEIVABLE		
Related parties (4)	756	-
Loans to employees	23,442	22,947
Deposits made (4)	252,435	137,922
Accounts receivable from Brazilian Gov. - Law 4819 (5)	858,746	812,809
Accounts receivable VAT – MOP – (6)	378,180	257,055
Miscellaneous accounts receivable (7)	175,333	209,450
TOTAL OTHER ACCOUNTS RECEIVABLE	1,688,892	1,440,183
TOTAL ACCOUNTS RECEIVABLE	2,754,198	2,405,398
Less – Allowance for doubtful accounts	(18,913)	(19,742)
TOTAL ACCOUNTS RECEIVABLE - NET	2,735,285	2,385,656
LONG-TERM ACCOUNTS RECEIVABLE		
Customers	12,739	3,538
Loans to employees	15,561	16,889
Loans extended	401	(186)
Prepayments (3)	47,185	578
Related parties	385	-
Accounts receivable from Brazilian Gov. - Law 4819 (5)	841,963	784,968
Accounts receivable VAT – MOP – (6)	90,938	204,407

	2011	2010
Deposits made	64,093	48,531
Other accounts receivable (7)	35,376	137,980
TOTAL LONG-TERM ACCOUNTS RECEIVABLE	1,108,641	1,196,705
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE	1,626,644	1,188,951

- (1) Includes accounts receivable from Proyectos de Infraestructura del Perú for \$13,846 (2010: \$20) and from ISA for \$3,589 (2010: \$110), to be legalized in 2012..
- (2) Includes \$9,728 from ISA Capital do Brasil for loan to INTERNEXA Brasil Operadora, according to the agreement signed on December 15 of 2011.
- (3) Corresponds mainly to prepaid VAT tax on goods and services for construction works in the Chilean concessionaires for \$200,643 (2010: \$183,178), Consorcio Transmataro for \$112,836 (2010: \$54,746) and INTERNEXA Peru for \$17,869 (2010: \$11,054).
- (4) Includes \$188,261 (2010: \$89,310) from ISA by increase in the funds from delegated management of projects IPSE, FAER, FAZNI as well as Distribuidora del Pacifico S.A. E.S.P DISPAC, and \$64,093 (2010: \$48,531) from CTEEP for court deposits given as collateral for payment of fines imposed by ANEEL.
- (5) Corresponds to accounts receivable by CTEEP from the Brazilian State, for labor benefits ruled by Law 4819 of 1958. No monetary updating is applicable to this balance and no return is recorded until approved by the Government of the São Paulo State for payment to the company.
- (6) Corresponds to accounts receivable from the Ministry of Public works –MOP– of the INTERVIAL CHILE S. A.'s concessionaires for recognition of increased costs incurred for recovery of roads damaged by the earthquake of 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (7) Includes energy transmission contracts signed between Consorcio Transmanta-ro and third parties outside ISA and its companies for \$30,728 (2010: \$70,236) considered as financial leasing according to NIC 37. In CTEEP, \$44,722 (2010: \$74,883) for delivery of services with third parties outside ISA and its compa-nies, and \$54,984 (2010: \$30,432) for sale of assets, upon authorization from ANNEL.
- (8) Variation includes \$32,594 from PDI for legalization of advance payments to goods and services suppliers in contracting of projects with third parties.

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

	2011	2010
SHAREHOLDERS		
Empresas Públicas de Medellín –EPM–	11,953	11,743
Empresa de Energía de Bogotá –EEB–	42	34
Empresa Colombiana de Petróleos –ECOPETROL –	79	76
TOTAL SHAREHOLDERS	12,074	11,853
Other customers	552,128	540,838
TOTAL ACCOUNTS RECEIVABLE FROM CUSTOMERS	564,202	552,691

Classification of accounts receivable from customers according to maturity date:

	2011	2010
CURRENT	488,531	518,942
OVERDUE		
Between 1 and 90 days	19,560	8,087
Between 91 and 180 days	2,825	16,306
Between 181 and 360 days	6,629	2,343
More than 360 days	46,657	7,013
TOTAL OVERDUE	75,671	33,749
TOTAL	564,202	552,691

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.

In Colombia, power sector companies Electrobolívar, Caucaasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities –SSPD–, owed ISA as of 31 December, 2011 and 2010, \$3.728; these overdue accounts receivable are 100% provisioned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: INVENTORIES – NET

Inventories at December 31 included:

		2011	2010
SHORT-TERM INVENTORIES			
Materials to render services	(1)	24,790	15,856
Inventories in transit	(2)	12,045	17
Provision		(174)	(206)
Total short-term inventories		36,661	15,667
LONG-TERM INVENTORIES			
Materials to render services	(1)	59,083	61,312
Provision	(3)	(2,714)	(5,459)
Total long-term inventories		56,369	55,853
TOTAL INVENTORIES		93,030	71,520

- (1) Inventories of providers of energy and project construction services
- (2) Corresponds to supply of allumoweld guard cable and ACAR conducting cable for the connection project of ISA's Sogamoso Substation to STN, for \$6,889, and to the costs incurred by XM in construction of Medellin city's Mobility Management Center, for \$5,156. 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.
- (3) Inventory provision related to identification of the company's surplus, obsolete, and useless assets.

ISA and its companies conduct actions to guarantee adequate preservation and safeguarding of inventories, and takes periodic stock count with no significant differences found; additionally, inventories are insured under a combined material damage policy.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	2011	2010
Networks, lines and cables	2,473,411	2,455,818
Plants and ducts	2,184,788	2,161,022
Buildings	110,609	107,219
Land	25,383	25,500
Machinery and equipment	95,423	90,126
Computer and communications equipment	53,700	48,381
Equipment and materials under deposit and goods in warehouse		
Transport, traction and lifting equipment	13,894	16,113
Furniture, fixtures and office equipment	19,809	17,254
Roads		
Subtotal property, plant and equipment	4,977,017	4,921,433
Less – accumulated depreciation	(2,117,594)	(1,967,831)
Less – provisions	(11,387)	(10,726)
TOTAL PROPERTY, PLANT AND EQUIPMENT IN OPERATION	2,848,036	2,942,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011	2010
	59,182	28,234
Machinery, plant and equipment in assembly	40,041	41,135
Machinery and equipment in transit	12,879	11,901
TOTAL PROPERTY, PLANT AND EQUIPMENT-NET	2,960,138	3,024,146

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

ISA and its companies currently have insurance for combined material damages, terrorism, and consequential loss to insure against losses and damages to their fixed assets, except towers and transmission lines.

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

	2011	2010
DEFERRED CHARGES AND OTHER SHORT-TERM ASSETS		
Prepaid expenses	37,206	25,167
Deferred taxes (1)	102,456	132,147
Actuarial financial reserve	1,881	2,594
Other deferred charges (2)	110,042	163,731
TOTAL DEFERRED CHARGES AND OTHER SHORT-TERM ASSETS	251,585	323,639

	2011	2010
DEFERRED CHARGES AND OTHER LONG-TERM ASSETS		
Deferred charges		
Deferred taxes (1)	1,152,507	907,239
Debt issuance and restructuring costs (3)	1,655,124	1,879,939
Studies and research (4)	32,183	3,961
Other deferred charges (2)	1,632,450	1,527,691
TOTAL DEFERRED CHARGES	4,472,264	4,318,830
Intangibles		
Software	61,167	66,346
Licenses	69,018	64,577
Easements	79,122	84,325
Rights (5)	15,043,652	14,986,851
Goodwill and trademarks (6)	1,872,692	1,736,094
Less – Amortization of intangible assets	(6,273,437)	(6,098,224)
TOTAL INTANGIBLE ASSETS	10,852,214	10,839,969
Actuarial financial reserve	12,099	12,193
Miscellaneous	19,713	14,508
TOTAL DEFERRED CHARGES AND OTHER LONG-TERM ASSETS	15,356,290	15,185,500

(1) Includes mainly \$70,126 (2010: \$94,556) of ISA, \$106,669 (2010: \$108,834) of CTEEP and \$1,056,295 (2010: \$811,595) of the Chilean companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (2) Payments to the Ministry of Public Works of Chile for use of pre-existing infrastructure during the concession life for 1,724,756 (2010: \$1,691,575).
- (3) Includes debt issuance expenses of INTERVIAL CHILE S.A. and its concessionaires for \$1,461,598 (2010: \$1,601,483) inherited in the integration of their financial statements into the consolidated since 2010, debt restructuring expenses of ISA Capital do Brasil for \$176,321 (2010: \$265,675) amortizable until April of 2016, and debt issuance expenses in ISA for \$11,948 (2010: \$12,782).
- (4) Studies associated to the Autopistas de la Montaña project. Should the technical and financial requirements not be met (guaranteed IRR, bankability and functionality) Agencia Nacional de Infraestructura–ANI– (formerly, INCO) shall reimburse ISA, within three months following the date of termination of the agreement, 70% of the evaluation stage studies. In case ANI opts for using the studies, it shall pay ISA the remaining 30% and will become the sole owner of the studies.
- (5) Basically, integration of concession rights: for transmission lines \$11,071,543 (2010: \$10,666,957), roads \$3,942,733 (2010: \$4,300,233) and telecommunications \$29,376 (2010: \$19,662). Energy contracts are acquired perpetually, i.e., no expiration date or time limit exists, and the right remains along time. Concession contracts have defined terms established in each of them.
- (6) Variation of \$136,594 corresponds mainly to ISA Inversiones Chile Ltda. generated in acquisition of remaining 40% ownership of INTERVIAL CHILE S.A. and its concessionaires.

Assets have no restrictions, or pledges or guarantees for obligations other than those indicated in Notes 12, 19.2 and 19.3.

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

	2011	2010
Investments	181	-
Property, plant and equipment	(1) 3,136,057	3,009,541
TOTAL RE-APPRAISALS	3,136,238	3,009,541

- (1) Economic appraisal was conducted in 2011 and 2010 for main components of property, plant and equipment of the Colombian companies, in compliance with the provisions of the Public Accounting Regime - Resolution 354 of September 5 of 2007.

Economic appraisal of operational assets in ISA and TRANSELCA uses the Linear Depreciated Replacement Cost methodology, a methodology of recognized technical value for ascertaining the value of State assets approved by Colombia's General Accounting Office as indicated in number 18 of accounting procedure for recognition and disclosure of facts related to 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, for its Spanish initials–), proportionally affected by the remaining time of service (remaining useful life) with

¹ Values determined according to regulation applicable for their remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

INTERNEXA conducted updating of property, plant and equipment at December 31 of 2011, through the as-new-replacement-value methodology, taking into consideration their proportional remaining life. This methodology is defined as the percentage of remaining life applied to current cost of an asset with the same characteristics to provide the same service at market prices, understanding remaining life as the total useful life minus life elapsed.

² Assets not often offered or demanded on the market.

³ Assets often offered and demanded on the market.

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NOTE 12: OUTSTANDING BONDS

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

ISSUE	CURRENCY	MATURITY	TERM	INTEREST RATE	2011	2010
Third Issue Single Series	COP	16/07/2011	10	CPI+8.1%	-	130,000
Program Tranche 1	COP	20/02/2011	7	CPI + 7.0%	-	100,000
Program Tranche 2	COP	20/02/2016	12	CPI + 7.3%	150,000	150,000
Program Tranche 3	COP	07/12/2019	15	CPI + 7.19%	108,865	108,865
Program Tranche 4 Batch 1	COP	07/04/2026	20	CPI + 4.58%	118,500	118,500
Program Tranche 5	COP	21/09/2013	7	CPI + 4.84%	110,000	110,000
Program Tranche 4 Batch 2	COP	07/04/2026	20	CPI + 4.58%	104,500	104,500
Program Tranche 6 Series A	COP	02/04/2015	6	CPI + 4.99%	150,000	150,000
Program Tranche 6 Series B	COP	02/04/2018	9	CPI + 5.90%	59,500	59,500
Program Tranche 7 Series A	COP	01/12/2023	12	CPI + 4.47%	180,000	-
Program Tranche 7 Series B	COP	01/12/2041	30	CPI + 4.84%	120,000	-
B1 - Tranche 1	COP	09/07/2012	10	CPI + 7.50%	35,000	35,000
B1 - Tranche 2	COP	09/07/2012	10	CPI + 7.50%	62,000	62,000
B2 - Tranche 1	COP	19/10/2011	7	CPI + 6.14%	-	50,000
B2 - Tranche 2	COP	19/10/2016	12	CPI + 6.95%	50,000	50,000
B3 - Tranche 1	COP	11/10/2021	10	CPI + 4.20%	80,000	-
B3 - Tranche 2	COP	11/10/2026	15	CPI + 4.48%	100,000	-
1P 1st Issue (Series A)	USD	14/07/2013	10	Fixed rate 5.75%	16,896	24,534
1P 2nd Issue (Single Series)	SOL	11/11/2013	10	VAC + 5.125%	21,069	26,166
1P 3rd Issue (Series A)	USD	19/07/2016	12	Fixed rate 7.75%	15,310	17,802

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ISSUE	CURRENCY	MATURITY	TERM	INTEREST RATE	2011	2010
1P 3rd Issue (Series B)	USD	20/08/2016	12	Fixed rate 7.625%	6,254	7,271
1P 5th Issue (Series A)	USD	02/12/2014	10	Libor (3m) + 2.5625%	17,484	22,968
2P 3rd Issue (Series A)	USD	16/02/2019	12	Fixed rate 5.875%	10,884	12,202
2P 3rd Issue (Series B)	USD	12/10/2019	12	Fixed rate 6.188%	42,386	46,980
2P 4th Issue (Series A)	USD	16/02/2019	12	Libor (3m) + 0.75%	27,529	30,863
2P 11th Issue (Series A)	USD	15/05/2012	3	Fixed rate 4.5%	23,312	22,968
2P 15th Issue (Series A)	USD	15/05/2016	7	Fixed rate 6.5%	38,854	38,280
2P 17th Issue (Series A)	USD	20/01/2018	7	Fixed rate 5.75%	38,854	-
2P 20th Issue (Series A)	USD	20/01/2026	15	Fixed rate 6.5%	73,823	-
1st Issue Series A	USD	23/11/2009	8	Fixed rate 8.125%	-	-
1st Issue Series B	USD	30/11/2010	9	Fixed rate 8.344%	-	-
2nd Issue Series A	USD	11/12/2011	8	Fixed rate 6.00%	-	19,140
2nd Issue Series B	USD	11/12/2012	9	Fixed rate 6.25%	19,427	19,140
Debentures 1st Series	BRL	15/12/2014	5	CDI + 1,30% a.a	506,446	567,353
Debentures 2nd Series	BRL	15/12/2017	8	IPCA + 8.10% a.a	69,266	66,557
Tranche 1	USD	29/01/2017	10	Fixed rate 8.80%	61,559	60,579
Bond 144A	USD	15/06/2022	21	Fixed rate 7.373%	757,589	696,866
Bond Series A1 and A2	UF	15/06/2025	21	Fixed rate 4.85%	483,866	413,393
Bond Series B1 and B2	UF	15/12/2030	24	Fixed rate 3.20%	501,363	468,610
Bond Series B1 and C2	UF	15/12/2019	13	Fixed rate 2.75%	358,166	330,555
Bond Series C1 and C2	UF	15/12/2021	14	Fixed rate 3.5%	93,804	88,062

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ISSUE	CURRENCY	MATURITY	TERM	INTEREST RATE	2011	2010
Bonds Series A	UF	15/03/2021	20	Fixed rate 6.3%	537,379	565,586
Bond Series B	UF	15/09/2024	18	Fixed rate 3.36%	125,169	113,897
CAPITALIZED INTEREST					108,156	100,214
BOND HEDGE					418,778	524,490
TOTAL					5,801,986	5,512,839
LESS CURRENT PORTION					460,438	476,725
TOTAL LONG-TERM					5,341,548	5,036,114

Bonds accrued interests during 2011 for \$429,657 (2010: \$273,581), which were recorded as financial expenses.

Below is the detail of maturities for outstanding bonds:

YEAR	CAPITAL	HEDGE	TOTAL
2012	460,438		460,438
2013	444,789	58,964	503,753
2014	352,829	35,199	388,028
2015	334,480	38,475	372,955
2016 onwards	3,790,672	286,140	4,076,812
TOTAL	5,383,208	418,778	5,801,986

ISA BOND ISSUES

A Bonds Program is approved with \$1,700,000 global amount, of which \$1,101,365 has already been placed.

On February 20 of 2011, \$100,000 of the first trench was paid, according to its maturity term.

In the year 2004, bonds worth \$150,000 were issued for domestic debt substitution so as to keep adequate interest rate levels and both expand debt maturity and lower financial risk. Additionally, on December 7 of that same year, bonds for \$108,865 were issued in order to substitute the State's loan so as to improve maturity terms, lower cost and enhance the portfolio's medium life.

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The third issue, for \$130,000, was used to substitute domestic and foreign currency loans to reduce exchange risk exposure and expand the portfolio's average maturity; this issue was fully repaid on July 16, 2011

In the year 2006, the Company carried out the issuance of Tranche 4 of the Bond Program for \$380,000, of which \$118,500 was placed during the year 2006 maturing in April 2026; in 2008, \$104,500 was placed, maturing also in April 2026. Additionally, bonds for \$110,000 were issued this year to finance the UPME 01 and UPME 02 projects.

In 2009 the Company issued Tranche 6 for \$350,000, of which, \$150,000 was placed for Series A maturing in April of 2015, and \$59,500 for Series B maturing in April of 2018.

In 2011 the Company issued Tranche 7 for \$300,000, of which, \$180,000 were placed for Series A maturing in December of 2023, and \$120,000 for Series B maturing in December of 2041. Funds from the issue were earmarked for investments and cash flow.

EMISIONES DE BONOS DE TRANSELCA

The Company placed public bond issues in the years 2002, 2004 and 2011, by public offer with the following characteristics:

a.	Denomination	Domestic Debt Bonds
b.	Issue authorized amount	\$393,000.
c.	Outstanding balance at Dec- 31-11	\$327,000.

d.	Destination of issue	Funds obtained were earmarked to finance general expansion projects, working capital needs corporate cash flow, and substitution of local bank debt.
e.	Face value (Colombian pesos)	Issue of 2002: \$5,000 Issue of 2004: \$10,000 Issue of 2011: \$10,000

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In October 2011, TRANSELCA carried out the third bonds issue for a value of \$180,000, of which \$80,000 were placed with maturity in October 2021 and \$100,000 with maturity October 2026.

CTEEP ISSUES

In December of 2009, CTEEP issued 54,860 bonds for a total value of BRL548.6 million. Series 1 shall have amortization payments on the following dates: December 15 of the years 2012, 2013 and 2014; and returns shall be paid biannually on June 15 and December 15 of each year, with the first one paid on June 15 of 2010.

Series 2 shall have amortization payments on the following dates: June 15 of 2014, December 15 of the years 2015, 2016, and 2017; returns shall be paid on the following dates: June 15 of the years 2011, 2012, 2013, 2014, and December 15 of the years 2015, 2016, and 2017.

Funds from this offer went mainly to:

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- a. Capital contributions for investments in corporations.
- b. Investments in reinforcements for the company's transmission system for maintenance of the basic grid and to serve consumers.
- c. Payment of debt and interest on debt.

REP BOND ISSUES

FIRST CORPORATE BOND ISSUE PROGRAM:

The first corporate bonds issue was Series A with 30,000 bonds of USD1,000 par value and 10-year redemption term. These bonds were placed in the financial market in July of 2003 at an annual nominal interest of 5.75%.

The second bond issue had a Single Series of 20,000 bonds with PEN3,477 unit par value and 10-year redemption term. These bonds were placed in the financial market in November of 2003 at an annual nominal interest of 5.125%. Balance pending amortization is readjusted on the basis of the Constant Present Value.

The third issue was conducted in two series, series A of 14,200 bonds and series B with 5,800 bonds with par value of USD 1,000 and 12-year redemption term. These bonds were placed in the financial market in July and August of 2004, at 7.75% and 7.625% annual nominal interest, respectively.

The fourth bond issue was de-listed.

The fifth corporate bonds issue was Series A with 30,000 bonds of USD1,000 par value and 10-year redemption term. These bonds were placed in the financial market in December of 2004, at 3-month Libor + 2.5625% interest.

SECOND BOND PROGRAM:

The third bond issue was conducted in two series, series A of 8,500 bonds and series B with 30,000 bonds with par value of USD 1,000 and 7-year redemption term for Series A and 12-year redemption term for Series B. These bonds were placed in the financial market in February and December 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 15-year redemption term. These bonds were placed in the financial market in December of 2004, at 3-month Libor + 0.75% interest.

On May 15 of 2009, REP carried out its eleventh and fifteenth bond issues for USD12 million and USD20 million, at 3 and 7 years respectively, accruing interest at 4.50% and 6.50% fixed-rate, respectively, to be paid quarterly in arrears with 100% amortization on expiration of the issuance term.

On January 20, 2011, REP carried out its seventeenth and twentieth bond issues for USD20 million and USD38 million, at 7 and 15 years respectively, accruing interest at 5.75% and 6.50% fixed-rate,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

respectively, to be paid quarterly in arrears with 100% amortization on expiration of the issuance term.

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

ISA CAPITAL DO BRASIL BOND ISSUE

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 total bonds issued, 60% were placed in the USA, 36% in Europe, 2% in Latin America, and 2% in Asia.

On November 4, 2009, ISA Capital do Brasil requested international bondholders of years 2012 and 2017, an amendment of the covenants in order to make viable the growth strategy in Brazil. The modification will permit CTEEP's companies to hire financing; ISA Capital do Brasil to issue certain guarantees related to such financing in the cases when CTEEP cannot meet such obligation as direct shareholder of the companies; and to expand CTEEP's indebtedness capacity consolidated up to 3.5 times EBITDA.

In March of 2010, ISA Capital do Brasil launched a Tender Offer with Exit Consent for the 2017 Bonds and exercised the purchase option of the 2012 Bonds. The final result is the payment of 95% of bonds, with a balance remaining for 2017 Bonds of USD32 million.

CONSORCIO TRANSMANTARO BOND ISSUE

FIRST CORPORATE BOND PROGRAM:

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 December of 2011 and 2012, respectively.

These bonds are guaranteed by first mortgage collateral on the transmission lines concession up to USD173 million.

BOND ISSUE OF INTERVIAL CHILE'S CONCESSIONAIRES

RUTA DEL MAIPO SOCIEDAD CONCESIONARIA S.A. (FORMERLY, AUTOPISTA DEL MAIPO SOCIEDAD CONCESIONARIA S.A.)

This concessionary has conducted three issuances of bonds, one of them in the US market, and the other two in Chile.

- USD Bond 144A

The first bonds, for USD421 million, were issued in the United States in August of 2001, under the 144A mechanism and they are guaranteed by MBIA under the mono-liner reinsurer modality. These bonds have a swap hedge in UF (corresponding to UF14,103,034) with Instituto de Crédito Oficial -ICO-. Given the hedge provided by this instrument, the corporation terminated the Covenant "Exchange Rate Hedging Mechanism", subscribed with the MOP in 2001.

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- Bond issue in UF, Series A and Series B
Ruta del Maipo Sociedad Concesionaria S.A. (formerly, Autopista del Maipo Sociedad Concesionaria S.A.) filed on September 22 of 2004 a bond program for a maximum amount of UF15,000,000, guaranteed by MBA, with maturity on December 31 of 2034. Of the total program, UF11,801,000 has been used so far.

Series A was issued in Chile in December of 2004 for UF5,800,500, with maturity in June of 2025 and coupon rate of 4.85%.

Series B was issued in Chile in December of 2006 for UF6,000,500, with maturity in December of 2030 and coupon rate of 3.20%.

HEDGING INSTRUMENT

Ruta del Maipo Sociedad Concesionaria S.A. (formerly Autopista del Maipo Sociedad Concesionaria S.A.) has a derivative used as hedge against exchange rate volatility for the issuance of debt in USD. As determined by regulation, the derivative is valued at market prices and this value affects results.

At closing of 2011, liabilities related to this hedging total \$418,778.

RUTA DEL MAULE (FORMERLY, TALCA - CHILLÁN)

- UF Bonds Series B and Series C
So as to repay a syndicated credit line of UF3.5 million granted to Tachi (today, Ruta del Maule) in 2002 and to carry out required works of the complementary covenant, the company filed a bond program worth UF6,755,000 maturing on December 12 of 2026.

Series B was issued in June of 2005 for UF5,650,500, with maturity in December of 2019 and rate of UF + 2.75%.

In September of 2006, Tachi (today, Ruta del Maule) issued bonds for the third time, the second of the program. These funds were earmarked for payment of a debt with a construction firm for UF907,000 as well as other shareholders (including INTERVIAL CHILE). Series C was issued in June of 2021 for UF1,124,500, with maturity in December of 2021 and rate of UF + 3.50%.

RUTA DEL BOSQUE

This concessionaire has carried out two bond issues.

- UF Bonds Series A
The first issue was placed in March of 2001 for UF7,801,000. The bond's rate is 6.3%, term is 20 years and redemption is in March of 2021.
- UF Bonds Series B
The second bond was held in November of 2006 for UF1,500,000. The main characteristics are: interest rate of 3.4%, 18-year term, and optional redemption as of March of 2012.

In 2011, debt issuance costs were homologated to deferred assets for the Ruta del Maipo, Ruta del Maule and Ruta del Bosque bonds, to be fully amortized in the same term as the debt.

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NOTE 13: FINANCIAL LIABILITIES

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CREDIT LINE	CURRENCY	INTEREST RATE	2011	2010
Domestic financial liabilities				
Banco Agrario	COP	FTD + 4.50%	21,000	21,000
Davivienda	COP	FTD + 3.88%	25,000	25,000
BBVA	COP	FTD + 3.89%	75,000	75,000
Citibank	COP	FTD + 1.00%	20,000	-
AVVillas	COP	FTD + 1.25%	40,000	-
BBVA	COP	FTD + 3.80%	222,432	-
Davivienda	COP	FTD + 3%	-	3,333
BBVA	COP	FTD + 2.5%	-	5,000
Bancolombia	COP	FTD + 1.93%	-	12,317
Helm Bank	COP	FTD + 3.25%	-	40,000
Banco de Bogotá	COP	FTD + 2.90%	-	20,000
Banco de Bogotá	COP	FTD + 2.25%	-	32,640
Helm Bank	COP	FTD + 3.30%	1,333	2,665
Banco de Occidente	COP	FTD +3.20%	4,000	6,000
TOTAL DOMESTIC FINANCIAL LIABILITIES			408,766	242,955
Foreign financial liabilities				
BBVA	USD	Libor (6M) + 3.80%	-	237,335
BIRF 3954	USD	Fixed rate 6.32%	-	29
BIRF 3955	USD	Libor (6M) + 0.28%	30,092	57,620

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CREDIT LINE	CURRENCY	INTEREST RATE	2011	2010
Obligaciones Financieras Nacionales				
BNP PARIBAS	USD	Libor (6M) + 0.345%	40,509	47,167
Banco de Crédito del Perú	USD	Libor(3m) + 2.275%	33,026	39,045
BBVA Banco Continental	USD	Fixed rate 3.4%	62,166	-
Banco de Crédito del Perú	USD	Fixed rate 6.61%	28,436	33,109
BBVA Banco Continental	USD	Fixed rate 6.68%	135,989	68,903
BBVA Banco Continental	USD	Fixed rate 5.84%	77,708	-
BCP y Bancolombia Puerto Rico	USD	Fixed rate 6.73%	146,674	-
Citibank	USD	Fixed rate 2.6625%	19,427	-
IFC Tramo A	USD	Fixed rate 6.07%	16,844	19,412
BBVA Banco Continental	USD	Libor(3M)+ 1.45%	18,421	20,530
BBVA Continental	USD	Fixed rate 3.40%	-	1,616
Helm Bank Panamá	USD	Fixed rate 3.36%	6,799	6,423
Helm Bank Panamá	USD	Fixed rate 3.38%	2,331	-
Eletrabras	USD	Fixed rate 8%	400	499
BNDES	BRL	TJLP + 2.3% Spread a.a	385,685	480,801
BNDES II	BRL	TJLP + 1.8% Spread a.a	154,274	183,355
Notas Promisorias (4a emisión)	BRL	CDI + 0.4% aa	207,150	-
Notas Promisorias (5a emisión)	BRL	CDI + 0.4% aa	310,725	-
CCB Internacional (Banco IBBA)	USD	VC + 4% a.a.	126,084	-
Comercial Paper (JPMorgan)	USD	VC + 2.1% a.a.	164,339	-
Arrendamientos Financieros	BRL		688	1,944
BNDES (FINEM)	BRL	TJLP + 2.39% Spread a.a	59,473	-

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CREDIT LINE	CURRENCY	INTEREST RATE	2011	2010
BNDES (PSI)	BRL	Fixed rate 5.5%	75,447	-
BNDES (FINEM)	BRL	TJLP + 2.62% Spread a.a	48,463	-
BID	USD	Fixed rate 9.7130%	34,744	38,796
CAF	USD	Libor + 5%	25,778	28,783
BID	USD	Fixed rate 8.1550%	5,526	6,170
CAF	USD	Libor + 5%	4,255	4,750
BBVA	UF	Fixed rate 5.2%	529	583
BBVA	UF	Fixed rate 5.3%	1,273	1,358
BBVA	UF	Fixed rate 5.4%	203	214
BCI	CLP	TAB + 2% T.V.	4,944	3,058
BCI	CLP	TAB + 3% T.V.	8,932	-
Banco de Chile	UF	Fixed rate 4.40%	335,619	326,412
Corpbanca	UF	Fixed rate 4.40%	161,229	157,270
Banco del Estado	UF	Fixed rate 4.40%	161,229	157,270
Banco de Chile	UF	Fixed rate 4.70%	174,409	187,627
Corpbanca	UF	Fixed rate 4.70%	22,542	21,891
Banco del Estado	UF	Fixed rate 4.70%	174,409	187,627
Banco Security	UF	Fixed rate 4.70%	17,789	18,855
TOTAL FOREIGN FINANCIAL LIABILITIES			3,284,559	2,338,452
Hedging operations				(6)
TOTAL FINANCIAL LIABILITIES			3,693,324	2,581,401
Less current portion			1,087,939	304,980
TOTAL LONG-TERM			2,605,385	2,276,421

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

CURRENCY	BALANCE IN ORIGINAL CURRENCY (1)		BALANCE IN LOCAL CURRENCY	
	2011	2010	2011	2010
US Dollar	504,014	318,545	979,148	609,688
Brazilian Real	1,199,516	580,303	1,242,306	666,599
Chilean Pesos	3,708,474	747,748	13,876	3,058
Colombian Pesos	408,766	242,949	408,766	242,949
Unidades de Fomento Chile (UF)	12,578	12,070	1,049,229	1,059,107
TOTAL FINANCIAL LIABILITIES			3,693,324	2,581,401

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

Maturity of financial liabilities at December 31, 2011:

YEAR	CAPITAL
2012	1,087,939
2013	625,002
2014	304,754
2015	247,099
2016 onwards	1,428,530
TOTAL	3,693,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

	2011	2010
Suppliers	165,930	147,860
Financial expenses (1)	142,053	241,427
Creditors	75,141	83,272
Dividends (2)	203,100	194,072
Contracts withholding	5,526	4,120
Other accounts payable (3)	351,876	250,739
Value added tax payable (4)	133,665	-
Other taxes (5)	478,496	511,757
Total accounts payable	1,555,787	1,433,247
LESS LONG-TERM ACCOUNTS PAYABLE		
Creditors	24,911	30,128
Financial expenses (1)	6,958	5,315
Other accounts payable	115,244	143,854
Equity tax payable (4)	92,051	-
Other taxes (5)	152,831	166,521
TOTAL LONG-TERM ACCOUNTS PAYABLE	391,995	345,818
TOTAL SHORT-TERM ACCOUNTS PAYABLE	1,163,792	1,087,429

- (1) Interest variation is explained by \$164,372 decrease in the highway companies in Chile, due to the fact that in 2011, debt issuance costs were homologated to deferred assets, to be amortized in their entirety in the same term as the debt, compensated for with \$48,343 increase in CTEEP resulting from increased financial expenses from hiring of new debt to reinforce its investment plan.
- (2) Corresponds to dividends payable to third parties outside the group declared on results of 2010 and represented basically in: CTEEP \$152,583 (2010: \$147,009) of ISA, \$47,631 (2010: \$44,308).
- (3) Includes: a) of INTERNEXA, sale prepayments received from third parties for infeasible rights and installed capacity service for \$154,760 (2010: \$136,316), and b) of ISA, funds received for execution of projects: FAZNI Cauca-Nariño Pacific Coast Interconnection, FAER-Construction of electric distribution grid for rural municipalities in Sucre province, and interconnection project (DISPAC) for \$187,331 (2010: \$73,297).
- (4) Equity tax of Colombian companies: ISA \$117,150, TRANSELCA \$15,247 and XM \$1,268.
- (5) Corresponds to withholding tax, and payable sales, income and deferred taxes of ISA and its companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: LABOR LIABILITIES

Labor liabilities at December 31 included:

LABOR LIABILITIES	2011	2010
Severance payments and interest	5,526	4,926
Vacations	19,236	19,649
Agreed fringe benefits	3,146	9,744
Other	2,765	2,289
TOTAL LABOR LIABILITIES	30,673	36,608
Less – long-term portion	1,487	1,341
SHORT-TERM LABOR LIABILITIES	29,186	35,267

NOTE 16: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

	2011	2010
Retirement pensions (1)	162,350	162,895
Provision for income tax and surtax	25,708	52,458
Provision for contingencies (2)	627,114	773,660
Actuarial estimate of fringe benefits for pensioners (3)	109,662	104,999
Other estimated liabilities and provisions	91,919	107,140
TOTAL ESTIMATED LIABILITIES AND PROVISION	1,016,753	1,201,152

	2011	2010
Retirement pensions	151,090	154,378
Provision for contingencies (2)	589,769	735,798
Actuarial estimate of fringe benefits for pensioners (3)	109,662	104,999
Other estimated liabilities and provisions	376	-
Less – long-term portion plazo	850,897	995,175
Total short-term estimated liabilities and provisions	165,897	995,765
TOTAL PASIVOS ESTIMADOS Y PROVISIONES DE CORTO PLAZO	165,856	205,977

- (1) Corresponds to the amortized present value of pension liabilities at December 31 of 2011 and 2010 of ISA, TRANSELCA and XM, according to actuarial studies.
- (2) Includes mainly in ISA Capital Do Brasil \$392,120 (2010: \$403,144) to be paid to Secretaria de Fazenda, Governo de Brasil, as payment commitment for the difference between the purchase price of the shares of CTEEP and pension payments established in Law 4819/58. \$34,418 (2010: \$117,277) for provision for preferred dividends with HSBC on preferred shares issued in March 2010. \$105,464 of CTEEP (2010: \$185,726), mainly for 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. –EPTÉ–, and \$28,427 (2010: \$36,774) for easement civil processes, administrative processes and labor processes in ISA.
- (3) Estimated liabilities of ISA and TRANSELCA, to show present value of future health, education and aging benefits recognized to pensioners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, Compañía 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, 2011 and 2010 was determined using actuarial calculations that comply with the law and specifically with labor contracts and collective bargaining agreements. To determine pension liability for 2011 and 2010, provisions of Resolution N° 1555 of July 30 of 2010 of Colombia's Financial Superintendency were included, to update mortality rates for male and female pensioners.

The main estimates used in the actuarial calculation were as follows:

	2011 %	2010 %
Actual interest rate	4.80	4.80
Future increase of pensions and salaries	3.53	4.51

In ISA, on December 31, 2011, the Company had 663 (2010:627) active employees, of whom 7 (2010:9) are covered by the pension plan provided in the collective and individual agreements, while the remaining 656

(2010: 618) are covered by Law 100 of 1993. The actuarial estimate covers active personnel (7), retired personnel (353), surviving spouse pension benefit substitutions (49), 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, 2011, 67.3% has been amortized (2010: 66.81%) 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.

In the years 2000 and 2001, TRANSELCA offered early retirement plans to those workers received as a result of the company's capitalization process. and as a result of such, ISA's subsidiary has pending liabilities as of December 31 of 2011 for \$2,284, to be amortized on a 2-year average, according to the time remaining for each worker's retirement pension payment to be assumed by the Instituto de Seguro Social.

At December 31 2011, XM had 19 associates, covered by the pension plan provided in the collective and individual agreements. Retirement pension liabilities and agreed fringe benefits of 18 of them (2011: \$13,372, 2010: \$13,364) are guaranteed by funding the trust in charge of their pension payments; the pension and agreed fringe benefits of remaining retiree (2011: \$367, 2010: \$455) are guaranteed by investments and cash.

With respect to amortization, it corresponds to the value resulting from dividing the total actuarial estimate pending amortization by the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

number of years remaining to complete the term set, counted from the actuarial estimate closing date.

The movements in the actuarial estimate and the deferred liability at December 31, 2011 and 2010 are as follows:

MOVEMENTS IN THE ACTUARIAL ESTIMATE	PROJECTED LIABILITY	DEFERRED COST	TRANSFERRED	NET LIABILITY
Balance at December 31, 2009	193,742	(40,893)	(10,455)	142,394
Plus increase in actuarial estimate	16,138	(6,092)	10,455	20,501
Balance at December 31, 2010	209,880	(46,985)		162,895
Plus increase in actuarial estimate	(4,054)	3,509		(545)
Balance at December 31, 2011	205,826	(43,476)		162,350

YEAR 2011			
BALANCE PER COMPANY	PROJECTED LIABILITY	DEFERRED COST	NET LIABILITY
ISA	126,009	(41,192)	84,817
TRANSELCA	69,006	(2,284)	66,722
XM	10,811	-	10,811
TOTAL	205,826	(43,476)	162,350

YEAR 2010			
BALANCE PER COMPANY	PROJECTED LIABILITY	DEFERRED COST	NET LIABILITY
ISA	129,973	(43,143)	86,830
TRANSELCA	69,147	(3,842)	65,305
XM	10,760	-	10,760
TOTAL	209,880	(46,985)	162,895

AGREED FRINGE BENEFITS

The calculation of pension liabilities for ISA, XM and TRANSELCA included agreed fringe benefits received by pensioners in addition to those required by legal regulations.

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.

In ISA and XM benefits and aids were 100% amortized, while in TRANSELCA, they are 92% amortized, thus 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16.2 INCOME TAX

Liabilities for taxes, liens and duties are made up mainly of income tax, calculated according regulations applicable in the domicile of the parent company and its subsidiaries.

COMPANIES IN COLOMBIA

Income tax and surtaxes

Tax regulations applicable to the Colombian companies provide:

- a. Taxable income is subject to 33% rate.
- 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 on the basis of items duly authorized by tax regulations in force.
- c. 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 companies' management and their counsels have not concluded the updating study for 2011; however, based on the satisfactory results of the study conducted for 2010, their opinion is that no significant additional income tax provisions shall be required as a result of the study.
- d. 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.
- e. 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.

ISA

On June 27, 2008, ISA and the State –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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Law 1370 of December 30 of 2009, amended by Law 1430 of 2010, sets equity tax for the year 2011 as follows: Although equity tax would not be applicable to taxpayers covered by the special legal stability regime determined by Law 963 of 2005, DIAN, through opinion 098797 of December 28 of 2010, indicated that this constitutes a new equity tax, and thus it is not under the umbrella of legal stability agreements under which equity tax had stabilized, as ruled by Law 1111 of 2006, in force until the year 2010.

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.

TRANSELCA

On June 8 of 2010, the Tax and Customs Direction –DIAN– issued a Special Requisition for the income tax return for fiscal 2007, where it disavows tax exemption for the dividends received from the company ISA Peru. TRANSELCA submitted a reply to the Special Requisition on September 8 of 2010. On February 25, 2011, DIAN ordered the case to be closed and declared TRANSELCA's arguments as to tax-exempt income and penalty for inaccuracy valid.

INTERNEXA

At December 31, 2011, the company showed fiscal losses to be offset standing at \$44,412 originated between 2003 and 2010, an amount that must be fiscally readjusted, pursuant to fiscal regulation, (3.65% Resolution 11963 of 2011) so reaching \$46,034, of which \$11,797 is offset in 2011, leaving a balance of \$34,237 to be covered in future fiscal years.

According to fiscal regulations in force, losses incurred since 2003 and until 2006, may be fiscally readjusted and offset with ordinary net taxable income, not exceeding yearly 25% of the loss, without affecting presumptive income of the fiscal year. Losses incurred as of 2007, may be fiscally readjusted and offset without any restriction as to percentage and time, with ordinary net taxable income, without affecting presumptive income of the fiscal year. The losses of the corporations cannot be transferred to their shareholders. Fiscal losses from revenues that do not constitute income or incidental income and from costs and deductions not originating taxable income cannot be offset with ordinary net taxable income of the taxpayer, except those originated in the deduction for investment in real productive fixed assets.

Additionally, at December 31 of 2011, the company shows excesses of presumptive over ordinary taxable income of \$19,091, generated between 2006 and 2010. According to fiscal regulation in force, presumptive income excesses over ordinary taxable income can be

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

fiscally readjusted and offset with taxable income during the following five years, with \$1,635 offset in 2011.

Equity tax

Law 1111 of 2006 established the equity tax was 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%.

Law 1370 of December 30 of 2009, amended by Law 1430 of 2010, sets equity tax for the year 2011 as follows:

- a. The equity tax for the year 2011 is 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 at January 1st of 2011 that is equal to or exceeds \$3,000 million. The tax rate is 2.4% for net fiscal equity ranging between \$3,000 and \$5,000, and 4.8% when it exceeds (\$5,000). The tax is to be paid in eight equal installments in the years 2011, 2012, 2013 and 2014, within the terms established by the National Government.
- b. Por intermedio del Decreto 4825 de diciembre de 2010, dictado en ejercicio de las facultades otorgados por el Decreto 4580 de 2010, se declaró la emergencia económica y social y se creó una

sobretasa del 25% del Impuesto al Patrimonio regulado en la Ley 1370 de 2009.

Tax Law Amendment of 2010

Law 1430, enacted on December 29 of 2010, stipulates not only the above mentioned equity tax provisions, but also the following issues of economic relevance for the company:

- a. Special 30% deduction on investment in real productive fixed assets: it was provided that as of fiscal 2011, no tax payer can claim that deduction. Regarding ISA, in compliance with the Legal Stability Contract signed between ISA and the State (Ministry of Mines and Energy) for the activity of energy transmission, application of such deduction shall continue while the contract is in force.
- b. Levy on financial transactions –GMF, for its Spanish initials– (4/1000). Gradual reduction of this tax rate was approved, as follows: for years 2014 and 2015, the rate shall be 2/1000; for years 2016 and 2017, the rate shall be 1/1000, and for 2018 onwards, it shall be 0/1000. New tax-generating facts were established, related to investments whose liquidation is paid to persons other than the initial investor, and related also, to loans not directly disbursed to the debtor. Starting 2013, deductions applicable to this tax will be 50% (today, 25%).
- c. Fiscal discounts on taxes paid abroad: Article 254 of the Tax Law was amended, stipulating that in the case of dividends received

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

from investment in corporations abroad, paid tax is discounted from the earnings of the corporation that pays the dividends, as is payment by the corporations from which this latter receives the dividends, regardless of jurisdiction.

Additionally, application of this discount is allowed either in the fiscal year when dividends are received, or in the next four years.

COMPANIES IN BRAZIL

Income tax and social contribution

Income tax and social contribution are determined according to binding fiscal legislation on the basis of net taxable income, adjusted by including non-deductible expenses and excluding non-taxable revenues, and other temporary items.

Income tax and social contribution for current fiscal year and deferred are calculated on the basis of a 15% rate increased by an additional 10% of taxable income whenever this latter exceeds BRL240,000 for income tax, and 9% on taxable income for social contribution. Fiscal losses offsetting is allowed limited to 30% of fiscal period's taxable income.

Deferred tax (assets and liabilities) is determined on the rates applicable to the period when liabilities are expected to be paid or assets are realized, on the basis of the rates set by the fiscal regulation in force at closing of each fiscal term.

Given that for accounting purposes Brazil has already incorporated the International Financial Reporting Standards –IFRS–, a Transition Fiscal Regime –RTT, for its Spanish initials–, was set for fiscal purposes, and all companies of Brazil determined their income taxes and social contribution refining their results according to the provisions of this regime.

COMPANY IN BOLIVIA

Tax on companies' income:

According to legislation in force, the company is subject to the Tax on Corporate Income, –IUE, for its Spanish initials– at 25% rate of each fiscal year's taxable income, calculated by adjusting accounting income according to the criteria defined in fiscal provisions. This tax, which is calculated and paid for yearly, is offset by the Tax on Transactions –IT, for its Spanish initials– generated in the following fiscal period, until its exhaustion or until the next IUE due date.

Tax on companies' income: Foreign beneficiaries

Whoever pays, credits, or remits funds from revenues originating in Bolivia to payees abroad must withhold and pay the Tax on Corporate Income–Payees abroad, a 12.5% rate on total amount credited, paid, or remitted.

Distribution of corporate income or payment of interest in favor of its shareholders or related parties overseas is subject to this tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANIES IN PERU

Income tax

According to Peru's fiscal regulation in force as of December 31 of 2011 and 2010, income tax rate is 30% on taxable income.

Legal persons non-domiciled in Peru and individuals must pay an additional 4.1% tax on dividends received.

In determining Income Tax and General Sales Tax, transfer prices of transactions with related companies and with companies domiciled in regions with low or no taxation must be supported by documents and information on the valuing methods used and the criteria taken into account for their determination.

REP

On July 26 of 2002, the company subscribed with the Peruvian State a Legal Stability Agreement under Decrees 662 and 757 and Law 27342. The agreement enters into force on the date of the concession contract and is effective during the concession term. This agreement is related to the investment the company's shareholders must make through capital contributions in the amount of USD20,000,000, which had been completed at December 31, 2002. While this agreement is in force, the Peruvian State is committed to guaranteeing legal stability for the Company in matters of income tax regime and the rules in force at the time of subscription of the agreement are preserved. According to this agreement, income tax rate is 27%.

CONSORCIO TRANSMANTARO

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 offers investors and the investment recipient stability in the tax regime related to income tax, and stability in the contracting regime of the company's employees.

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.

ISA PERÚ

On March 29, 2001, the company subscribed a Legal Stability Agreement with the Peruvian Government under Decrees 662 and 757 and Law 27342. The agreement enters into force on the date of the concession contract and is effective during the concession term. While this agreement is in force, the Peruvian State is committed to guaranteeing legal stability for the Company in matters of income tax regime and the rules in force at the time of subscription of the agreement are preserved.

According to this agreement, income tax rate is 2% plus an additional 2%.

INTERNEXA PERÚ

On December 10, 2007, the company subscribed a legal stability agreement with the Peruvian Government to be in force during ten years. This

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

agreement is related to the investment the company's shareholders must make through capital contributions in the amount of USD5,000,000, which had been completed at 31 December, 2008. The agreement offers investors and the investment recipient stability in the tax regime related to income tax, and stability in the contracting regime of the company's employees.

COMPANIES IN CHILE

Income tax

Income tax for stock companies, limited liability companies incorporated in Chile, and those agents in Chile of foreign corporations are subject to a two-tier levy:

Firstly, income earned at the company's level is taxed with First Category Tax at a 17% rate (First Category tax shall be applied with a rate of up to 20% for the year 2011, 18.5% for 2012 and, starting in 2013, it shall again be 17%, Law 20455 of 2010).

Then, at the moment to withdraw, distribute or remit abroad the income generated by the company, it is taxed at the level of the shareholders through supplementary global or additional tax, depending on whether they are individuals residing in Chile, or taxpayers, individuals or entities not residing or domiciled in Chile, in those cases when the income is made available from Chile to the person residing abroad.

If the partners or shareholders of the entity distributing income are legal entities or individuals not residing or domiciled in Chile, an additional 35% tax rate is applicable.

The First Category Tax paid by the company is discounted as credit, in accordance with the mechanism set for establishment of the Fund of Taxable Incomes –FUT, for its Spanish initials–, from the global supplementary or additional tax affecting the owners, partners or shareholders of the companies or corporations for the withdrawn incomes (either in cash or in kind) or for the dividends distributed.

The FUT must be kept by all companies for control, withdrawal or distribution of the income they generate, as well as the income pending withdrawal or distribution, and also for control of respective credits related to such income.

The Fund of Taxable Income –FUT–

In general terms, FUT is a chronological record whose goal is to control income generated and withheld by the companies (First taxing tier) whose taxing is pending at the level of persons (Second taxing tier global supplementary or additional tax) and the category taxes that affected that income, and to affect with Personal taxes on the basis of withdrawal or distribution of income.

FUT goals and mechanics will vary depending on the company type; for example:

The goal of FUT in the case of a personal company is to determine the amount up to which withdrawals shall be taxed and to control income and related credits, because withdrawals are only taxed up to the balance of the FUT record, and excess withdrawals shall remain pending until the company generates or receives new taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For stock companies, the goal of FUT is only to control income and related credits, given that distributed dividends are taxed independently from the balance of FUT.

Expenditure from tax on earnings is made up of current taxes and deferred taxes.

Deferred taxes are recognized according to temporary differences between book value of assets and liabilities for the purpose of financial reports and the amounts used for taxing purposes. Assets and liabilities for deferred taxes are offset if an enforceable legal right exists to offset assets and liabilities for current taxes, and they are related to taxes on earnings applied by the same fiscal authority on the same taxable entity.

NOTE 17: OTHER LIABILITIES

Balance of other liabilities at December 31:

		2011	2010
OTHER SHORT-TERM LIABILITIES			
Collections for third parties	(1)	241,211	202,706
Deferred credits	(2)	1,591,167	1,632,788
Deferred revenues	(3)	72,602	38,728
Other		3,500	13,395

		2011	2010
TOTAL OTHER SHORT-TERM LIABILITIES			
		1,908,480	1,887,617
OTHER LONG-TERM LIABILITIES			
Deferred taxes	(4)	1,577,978	1,271,348
Deferred revenues	(3)	234,585	187,083
Other		16,674	37,526
TOTAL OTHER LONG-TERM LIABILITIES			
		1,829,237	1,495,957

- (1) Includes mainly in XM, \$177,853 (2010: \$142,761) for collections in favor of energy market agents, and in CTEEP, \$61,964 (2010: \$59,558) for regulatory trust.
- (2) Corresponds to deferred loans from the Ministry of Public Works –MOP– of Chile of INTERVIAL CHILE S. A.'s concessionaires for operation of road infrastructure
- (3) Includes: \$55,442 (2010: \$16,811) from INTERNEXA Perú for advance payment received for usufruct contracts signed with Telefónica, and \$162,330 (2010: \$120,366) from ISA for deferred revenues from the National Transmission System -STN- for assets of UPME bids and infrastructure rights of use for \$21,897 (2010: \$22,819).
- (4) Variation corresponds mainly to INTERVIAL CHILE S. A. and its concessionaires for \$250,527, represented in financial assets, and to ISA for \$47,271, from excess of exchange difference of investments abroad.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: SHAREHOLDERS' EQUITY

SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital of ISA (parent company) at December 31 was distributed as follows:

2011			
SHAREHOLDER	NUMBER OF SHARES	VALUE	% PARTICIPATION (1)
STATE INVESTORS			
Ministerio de Hacienda y Crédito Público	569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P. –EPM–	112,605,547	3,693	10.166
Subtotal	682,078,108	22,372	61.577
PUBLIC AND PRIVATE CAPITAL INVESTORS			
Empresa Colombiana de Petróleos -ECOPETROL-	58,925,480	1,933	5.320
Empresa de Energía de Bogotá -EEB-	18,448,050	605	1.665
Subtotal	77,373,530	2,538	6.985
SUBTOTAL	759,451,638	24,910	68.562
PRIVATE CAPITAL INVESTORS			
Fondo de Pensiones Obligatorias Porvenir Moderado	51,999,357	1,706	4.694
Fondo de Pensiones Obligatorias Protección Moderado	40,857,785	1,340	3.689

SHAREHOLDER	NUMBER OF SHARES	VALUE	% PARTICIPATION (1)
Fondo de Pensiones Horizonte	28,906,788	948	2.610
Fondo de Pensiones Obligatorias Colfondos	24,455,920	802	2.208
ING Fondo de Pensiones	19,488,028	639	1.759
Fondo de Pensiones Obligatorias Skandia S.A.	9,167,248	301	0.828
Fondo Bursatil ISHARES COLCAP	8,100,785	266	0.731
Abu Dhabi Investment Authority	3,510,649	115	0.317
Fondo de Pensiones Protección - Diversificado	2,396,262	79	0.216
Blackrock Institutional Trust Company N.A.	2,385,556	78	0.215
Other shareholders	156,957,878	5,148	14.170
Subtotal	348,226,256	11,422	31.438
TOTAL OUTSTANDING SUBSCRIBED CAPITAL	1,107,677,894	36,332	100.000
Repurchased shares (2)	17,820,122	584	
TOTAL SUBSCRIBED AND PAID-IN CAPITAL	1,125,498,016	36,916	

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2010			
SHAREHOLDER	NUMBER OF SHARES	VALUE	% PARTICIPATION (1)
STATE INVESTORS			
Ministerio de Hacienda y Crédito Público	569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P. –EPM–	112,605,547	3,693	10.166
Subtotal	682,078,108	22,372	61.577
PUBLIC AND PRIVATE CAPITAL INVESTORS			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.320
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.665
Empresa de Energía del Pacífico –EPSA–	203,477	7	0.018
Subtotal	77,577,007	2,545	7.004
SUBTOTAL	759,655,115	24,917	68.581
PRIVATE CAPITAL INVESTORS			
Fondo de Pensiones Obligatorias Porvenir Moderado	52,708,743	1,729	4.758
Fondo de Pensiones Obligatorias Protección Moderado	46,844,076	1,536	4.229
Fondo de Pensiones Horizonte	34,217,343	1,122	3.089
Fondo de Pensiones Obligatorias Colfondos	28,116,687	922	2.538
ING Fondo de Pensiones	19,648,431	644	1.774

Fondo de Pensiones Obligatorias Skandia S.A.	10,108,774	332	0.913
Abu Dhabi Investment Authority	3,569,406	117	0.322
Fondo de Pensiones Protección-Diversificado	2,340,580	77	0.211
Blackrock Institutional Trust Company N.A.	1,932,582	63	0.174
Fondo de Cesantías Porvenir	1,669,417	55	0.151
Other shareholders	146,866,740	4,818	13.259
Subtotal	348,022,779	11,415	31.419
TOTAL OUTSTANDING SUBSCRIBED CAPITAL	1,107,677,894	36,332	100.000
Repurchased shares (2)	17,820,122	584	
TOTAL SUBSCRIBED AND PAID-IN CAPITAL	1,125,498,016	36,916	

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(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

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

Includes special reserve for the repurchase of shares held by EPM for \$38,100.

Reserve for reinforcement of equity

In compliance with Article 47 of the Bylaws, the Shareholders' Meeting approved an occasional reserve, so that the Company could retain its solid financial position and maintain the financial ratios required by the rating agencies, in order to obtain the investment degree and comply with contractual commitments to financial entities.

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 for a total amount of \$37,435.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. For 2011 the account decreased by \$156,200 to take into account 100% accrual of such tax.

SURPLUS FROM EQUITY METHOD

Contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method.

NOTE 19: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

	2011	2010
DEBIT		
Fiscal-over-accounting excess	484,028	472,926
Other contingent rights	89,436	98,898
Other debit control accounts (1)	403,296	428,978
Effect application of Resolution N° 364/2000 (2)	3,100,662	3,289,463
TOTAL DEBIT MEMORANDUM ACCOUNTS	4,077,422	4,290,265
CREDIT		
Claims and lawsuits (See Note 19.1) (3)	112,931	69,963
Guarantees granted (4)	396,313	1,019,606
Fiscal	272,222	294,326
Other credit control accounts (5)	1,728,814	1,606,655
TOTAL CREDIT MEMORANDUM ACCOUNTS	2,510,280	2,990,550

- (1) Includes, mainly, collections for third parties by XM, in compliance with Decree 848 of March 28, 2005, date when it assumed the duties of Administrator of the Commercial Settlement System –ASIC–. As of December 31, 2011, totals were \$382,809 (2010: 407,644).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) It represents differences with accounting, resulting from application of inflation adjustment system for tax effects.

(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 stability of ISA's companies. The companies' management and their legal counsels consider remote any loss as a result of such claims and lawsuits.

Likewise, ISA'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).

Variation, caused mainly by ISA, represents eventual-and-remote-occurrence processes and includes: a) 14 administrative processes for \$27,276 (2010: 59,275), of which 8 are classified as eventual, and amount to \$4,303 while 6 are classified as remote and amount to \$22,973; b) 16 civil processes for \$25,622, including 15 processes classified as eventual, for \$25,604 and one as remote for \$18, c) 45 labor processes for \$789, including 30 processes classified as eventual, amounting to \$733 and 15 as remote for \$56, and fiscal processes for \$2,386 (2010: \$2,376) in each one of the years (See Note 19.1)

(4) See Note 19.2.

(5) Includes mainly 147 administrative processes (third party administration), with the possibility of eventual and/or remote occurrence, amounting to \$1,161,545 (2010: \$1,051,944), of which 3 processes were classified as eventual, for \$12,406, while the remaining 144 processes were classified as remote, for \$1,149,139. (See Note 19.1).

19.1 CLAIMS AND LAWSUITS

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 main judicial processes which the Company is a party to, their amounts expressed in millions:

- a. At December 31, 2011, ISA has filed administrative claims against: Electrificadora del Atlántico for default interest on accounts for the use of STN and Energy Pool, for \$12,962.
- 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 USD 1,936,618 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 Appellate Court, first Section. ISA has sued the Superintendency of Public Utilities for \$1,425 in relation to the administrative acts that prevented ISA -ASIC- from

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

exercising its rights to limit power supplies and the collection of billings to Empresas Públicas de Caucasia.

- d. Cundinamarca Administrative Appellate Court, first Section. ISA has sued the Energy and Gas Regulatory Commission for \$1,289 in relation to CREG acts approving assets base and ISA remuneration in the STN that did not include Betania Substation.
- e. Administrative Supreme Court. ISA has sued the Energy and Gas Regulatory Commission requesting nullity and redress of resolutions that establish limitations upon ISA's participation in the national transmission activity.
- f. Antioquia Administrative Appellate Court. ISA has filed a nullity and redress lawsuit against the tax authorities (Dirección de Impuestos y Aduanas Nacionales –DIAN, for its Spanish initials–), for \$4,780, related to default interest in favor of ISA, resulting from the non-timely reimbursement of excess income tax paid in 1995.
- g. Antioquia Administrative Appellate Court. ISA challenged Resolution 1233 of 2001, by which the Municipality of San Carlos requested payment of taxes for public space occupation for \$1,839 for the year 2000.
- h. Antioquia Administrative Appellate Court. Termocandelaria has filed a nullity and redress lawsuit against ISA, the Nation, the Ministry

of Mines and Energy, and CREG, in the amount of \$28,379 regarding CREG Resolutions 034, 038 and 094 of 2001.

- i. Antioquia Administrative Appellate Court. 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 \$108,242 and USD43.5 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- j. Antioquia Administrative Appellate Court. 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 \$306,689 and USD 115 million regarding application of CREG Resolutions 077 and 111 of 2000.
- k. Antioquia Administrative Appellate Court. 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 \$207,149 and USD 107 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- l. Ninth Circuit Civil Court, Barranquilla. Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim against ISA and others for \$4,000 for the accident of a family member during the performance of a contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- m. Cundinamarca Administrative Appellate Court, first Section. ISA has sued the Superintendency of Public Utilities for \$923 in relation to Resolutions 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.
- n. State Civil Appellate Court, Fifth Delegated Prosecutor's Office. ISA has filed a request to be accepted as civil claimant in the criminal case against Orlando Antonio Salas Villa, corresponding to amount payable for easement.
- o. Mixed Court of Pivijay, Magdalena. Ganadería Caballero Pérez and Luis Fernando Zambrano C. have filed enforcement proceedings against ISA for payment of \$13,957 for easements; proceedings have been suspended by the Constitutional Court.
- p. Cundinamarca Administrative Appellate Court. Consorcio SOT filed contractual liability claim against ISA for \$898.
- q. Antioquia Administrative Appellate Court. Fiduciaria La Previsora has filed a tort claim against ISA and XM for \$911 for alleged incorrectly charged interest.
- r. Cundinamarca Administrative Appellate Court. Ms. Gloria Amparo Valencia filed claim for \$400 against ISA, CODENSA, the Ministry of Mines and Energy, the State and the SSPD , for \$283.

- s. Third Administrative Court of Valledupar. Mr. Lino Rojas Estrada filed group action against ISA for damages caused to people near the transmission lines; damages claimed total \$12,400.

As of December 31, 2011, there are other labor, civil and administrative claims pending decision for \$789, \$2,727 and \$9,263, respectively, which are related to the normal course of operations of ISA.

The Company's management and its legal counsels consider remote the possibility of material loss as a result of such claims.

CTEEP**ELETROBRÁS**

In 1989, Centrales Eléctricas Brasileñas S.A. –ELETROBRÁS– 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 ELETROBRÁS.

Along the process, on December 04, 2006, Eletropaulo filed clarification request which was rejected according to agreement published on April 16, 2007; it also filed special and extraordinary remedies that upheld decision by the Superior Court entered on October 30, 2008.

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From such decisions, it can be inferred that the defenses of prior execution filed by Eletropaulo are not acceptable, and that the enforcement proceeding filed by ELETROBRÁS will continue as initially filed. In order to make viable the postponement of taking of evidence aimed at clarifying the liability alleged in the partial spin-off protocol, CTEEP filed for a declaratory action for the benefit of both parties in connection with the enforcement proceedings.

Based on the legal documents supporting the partial assignment 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, and that the company must carry on with the legal process. Additionally, the company did not establish any provision for the contingency, which it understands is Eletropaulo's liability, and as such is being demanded by ELECTROBRÁS.

Supplementary retirement plan ruled by Law 4819/58.

On July 19, 2005, CTEEP, as required by Instruction CVM 358/02, clarified issues regarding supplementary pension plan ruled by Province Law 4819/58.

Such plan applies to employees hired until May 13, 1974. The funds necessary to pay the liens assumed under that plan are the responsibility of the competent bodies of the government of São Paulo State, and their implementation took place according to the agreement signed on December 10, 1999 between the Finance Secretary of the State of São Paulo and the company, in force until December 31, 2003. Such procedure was carried out regularly until December 2003 by Fundación

CESP, with funds of the State Finance Secretary, transferred through CTEEP. As of January of 2004, the State Revenue Department started processing those payments directly, without the intervention of either CTEEP or Fundación CESP.

Considering the mentioned São Paulo decision and the decision of the Superior Court, CTEEP submitted to Fundación CESP, along the September 2005 - September 2010 period, the sum of BRL1,453,292 as payment of Province Law 4819/58 benefits, receiving from the State Revenue Department the sum of BRL973,260 for such purpose. There is an administrative requisition regarding the BRL480,032 difference between the sum submitted to Fundación CESP and reimbursed by the State Revenue Department is being contested by the company. (See Note 7 - Accounts Receivable).

On the other hand, CTEEP received from the State Attorney General –PGE, for its Spanish initials–, a copy of the pronouncement of that entity dated October 6 of 2005, regarding consultation by the State Revenue Department as to the scope of the referred decisions. The pronouncement concludes that “in the current scenario, the Revenue Secretary Office must reimburse the totality of the sum spent by CTEEP to comply with the judicial decision contained in ongoing labor claim N° 1145/2005-6 filed with Labor office 49 of the Capital City”.

In January of 2009, given the decision of the labor office, 583 pensioners were transferred for direct payment by the State Revenue Department, resulting in lower cash expenditures by the company, at BRL1.9 million/month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the above, CTEEP reiterates that it is intent on obtaining annulment of the decision of the labor office, so as to allow return to proceedings of direct payment of the benefits of Provincial Law 4819/58 by the State Revenue Department. CTEEP's legal counsel office and advisors also reiterate that expenses generated by Law 4819/58 and its respective regulation are the integral responsibility of the São Paulo State Revenue Department, and it goes on adopting additional measures to safeguard the company's interests. Consequently, the company records these observations as accounts receivable from the State Revenue Departments (See Note 7 Accounts Receivable).

Labor

The company assumed before different courts responsibility for certain legal processes derived mainly from the spin-off process between CESP and EPTE. The company carried out court deposits for a total BRL52,867 (BRL27,914 at December 31,2010).

Instituto Nacional del Seguro Social - INSS (Social Security National Institute)

On august 10, 2001, the company was served notice from the INSS of default on collecting contributions from the salaries paid to the associates as vouchers for food and transport, basic staples, and snacks corresponding to the period between April 1999 and July 2001. The decision of January 2010 in the food and snacks vouchers process was unfavorable for the company for the amount of BRL5,498. Pronouncement is still pending regarding contributions from salaries for

transport and basic staples vouchers.

ANEEL

The company was served notice by ANEEL of imposed fine for BRL1,981, for non compliance with the installation date of kV 345/88 transformers, authorized by ANEEL Resolution 197 of May 4, 2004, and £ 886 fine authorized by authorization Resolution N° 064/2005 of January 31, 2005 for non compliance with the date set for commissioning of the Guarulhos – Anhanguera transmission line, for a total BRL2,867.

Additionally, the company has provisions for likely infractions of ANEEL 001/1999-SFE, regarding interruption of power transmission and distribution in large areas of the South-Southeast and mid-West.

TRANSELCA

As of December 31, 2011, the following lawsuits and claims had been filed against the company:

TYPE OF PROCESS:	NUMBER OF CLAIMS	CLAIM
Civil	2	280
Replevying Actions	9	1,788
Abbreviated	8	546
Labor	25	3,900
Administrative	24	50,635

The Management and its legal counsels provisioned as contingent liability those processes with high probability of judgment unfavorable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

to TRANSELCA.

On September 2 of 2007, TRANSELCA filed a claim against DIAN with the Appellate Administrative Court 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 court on February 5, 2008. TRANSELCA presented final pleadings on September 15, 2008. On the date of this report, this claim was in the court pending judgment.

Regarding the action with the Administrative Appellate Court of Atlántico, 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 in such income tax return, which is the subject of discussion therein.

XM

Reliability charges

Claims filed against XM S.A. E.S.P., as the Administrator of the Commercial Settlement System –ASIC–, regarding CREG Resolutions 077 and 111 of 2000 related to capacity charge. These claims arise from a change in CREG's methodology for its calculation, which the plaintiff companies claim is detrimental to their interests. In such capacity and, given that XM S.A. E.S.P. acts as the agent of third parties, its own equity would not be at stake in said processes. According to legal and technical analysis, XM S.A. E.S.P. has enough grounds to consider that it will be released in these processes, since, as Administrator of the Commercial

Settlement System, it must apply CREG regulations, duties from which it cannot be released. Invoices billed and resolutions issued by XM S.A. E.S.P. 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, XM S.A. E.S.P. 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, a situation that would be under the provisions of CREG Resolution 084 of 2007. The details of such claims are:

1. Administrative Appellate Court of Antioquia. Emgesa S.A. E.S.P., has filed nullity and redress lawsuits against XM S.A. E.S.P., the State, the Ministry of Mines and Energy, and CREG, in the amount of \$142,196.
2. Administrative Appellate Court of Antioquia. Central Hidroeléctrica de Betania S.A. E.S.P., has filed nullity and redress lawsuits against XM S.A. E.S.P., the State –Ministry of Mines and Energy–, and CREG, in the amount of \$47,920.
3. Administrative Appellate Court of Antioquia. AES Chivor Cía. S.C.A. E.S.P. has filed nullity and redress lawsuits against XM S.A. E.S.P., the State –the Ministry of Mines and Energy– and CREG, in the amount of \$56,508.

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4. Administrative Court of Antioquia. Fiduciaria La Previsora has filed nullity and redress lawsuits against XM S.A. E.S.P., the State –Ministry of Mines and Energy– and CREG, in the amount of \$4,057.

Guachené Municipality

Notice was received of an administrative act issued by the Municipality of Guachené, imposing a penalty to XM for the amount of \$377, for failing to deliver information. A nullity and redress suit was filed by XM against the administrative proceedings that imposed the penalty.

Advancement to date

- Through Resolution N° 047 of August 2 of 2011 issued by the Municipal Treasurer of Guachené Municipality, a penalty was imposed to XM for failing to deliver information.
- XM asked for reconsideration of the mentioned resolution and submitted Bank Guarantee No. 07003035100026044 issued in favor of the Municipality of Guachené by BANCO DAVIVIENDA S.A. to guarantee eventual payment of the penalty. The purpose of the guarantee is to avoid attachment of bank accounts held by XM, pursuant to the provisions of Article 837-1 of the Tax Law, supplemented by Law 1066 of 2006, article 9.
- On December 19 of 2011, XM was served notice of Resolution No. 058 of December 9 of 2011, ratifying penalty against it for the amount of \$377, and announcing commencement of coercive

proceedings to collect the amount due.

- On January 6 of 2012, XM is served notice of order to pay in the coercive proceeding ordering payment of \$377, as well as acceptance of the bank guarantee submitted by XM warranting penalty payment, reason why the Municipality does not order attachment.
- The coercive proceeding is a scenario with high collection effectiveness, given that the Municipality is both judge and plaintiff, and thus, it is in the capacity to execute the bank guarantee granted by XM
- On January 13, 2012, XM filed nullity and redress suit against resolutions No. 047 of August 2, 2011 and 058 of December 9, 2011, issued by the Treasurer of Guachené Municipality, imposing a penalty on XM for failing to deliver information. A lawyer with ample experience in administrative law was retained to conduct the process before Cauca Administrative Appellate Court, which has jurisdiction.

Reply from the company or its intentions with respect to its reply.

- XM is preparing the defenses against the order to pay issued in the coercive proceeding. Defenses shall be submitted within 15 business days following service of notice, which took place on January 6, 2012.
- Appeal of the resolution that decides on the defenses is also being

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

prepared, in case the defenses are rejected.

Assessment of the likelihood of a favorable or unfavorable result: possible (highest likelihood of occurrence), probable (lower likelihood of occurrence) and remote (remote likelihood of occurrence).

- The Nullity and Redress suit was filed with Cauca Appellate Administrative Court on January 13 of 2012, seeking that its filing and eventual prompt admission can prevent execution of the bank guarantee against XM.

As to the nullity and redress suit, the assessment of the likelihood of favorable outcome for XM is rated possible (highest likelihood of occurrence).

CONSORCIO TRANSMANTARO

In May of 2004, the company submitted to arbitration two disputes with the Peruvian State regarding the BOOT contract of the Mantaro – Socabaya Concession. The final arbitration award of December 7, 2004, contains among others the following conclusions:

- It accepted the company's position that the BOOT contract does not empower the Peruvian State to apply a discount rate on the monthly remuneration perceived by the company.
- It accepted the company's position regarding the amount that must be restored by the Peruvian State, setting it at USD7,145,626, which

includes interest accrued as of March 1st of 2005.

On May 20 of 2005, addendum N° 5 was subscribed with the Peruvian State, agreeing with the company's position regarding the amount to be restored by the Peruvian State; a 26-year payment schedule was set, where payments shall be included in the monthly invoice, at a 12% annual interest rate.

In January 2011, the company received an objection from the Fiscal Authority regarding the income tax for fiscal 2008 plus interests for S/.5,048,912. The objection refers to the carrying and offsetting procedure for fiscal losses of previous years. The company appealed in February 2011. In September of 2011, the National Superintendency of Fiscal Administration –SUNAT, for its Spanish initials– declared the claim filed groundless. In October 2011 the company filed an appeal with the Fiscal Tribunal, and to date, the Tribunal's final decision is still pending.

It is the opinion of the management and its legal counsels that the Company's arguments are strong enough to support its position, therefore they expect favorable results regarding the matter explained in the previous paragraph; accordingly, no provision for this process had been recorded at December 31 of 2011.

ISA BOLIVIA

National Tax Services

The corporation shows fiscal credits of around BLR3,447,267, corresponding to Sales Tax Fiscal Credit for import policies and purchase

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invoices, not included in the monthly affidavits of that tax because they were received after the filing of those forms. On March 6 2006 the company submitted request to the National Tax Service for the corresponding rectifications. All the documents required by the Fiscal Authority had been submitted at December 31, 2006.

On April 14 2010, the National Tax Services issued Administrative Resolution No. 23-00279-10 rejecting the Sales Tax rectification request for the period June/2004 to March/2005 arguing that the Sales Tax, and purchase books and the affidavits for the rectified periods had not been submitted. The corporation appealed before the Regional Appellate Tax Authority of Santa Cruz such administrative decision; on November 5, the entity issued the Resolution deciding on the Appeal No. ARIT-SCZ/RA 0154/2010, confirming Administrative Resolution No. 23-000279-10 of April 14 2010 issued by the Santa Cruz Management of Large Taxpayers of the National Tax Services.

In that situation, the company submitted an appeal challenging Resolution ARIT-SCZ/RA 0154/2010 before the General Appellate Tax Authority, whose pronouncement AGIT-RJ 0052/2011 of January 24 2011, provides for annulment of Resolution ARIT-SCZ/RA 0154/2010, of November 5, 2010, issued by the Santa Cruz Regional Appellate Tax Authority, retroactively including Administrative Resolution No 23-00279-10, of April 14, 2010, so that the Fiscal Administration will issue a new administrative act exposing the evaluation of the evidence

submitted by Interconexión Eléctrica ISA Bolivia S.A.

The National Tax Service filed the administrative claim with the Supreme Court of Justice against the General Appellate Tax Authority; once it was accepted, the General Appellate Tax Authority was summoned, and both sides have submitted their arguments. Since November 15, 2011, the process has been awaiting decision.

According to the opinion of the corporation's management and legal counsels, the legal foundation of the case allows existence of certainty as to favorable outcome.

RUTA DE LA ARAUCANÍA

Puente Malleco arbitration process: The concessionaire is claiming payment by MOP of rehabilitation works in Puente Malleco in the amount of UF113,907. The arbitration discovery stage has elapsed. Pending summon by the court to enter judgment.

RUTA DEL MAULE (ANTES TALCA CHILLÁN)

- a. Arbitration Proceeding before the Arbitration Commission of the Ruta 5, Tramo Talca - Chillán Concession Contract: The concessionaire sues the Fiscal Authority-Ministry of Public Works for payment of the amount of UF47,158.15, for expenses and costs incurred in repair of diverse bridges existing before the concession, as well as higher costs in execution of extraordinary works ordered by the Ministry. No arrangement was reached between the parties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in the previous conciliation stage to avoid a trial. The arbitration discovery stage has elapsed. The experts' evidence stage requested by the Concessionaire is currently underway.

- b. Suit denominated "Ingeniería y Construcción A y V Ltda. with Talca-Chillán Sociedad Concesionaria S.A." (currently Ruta del Maule Sociedad Concesionaria S.A), No. 102-2011, of the Letras de Parral court, for alleged breach of contract. The amount of the suit is CLP512,727,697.

19.2 GUARANTEES IN FORCE

ISA

At 2011 year's end the following guarantees and commitments were in force:

Leasing payment liability; infrastructure leasing granted in 2004 by Leasing de Crédito to Flycom Comunicaciones S.A. E.S.P., and subsequently transferred in 2007 by this latter company to INTERNEXA S.A. The balance as of December of 2011 is \$208.9 and it is in force until June 30, 2017.

Performance bank guarantee for liabilities incurred in awarding of UPME 02-2008 El Bosque Project public bid, in force until July 30, 2012. Guarantee amounts to USD3 million.

Performance bank guarantee for liabilities incurred by ISA in awarding of UPME 04-2009 Sogamoso Project public bid, in force until May 23,

2012. Guarantee amounts to \$30,000.

Standby letter of credit to guarantee semi-annual debt service of loans granted by IBD and CAF to ISA Bolivia for execution of transmission licenses. Guaranteed balance is USD2 million maturing on July 07, 2012.

Pledge by ISA of shares in Red de Energía de Perú –REP– and ISA Perú equivalent to 30% of its participation. For ISA Bolivia, a power in favor of lender banks and preferential creditors was granted to guarantee payment of loans. The term equals that of the loans. At December of 2011, the debt balance for ISA Bolivia was USD 18.4 million, for ISA Perú USD2.4 million, and for REP USD51.4 million.

Joint and several guarantee signed in favor of Banco Centroamericano de Integración Económica –BCIE– to guarantee loan agreement for USD 40 million granted on June 29 of 2007 to Empresa Propietaria de la Red de Costa Rica related to SIEPAC project financing; balance stands at USD35.9 million and maturity is estimated for June 29 of 2027.

TRANSELCA

Pledge to lender banks of 100% value of current and future shares in subordinate companies Red de Energía de Perú, ISA Perú and ISA Bolivia S.A. The term of the pledge equals that of the loans. Operations were approved by the Shareholders' Meeting and companies' Board of Directors, and they needed the favorable opinion of the National Planning Department –DNP–, plus authorization resolution from the Ministry of Finance and Public Credit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

According to the commitments acquired with financiers of the corporation ISA Bolivia, IDB and CAF, TRANSELCA S. A. E.S.P., and Interconexión Eléctrica S.A., in their capacity as shareholders, delivered a standby letter of credit to secure debt service for the period July 14, 2011 to July 8, 2012 for the amount of USD1,921,634.

INTERNEXA

At closing of 2011, the balance of guarantees and compromises granted by INTERNEXA S.A. to its subsidiaries abroad is as follows:

- Stand-by letters of credit for a total UF24,012.50 to guarantee a loan from Banco BBVA Chile bank to INTERNEXA Chile for a total amount equivalent to USD1,187,500. The guarantees have been granted in accordance with loan disbursement flow, and correspond to 125% of disbursement, with maturity March 2015.
- Stand-by letter of credit for USD2,973,130.15 with BBVA Colombia, to guarantee the surety bond issued by BBVA Continental del Perú in favor of Telefónica del Perú, in relation to the advanced payment received for the INTERNEXA Perú Sur project, maturing July 28, 2012.
- Stand-by letter of credit for USD3,626,050.35 with HSBC Panamá, to guarantee the surety bond issued in favor of Telefónica del Perú, in relation to the advanced payment received for the INTERNEXA Perú Sur project, maturing December 16, 2012.

- Joint and several guarantee to cover the obligations of INTERNEXA Chile S.A. with Banco de Crédito e Inversiones de Chile in 2010 for the sum of USD10,000,000. Guarantee balance is USD10,000,000, maturing in November 2016.
- Support as joint and several co-debtor in favor of Helm Bank Panamá for a USD4,700,000 loan granted to INTERNEXA Perú S.A.; guarantee balance stands at USD4,700,000 with maturity estimated date August 2016.

CONSORCIO TRANSMANTARO

At December 31, 2011, the Company has surety bonds and promissory notes with local financial institutions for USD71,000,000 and USD10,000,000, respectively (2010: USD72,100,000 and USD0, respectively) related to compliance with conditions in contracts with third parties.

REP

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

As part of the obligations on the Company arising from issue of the first program of corporate bonds, the following financial ratios must be maintained (indicated in parenthesis is the ratio calculated by the Company at December 31 2011 and 2010):

- (i) Debt ratio lower than 1.5 x (1.37 and 1.17 as on December 31, 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and 2010, respectively).

(ii) Minimum net equity of USD 90,000,000 at all times (USD224,598,039 and USD203,328,248 as on December 31, 2011 and 2010, respectively).

(iii) Debt service coverage ratio higher than 1.3 at all times. (1.91 and 2.09 as on December 31, 2011 and 2010, respectively).

(iv) Interest coverage ratio higher than 3.5 x (5.88 and 8.49 as on December 31, 2011 and 2010, respectively).

As part of the obligations on the Company arising from issue of the second program of corporate bonds, the following financial ratios must be maintained (indicated in parenthesis is the ratio calculated by the Company at December 31 2011):

(i) Debt ratio lower than 1.5 x (1.37 and 1.17 as on December 31, 2011 and 2010, respectively).

(ii) Debt service coverage ratio higher than 1.3 x (1.91 and 2.09 as on December 31, 2011 and 2010, respectively).

(iii) Interest coverage ratio higher than 3.5 x starting in 2010 (5.88 and 8.49 as on December 31, 2011 and 2010, respectively).

Loan from Banco de Crédito del Perú

On February 15, 2006, the company subscribed a USD34,000,000 loan agreement with Banco de Crédito del Perú S. A. This loan was earmarked to pay off syndicated loan hired in previous years.

Loan term is 129 months, including 9 months of grace for payment of principal. Such loan accrues interest at an annual rate of Libor + 2.275%.

For this loan, the company has granted the following guarantees:

(i) First mortgage on the transmission system concession right and assets received under concession in the amount of USD 250,247,857.

(ii) Pledge on the shares owned by the company's shareholders: Interconexión Eléctrica S.A. E.S.P., TRANSELCA S.A. E.S.P. and Empresa de Energía de Bogotá S.A. E.S.P.

As commitment related to the loan received, the company has to keep the following financial ratios in the financial statements (amounts in parenthesis are the ratios calculated by the company as on December 31, 2011):

(i) Debt ratio lower than 1.50 x (1.37 and 1.17 as on December 31, 2011 and 2010, respectively).

(ii) Interest coverage ratio higher than 2.80 x (5.88 and 8.49 as on December 31, 2011 and 2010, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(iii) Debt service coverage ratio higher than 1.3 x at all times (1.91 and 2.09 as on December 31, 2011 and 2010, respectively).

BBVA Banco Continental Promissory Notes

The Company subscribed two short-term promissory notes with BBVA Banco Continental for USD15,000,000 and USD17,000,000 on November 21 and December 5, 2011, respectively, to finance its expansion projects. Terms are 6 and 5 months respectively, and they accrue interest at an effective annual rate of 3.4%.

Restrictive clauses

Corporate bonds and some financing received by the company have restrictive clauses that require compliance with the financial ratios described above under the headings for the first corporate bonds program and the Banco de Crédito del Perú loan, and limit declaration of dividends under certain circumstances. As on December 31, 2011 and 2010, the management is of the opinion that the company has complied with the commitments and financial ratios mentioned in the bond issuance and loan contracts.

Additional guarantee

On August 29, 2002, the company (trustor), Banco Continental (beneficiary) and Bank Boston, Peruvian Branch (trustee) subscribed the Trust Agreement for Cash Flows to guarantee compliance of the obligations in favor of the creditors for loans and bonds of the company. On March 31 of 2005, Bank Boston Peru Branch assigned its contractual position in such contract in favor of Banco BNP Paribas Andes S.A.;

then on June 28, 2006, Banco BNP Paribas Andes S.A. assigned its contractual position in the above-mentioned contract in favor of Banco Internacional del Perú S.A.

The subject matter of the contract is to guarantee with the assets making up the trust estate timely and total delivery of liabilities guaranteed. Through such contract, the flows deposited by the company's customers in the collection accounts are transferred to the trustor's account on the next business day. In case of default, the trustee shall retain 25% of the flows deposited in the collection accounts until default is cured, and also, if the company fails to comply with any guaranteed obligation, the trustor shall retain 100% of the funds deposited in these accounts. No balance is kept in those accounts at December 31, 2011 and 2010, due to the fact that collected amounts are only kept temporarily.

The contract shall remain in force until effective and integral cancellation of the guaranteed liabilities assumed by the trustee in favor of the creditors or conversely, upon extinction of all the rights and assets making up the trust estate.

Other Guarantees

At December 31, 2011, the Company has surety bonds and promissory notes with local financial institutions for USD5,235,531 and USD 32,000,000, respectively (2010: USD7,334,257 and USD20,400,000, respectively) related to compliance with conditions of the concession contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ISA PERÚ

i. On September 2, 2002, ISA Perú S.A. subscribed a shares pledge agreement with Interconexión Eléctrica S.A. E.S.P. –ISA–, TRANSELCA S.A. E.S.P. –TRANSELCA–, IFC, FMO and Citibank del Perú S.A. (collateral agent). The agreement guarantees total and timely payment of and compliance with each and all liabilities to IFC, particularly the following:

- 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.

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 for Establishment of Secured Transactions and Pre-Establishment of Secured Transactions to replace the Pledge on Cash Contract.

ii. 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 company 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

III. On June 24, 2002, the company 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 ten (10) years following the closing date, as such term is defined in the concession contract, Interconexión Eléctrica S.A. E.S.P. 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.
- Interconexión Eléctrica S.A. E.S.P. Neither Interconexión Eléctrica S.A. E.S.P. ISA nor TRANSELCA S.A. E.S.P. will be able to transfer their shares if: (i) upon such transfer, their stake is reduced below 51% of the Company's total shares or (ii) they cease to control the Company, except for cases foreseen in the contract.

IV. 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, BBVA Banco Continental obtained the capacity of guaranteed creditor for certain guarantees held by IFC; no new guarantees have been granted on the loans.

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CHILEAN CONCESSIONAIRES

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I. Bank Guarantees

Chilean concessionaires granted MOP Bank Guarantees in favor of the Director General of Public Works with regard to the concession contracts, as detailed below:

CONCESSIONAIRE	GUARANTEES	GUARANTEE TOTAL (UF)	ISSUE DATE	MATURITY DATE
Ruta del Maipo (formerly, Autopistas del Maipo)	Contract – exploitation stage. International Concession Ruta 5, Santiago - Talca Segment and Santiago South Access.	535,000	Apr-7-2010	Apr-16-2013
Ruta del Maipo (formerly, Autopistas del Maipo)	Compliance with execution deadlines of reconstruction works and correct use and application of advance payments.	158,397	Aug-30-2010	Oct-16-2012
Ruta de la Araucanía	Compliance with liabilities derived from concession contract in exploitation stage.	200,000	May-25-2009	Aug-23-2012
Ruta del Bosque	Concession contract – exploitation stage	UF300,000 (4 guarantees of UF75,000 each)	Sep-11,22,25 and 29-2009.	Sep-30-2014
Ruta del Maule (formerly, Talca – Chillán)	Concession contract – exploitation stage	150,000	Jul-8-2009	Jul-14-2014
Ruta del Maule (formerly, Talca – Chillán)	Compliance with execution deadlines of reconstruction works and correct use and application of advance payment.	149,764	between Jul-2010 and May-2011	between Jan-31 and Jun-19-2012
Ruta de los Ríos	Compliance with liabilities derived from concession contract Ruta 5 Temuco - Río Bueno	200,000	Jul-2-2009	Jul-6-2012

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

II. Guarantees granted in relation to the financing of the concession:

a. Special pledges on public work concession

Chilean concessionaires established public works concession pledges covering: (i) the concession right on public works of which the concessionaire is the holder; (ii) every payment promised for any legal reason under the concession contract by the Public Treasury to the concessionaire (iii) all revenues of the concessionaire. The beneficiaries of the pledges are:

CONCESSIONAIRE	FIRST PLEDGE IN FAVOR OF:	SECOND PLEDGE IN FAVOR OF:
Ruta del Maipo (formerly, Autopistas del Maipo)	MBIA Insurance Corporation	<ul style="list-style-type: none"> ■ Holders of the US bonds, issued August 22, 2001 ■ Holders of the UF bonds, Series A issued 14 October, 2004 ■ Itaú Entities ■ Holders of the UF bonds, Series B issued 20 December, 2006
Ruta de la Araucanía	Banco de Chile, Banco del Estado, Corpbanca and Banco Security	
Ruta del Bosque	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Series A and Series B bondholders and Itaú Entities
Ruta del Maule (formerly, Talca – Chillán)	MBIA Insurance Corporation	Itaú Entities and holders of bonds series B and C issued by the company June 29, 2005 and October 27, 2006
Ruta de los Ríos	Ruta del Maipo (formerly, Autopistas del Maipo)	

Likewise, under the same pledge, the concessionaires are bound not to encumber, dispose of or execute any action or contract of any kind that may affect the pledged assets while the referred pledge is in effect, unless so authorized by the holder of the first pledge, or unless such action or contract is executed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Commercial and industrial pledges

Chilean Concessionaires subscribed the following commercial pledges:

CONCESSIONAIRE	DATE OF DOCUMENT	IN FAVOR OF	GUARANTEE UPON
Ruta del Maipo (formerly, Autopistas del Maipo)	December 18, 2006	MBIA, holders of US Bonds, holders of Series A Bonds, Itaú Entities, holders of Series B Bonds,	Moneys deposited in certain accounts of the project
Ruta del Maipo (formerly, Autopistas del Maipo)	August 22, 2001	MBIA and Itaú Entities	Rights on construction contract for works of Ruta 5 Sur, Santiago-Talca Segment and Santiago South Access
Ruta del Maipo (formerly, Autopistas del Maipo)	August 29, 2001	MBIA and Itaú Entities	Rights derived from Construction Guarantee
Ruta del Maipo (formerly, Autopistas del Maipo)	July 30, 2004	MBIA, US Bonds holders and Itaú Entities	Rights derived from Lump Sum Construction Contracts of Puente Alto Rain Water Collector Trap and La Serena - Las Industrias Avenue.
Ruta del Maipo (formerly, Autopistas del Maipo)	September 28, 2005	MBIA, US Bonds holders and Itaú Entities	Rights derived from Second Amended and Restated Investor Support and Guarantee Agreement
Ruta del Maipo (formerly, Autopistas del Maipo)	May 19, 2005 modified on September 28 and December 21, 2006	MBIA	Rights on swap contract
Ruta del Maipo (formerly, Autopistas del Maipo)	July 28, 2006 and modified on December 21, 2006	MBIA, US Bonds holders and Itaú Entities	Rights derived from Lump Sum Construction Contract for Additional Works Supplementary Agreement No. 4 between the company and Ferrovial Agromán Chile S.A., dated June 23, 2006.

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CONCESSIONAIRE	DATE OF DOCUMENT	IN FAVOR OF	GUARANTEE UPON
Ruta del Bosque	March 16, 2001	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Certain assets
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.), Series A Bondholders and Itaú Entities	Funds from certain project accounts
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Rights derived from Supervision Contract of Routine Operation and Maintenance of the Fiscal Public Work: Ruta 5 Chillán Collipulli Segment International Concession
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Rights derived from Shareholders Support Agreement
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Rights derived from Works Construction Contract of First Private Bid Supplementary Agreement No. 3 (MDI).
Ruta del Maule (formerly, Talca – Chillán)	November 06, 1998	MBIA	Certain assets specified in the deed
Ruta del Maule (formerly, Talca – Chillán)	November 13, 1998	MBIA	Contract subscribed through public deed dated November 13, 1998. At the date of this report, although the guarantee has expired, the parties have not yet formally subscribed a deed of cancellation and termination of this commercial pledge

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CONCESSIONAIRE	DATE OF DOCUMENT	IN FAVOR OF	GUARANTEE UPON
Ruta del Maule (formerly, Talca – Chillán)	November 13, 1998	MBIA	Rights derived from the Amended and Restated Shareholder Support Agreement. At the date of this report, although the agreement has expired, the parties have not yet formally subscribed a deed of cancellation and termination of this commercial pledge.
Ruta del Maule (formerly, Talca – Chillán)	June 21, 2005	MBIA	Credits derived from 4 contracts currently in force.
Ruta de los Ríos	March 14, 2009	Banks	Deposits in Banco Agente escrow accounts.

- c. Under amendment dated March 14, 2006 of the financing contract subscribed by Empresa Concesionaria Ruta de los Ríos with the Banks Syndicate (initially made up of Banco de Chile, Banco Estado, Banco BHIF, Corpbanca and Banco Security) dated December 18, 1998, and its amendments of February 15, 2001, September 4, 2002, November 9, 2004, and July 7, 2005, whereby, among other matters, loans were granted for the equivalent in pesos of UF1,030,665.39, the joint and several guarantee and obligation granted by INTERVIAL CHILE S.A. to guarantee the obligations contracted by Ruta de los Ríos were canceled.

III. Restrictions

According to the financial contracts subscribed by the concessionaires, the guarantee policies hired establish the obligation to comply with certain covenants and restrictions as to shareholding composition, transfer of assets, additional financing, placement of funds, and distribution of dividends. At the date of this report, the concessionaires have met all the requirements and restrictions provided for in the financing contracts.

MENU ▲

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19.3 COMMITMENTS

INTERNEXA S.A.

Below is the detail of the commitments of the company as on December 31, 2011.

Fiberoptics capacity availability agreements with INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

In December of 2004, the company subscribed an agreement with INTERCONEXIÓN ELÉCTRICA S.A. E.S.P. under which, this company granted INTERNEXA S.A. availability over the capacity of its own fiber optics installed on its own infrastructure and on third parties' infrastructure, which were used under usufruct. The agreement was subscribed in order to allow INTERNEXA S.A. to meet the coverage, quality, reliability and capacity requirements of telecommunications carriers and other customers. During 2009, both parties agreed to modify the annual billing basis starting on January of 2010, so that projected payments are as follows (with slight fluctuations due to Colombian inflation):

YEAR	BASE VALUE \$
2012	13,714
2013	15,497
2014	17,511
Onward	172,717
TOTAL	219,439

On December 4 of 2007 an agreement for a term of 20 years and one month was signed, under which INTERCONEXIÓN ELÉCTRICA S.A. grants INTERNEXA S.A. 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	BASE VALUE USD
2012	330,636
2013	343,872
2014	357,624
Onward	5,809,402
TOTAL	6,841,534

In the same way, in 2007, an agreement was subscribed under which INTERCONEXIÓN ELÉCTRICA S.A. E.S.P. grants INTERNEXA S.A. 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 Substation, between Las Vegas and Buenaventura, between Bogotá and Villavicencio, between Tolú and Montería, between Tolú and Sincelejo, between Cuestecita Substation and Riohacha Substation, between Palos and Bucaramanga substations,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. During 2009, both parties agreed to modify the annual billing basis, starting on January of 2010, as follows (with slight fluctuations due to Colombian inflation):

YEAR	BASE VALUE USD
2012	1,677,516
2013	1,744,620
2014	1,814,400
Onward	30,530,839
TOTAL	35,767,375

Agreement on the use rights for the submarine cable "ARCOS 1"

The Company participates with 1.041666% in this cable through an ownership agreement. This submarine cable, denominated ARCOS, has been designed with a ring-shaped topology that through 8,600 km of fiber optics connects the United States, Bahamas, Turks & Caicos, Dominican Republic, Puerto Rico, Curaçao, Venezuela, Colombia, Panama, Costa Rica, Nicaragua, Honduras, Guatemala, Belize and Mexico. The initial investment was USD400 million.

Agreement on provision of carrier services between INTERNEXA S.A. and ETB

On November 2004 the company signed an agreement to provide fiber optic connection service under the national carrier scheme with rights of use for fifteen years.

Services will be provided by INTERNEXA, offering ETB one Lambda, a maximum 2.5 Gbps capacity optical channel, or STM1 capacity channels configured as a fiber optics physical ring connecting Bogota, Medellin and Cali.

Contract between INTERNEXA S.A. and Telefónica Móviles Colombia S.A. for information transmission capacity provisioning rights

On December 21, 2005, the company subscribed an agreement to supply information transmission capacity provisioning up to 32 STM-1 and to provide management, operation and preventive and corrective maintenance services to the associated information transmission networks, with 8-year duration. Contract term is 8 years.

Irrevocable rights for Comcel S.A. and Telmex Colombia S.A. to use the fiber optics

On December 5, 2006, the company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contract between INTERNEXA S.A., and Colombia Movil S.A. E.S.P for information transmission capacity provisioning rights

On February 2, 2009 took place the commissioning of the information transmission capacity provisioning right of one Lambda, at STM-16 level, in a nationwide ring configuration between Bogota, Cali, Medellin, Sincelejo, Barranquilla, Valledupar and Bucaramanga, with 15-year duration. The contract includes last-mile connections to the customer premises in each city provided by third parties.

On December 1, 2009 was commissioned the second information transmission capacity provisioning right of one Lambda at STM-16 level, in a regional ring configuration between Riohacha, Valledupar and Cuestecitas with 10-year duration. The contract includes last-mile connections to the customer premises in Riohacha and Valledupar and co-hosting in Cuestecitas, contracted with third parties in order to implement customer's radio links.

On December 3, 2010 took place the commissioning of the third information transmission capacity provisioning right of one Lambda, at STM-16 level, in a nationwide ring configuration between Bogota, Cali, Medellin, Sincelejo, Barranquilla, Valledupar and Bucaramanga; one Lambda, at STM-16 level, in a nationwide ring configuration between Bogota, Cali, Medellin and Barranquilla. These two capacities were contracted for ten years.

On December 30, 2011 took place the commissioning of the information transmission capacity provisioning right of 20 Gbps, in a nationwide ring

configuration between Bogota, Cali, Medellin, Sincelejo, Barranquilla and Bucaramanga; initial configuration is one 10G bit-Eth Lambda and remaining capacity shall be delivered in 2012, either at 1x10 Gbps or at 4x2.5 Gbps, as defined by Colombia Móvil. The term is 12 years and 9 months.

Transport capacity infeasible right of use for Comcel S.A., and Telmex Colombia S.A.

On December 5, 2006, the company received from Comcel and Telmex a purchase order for transport capacity infeasible right of use and operation and maintenance service provisioning of INTERNEXA's capacity transport network with 20-year duration. During 2009, three Lambdas, at 10 Gbps over the DWDM optical network, were implemented for these customers.

Contract for the leasing of the Cartagena-Riohacha stations for the ARCOS project

On June 16, 2004, the company subscribed a leasing contract with New Network de Colombia Ltda. (today, Columbus Network), under which, INTERNEXA S. A. commits to offering space in the Cartagena and Riohacha facilities in advance lease for 25 years.

Contract between TRANSELCA S.A. E.S.P., and INTERNEXA S.A. for fiber optics leasing

On December 7, 2004, the company signed a leasing contract for one pair of dark fiber optic cables of INTERNEXA's network from Nueva Barranquilla Substation to Sabanalarga Substation, with 15-year duration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contract between Unisys de Colombia S.A., and INTERNEXA S.A. for technology platform support

On October 30, 2009, INTERNEXA S.A. signed a contract with Unisys de Colombia S.A., whose subject matter is to support the technology platform, including planning, supply, incorporation, administration, maintenance and support of technology elements and services required to fulfill corporate and company requirements, with 7-year duration.

This contract was signed following ISA's advice to all its subsidiaries, according to the inter-administrative group assessment that carried out the selection process.

Fiber optics right of use and network rights purchased to third parties

On October 27, 2008, INTERNEXA S.A. received from TIGO the awarding to the private offer invitation for service purchase CM-VR-023-08.

Among the activities needed to fulfill the contracted obligations it was necessary to purchase IRUs (Indefeasible Rights of Use) for ringed dark fiber optics and circulating capacities, for 15-year duration.

In 2009, TIGO transferred its network rights being necessary to obtain of new rights of use from MEDIA COMMERCE for a ten-year period.

The last expansion of TIGO's network right took place in 2010 with acquisition of new rights of use from PROMITEL for a 14-year period.

Space lease contract

A lease contract for physical space in the equipment room and land owned by TRANSELCA was signed on May 28, 2002; term expires on June 1, 2013 and may be automatically extended for one-year periods.

Computer equipment operating lease contract

Operating leasing agreement for computers and other equipment for technological platform of INTERNEXA S.A. signed with INFORMÁTICA DATAPOINT on December 16, 2005; term is indefinite.

Contract for operation and maintenance services for INTERNEXA S.A. network S.A.

On August 3, 2011, INTERNEXA S.A. and Interservicios subscribed agreement for provision of operation and preventive and corrective maintenance services to the telecommunications network. The term is two years.

Content North Node

On 19 August, 2011, INTERNEXA signed contract N° 4700005277 with the US based company Limelight Networks Inc., to implement the Content North Node –CDN, for its Spanish initials– located in Colombia and serving the Northern region. The contract will include equipment installation and all works necessary to prepare and commission the Limelight Node in Medellín. Contract term is five years and the total amount for Colombia will be USD 100,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IP Provisioning Contract

On December 15, 2011, a service order was issued to the US based company Sprint Communications Company L.P., under the terms of the IP joint platform commercial alliance. The objective was to provide IP Transit to Miami at 2xSTM-16, after awarding by Edatel customer to INTERNEXA as its IP Access NG service provider. The order term is two years with an initial amount of USD 1, 929,50.

ISA

ISA's commitment derived from its affiliate ISA Bolivia

- a. Support and Guarantee Agreement under which ISA and TRANSELCA are bound, among other things, to guarantee the loan granted by IDB and CAF until loan contract expiration date. Likewise, ISA and TRANSELCA are bound to pay balance pending with IDB and CAF, in case of Government intervention or as of the moment the license is revoked.
- b. Standby letter of credit to guarantee semi-annual debt service of loans granted by IDB and CAF to ISA Bolivia; amount guaranteed totaled USD 2 million in 2011. Loans were earmarked for execution of 30-year licenses for Santivañez–Sucre, Punutuma and Carrasco – Urubó transmission lines and the license for Arboleda Substation.

ISA's commitment derived from its affiliate ISA Perú:

Share Retention Agreement with ISA, TRANSELCA and IFC, which sets the following limitations on transfers of the company's shares: 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.

CTEEP

ISA Capital do Brasil's commitments derived from concession contract with CTEEP:

- Not transferring, assigning, or selling the controlling shares of CTEEP without previous authorization from ANEEL.
- As the guarantor of concession contract B, ISA Capital do Brasil jointly and severally assumes every obligation established.
- ISA Capital do Brasil and ISA commit themselves to making capital contributions necessary to make up for insufficient funds.
- ISA Capital do Brasil and ISA are bound not to transfer, assign or sell direct control capital participations, nor to change thereby the corporate structure of CTEEP.
- Any change in CTEEP's control shall be reported to ANEEL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CTEEP's commitments derived from concession contract:

- Financial coverage of special obligations is backed up by remuneration on shareholders' capital.
- ISA Capital do Brasil and ISA shall be responsible for covering expenses arising from Law 4819/58, as well as adjustment payments in the event of negative contingency against the concessionaire.

SISTEMAS INTELIGENTES EN RED S.A.S. –SIR–

As established in the turn-key contract signed on October 20, 2011, between XM S.A. E.S.P. and Sistemas Inteligentes en Red S.A.S., XM is bound to build the Medellin Mobility Management Center. This contract includes design, supply, and entry into operation of the complementary systems and furniture of the hardware and software platform for the Mobility Control Integrated System –SICM, for its Spanish initials–. Additionally it will include a projection or Videowall system and all required software licenses for this system. The contract also includes auditing services to continuously monitor and control all stages related to the construction of the Medellin Mobility Management Center. Contract term to deliver the construction is March 2012, extendible by means of additional clauses.

CONSORCIO TRANSMANTARO

Corporate bonds and some financing received by the company have restrictive clauses that require compliance with certain financial ratios and limit declaration of dividends under certain circumstances. As on

December 31, 2011 and 2010, the Management is of the opinion that the company has complied with the commitments and financial ratios mentioned in the bond issuance and loan contracts.

INTERNEXA PERÚ

On October 27, 2009, Internexa Perú S.A. and Telefónica del Perú S.A. (Telefónica), signed a usage rights contract for two fiber optic cables being laid in seven segments across different regions of Southern Peru.

At the same time, the company and Telefónica, signed a capacity rights contract where Telefónica offers the company transport capacity usage rights for up to 160 Gbps over its network between Lima and Arequipa, with operation and maintenance service provisioning for 20 years.

On December 5, 2011, the company and Telefónica del Perú S.A. (Telefónica), subscribed a second usage rights contract where the company offers the usufruct of two fiber optic cables for 20 years from a network of approximately 60 km, which is being laid in four segments in different regions of Peru:

1. First segment: Northeast (from Tingo María to Yurimaguas)
2. Second segment (from Ayacucho to Huanta)
3. Third segment (from Machu picchu to Quillabanmba)
4. Fourth segment (Cuzco Region).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the same time, the company and Telefónica, signed a capacity rights contract where Telefónica offers the company the rights to use up to 40 Gbps transport capacity from Telefónica's equipments in segments handed over by INTERNEXA as part of this contract.

At the same time, the company and Telefónica, signed a contract where INTERNEXA gives Telefónica capacity rights for up to 40 Gbps of transport capacity between Lima and Tumbes with operation and maintenance service provisioning for 20 years.

ISA PERÚ

The loan contract subscribed with International Finance Corporation –IFC– on June 24 of 2002, for up to USD 18 million, contains a commitment restricting capacity to distribute dividends to the parent company unless it achieves a minimum Debt Service Coverage –DSCR– of 1.20, value to be calculated on the previous year's audited consolidated financial statements. In case declaring dividends is called for on the basis of non-audited intermediate consolidated financial statements, the indicator shall be calculated taking into account the last four quarters of the year, and a waiver must be issued by the financial entity. Maturity date of this loan is April 15 of 2016.

According to the loan agreement, the company must maintain a Debt Service Coverage Ratio (Peak DSCR) higher than 1.20 during the term of the contract, with maximum financial debt of USD 40,000,000.

RUTA DEL MAIPO (FORMERLY, AUTOPISTAS DEL MAIPO)

1. By public deed of recognition of debt dated June 30 of 2005 of the Notary Public Office of Pablo Roberto Poblete Saavedra, Substitute Notary Public of Iván Torrealba Acevedo, Record N° 18,169, Ruta del Maipo is bound to pay MBIA, upon its request and at any time, between October 14, 2004 and December 31, 2035, the amount of UF203,266 for the premiums of insurance policies issued or to be issued by MBIA in favor of Ruta del Maipo.
2. By public deed of recognition of debt dated December 21, 2006 of the Notary Public Office of Pablo Roberto Poblete Saavedra, Substitute Notary Public of Iván Torrealba Acevedo, Record N° 18,169, Ruta del Maipo is bound to pay MBIA, upon its request and at any time, between December 21, 2006 and December 31, 2035, the amount of UF475,120,107 for the premiums of insurance policies issued or to be issued by MBIA in favor of Ruta del Maipo.

RUTA DEL MAULE (FORMERLY, TALCA – CHILLÁN)

By public deed of recognition of debt dated June 30 of 2005 of the Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, the concessionaire is bound to pay MBIA, upon its request and at any time, the amount of UF141,750 for the premiums of insurance policies issued or to be issued by MBIA in favor of the corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RUTA DEL BOSQUE

- a. Acknowledgment of debt by the concessionaire in favor of XL Capital Assurance Inc., (currently, Syncora Guarantee Inc.) as stated in public deed of October 30 of 2006, of the Santiago de Chile Notary Public Office of Eduardo Avello Concha, for the USD equivalent of UF137,735 for insurance premiums.
- b. Blank irrevocable promissory note as to amount and maturity date signed by the concessionaire in the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, with instructions to be completed and in favor of XL Capital Assurance Inc., (currently, Syncora Guarantee Inc.).

ISA BOLIVIA:

Covenants and commitments related to loans with IDB and CAF include the following.

- Compliance with environmental laws, regulations and issues.
- The corporation may not hire new loans other than those with IDB and CAF, except those expressly authorized by the financiers.

NOTE 20: OPERATING REVENUES

These are revenues from services delivered by ISA's companies for: 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, design, construction, maintenance, exploitation and operation of road concessions, 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, intelligent management of real-time systems, and in general, any activity in the construction sector.

SISTEMAS INTELIGENTES EN RED S.A.S. –SIR–

On February 4, 2011, XM S.A. E.S.P. signed a Collaborative Corporate Agreement with Consorcio ITS and UNE EPM Telecomunicaciones S.A. –UNE– with the objective of jointly developing all activities related to Addendum N° 5 to Agreement 5400000C003 of 2006 between Medellin Municipality and UNE, in the topics related to Section Two “Mobility Intelligent System for Medellin Municipality–SIMM–”. In the frame of this agreement, and according to its expertise, XM should be in charge of design, purchase and entry into operation of equipment, software and all necessary means to have a Control Center for Medellin’s Transport Secretary. Additionally, to develop all required site adaptations for the operation of a Mobility Management Center. The company Sistemas Inteligentes en Red S.A.S. –SIR– was established in order to fulfill with the agreed obligations.

According to the contract, activities to be developed by each party are:

- UNE Telecomunicaciones provides technological and telecommunications infrastructure necessary to operate the Mobility

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management System and the Traffic Infraction Detection System.

- Quipux-SIT provides the infrastructure and operation of detection cameras module, including management of the related contravention process up to the revenue collection from infractions.
- XM, through Sistemas Inteligentes en Red S.A.S., provides infrastructure for the Mobility Management Center operation, where different modules and technology devices, like a closed circuit of television cameras located at critical sites in the city, the city's traffic lights system, the public transport fleet control system, the traffic agents management system, customers services through telephone lines (123); and the Transport Secretary's call center, are articulated. Information broadcasting systems, the Transport Secretary's Web site, real time information panels, radio announcements and other modern information systems are also managed from this site.

The company will be entitled to receive payments for the investments agreed upon, for the activities to be developed to implement the project and for all duties to be carried out in order to fulfill the contract. Payments during 2011 will be 25.56% of UNE's revenues coming from camera detected traffic infraction, a percentage stated in the Agreement's Financial Model.

Tariffs to be paid to UNE and its all affiliates will vary each year according to factors and procedures agreed in the Financial Model.

The Financial Model sets the project's financial structure, where budgetary basis for revenues, investments, costs, expenses and other components were defined.

According to the above, if actual results, compared to the initial modeling, are lower than the agreed basis, and such situation continues for six consecutive months, a bargaining process will start. As a result, the Municipality could pay, through UNE, the investments done, financially valued at this time and taking into account a defined capital cost and a method of payment defined for each particular situation. This could have as a result that parties define a new business model to be followed, and if no agreement is reached, early termination of the contract could take place, in which case, the contracting party shall pay for investments done as it was previously stated. Finally, if remuneration basis (traffic infraction detection cameras), could not be used by any legal or administrative decision and had to be definitively taken out of service, mechanisms for restitution of economic balance shall be applied.

As stated in the Corporate Collaborative Agreement between UNE and Medellin Municipality, the former receives from the latter, at no cost, all personal property and/or sites with the objective of using them, if necessary, and adapt them to develop the activities it is bound to perform. Infrastructure, goods and elements adapted by each party shall be transferred to the Municipality, at no cost, at the end of the Agreement term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, the company was established upon payment of USD286,657,295; operations started on September 05, 2002 and on the same date the agreement under which ISA assigns 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 5, 2002.

According to concession contract, ISA is the concession's pre-qualified operator, for which REP, according to its bylaws, shall pay ISA royalties equivalent to 1% of revenues.

The electric transmission service is to be remunerated annually through Guaranteed Annual Remuneration –RAG–, for its Spanish initials–, set initially at USD 58,638,000 per year. RAG will be valid during the term of the concession, to be adjusted yearly according to variation in the United States Finished Good Less Food and Energy index. The Peruvian State, through the Ministry of Mines and Energy, guarantees that the Supervisory Organism of Investment in Energy and Mining (OSINERGMIN, for its Spanish initials), will establish necessary tariff mechanisms and the corresponding values to ensure that the company's RAG will be

paid in its entirety each year. After application of RAG, the company recognized in 2011 and 2010, revenues for energy transmission services of USD85,627,220 and USD81,658,030, respectively.

Amendments to the concession agreement:

In the years 2006 and 2010, additional clauses for the concession contract of the following expansion works were approved, which to date are already capitalized:

- Expansion project N° 1: The project was put into service in 2007. Final investment audited by an independent third party at April 18, 2008 amounted to USD33,968,262.
- Expansion project N° 2: The project was commissioned in March of 2008. Final investment at November 24, 2008, as audited by an independent third party, totaled USD34,810,997.
- Expansion project N° 3: The project was commissioned in February of 2009. Final investment at May 31, 2009, as audited by an independent third party, totaled USD16,581,231.
- Expansion project N° 4: The project was commissioned in January of 2009. Final investment at May 31, 2009, as audited by an independent third party, totaled USD4,828,985.
- Expansion project N° 5: The project was commissioned in January of 2011; investments total USD41,429,565.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Expansion project N° 6: The project was commissioned in August of 2011; investments total USD21,482,149.
- Expansion project N° 8: The project was commissioned in September of 2011; investments total USD2,659,845.

In the last few years, additional clauses for the concession contract of the following expansion works were approved, which to date are still in force:

- Expansion project N° 7: This expansion must enter commercial operation not later than in 21 months and 14 days, that is not later than on February 26, 2012. The project's initial budget is USD22,739,737. At December 31, 2011, the Company had invested a total USD15,429,711 (2010: USD1,030,920).
- Expansion project N° 9: The expansion must come into commercial operation not later than in 21 months – September of 2012. Initial budget for the project stands at USD29,606,503. At December 31, 2011 the company has made investments for USD11,662,201 (2010: USD2,859).
- Expansion project N° 10: The expansion must come into commercial operation not later than in 21 months – March of 2013. Initial budget for the project stands at USD 4,731,811. At December 31, 2011 the company has made investments for USD43,712.

- Expansion project N° 11: The expansion must come into commercial operation not later than in January of 2013, date that is 19 months after the date of subscription of additional clause N° 11 – June 15, 2011. Initial budget for the project stands at USD5,811,530. At December 31, 2011 the company has made investments for USD63,427
- Expansion project N° 12: The expansion must come into commercial operation not later than in 21 months after subscription of additional clause N° 12 of the contract. Initial budget for the project stands at USD7,078,606. At December 31, 2011 the company has made investments for USD16,223.

CONCESSION CONTRACT OF CONSORCIO TRANSMANTARO S.A.:

Mantaro-Socabaya Concession

In January of 1998, the Peruvian State (represented by the Special Committee established through Supreme Resolution N° 498-96-PCM of December 30 of 1996) awarded the company the concession of the Mantaro-Socabaya electric transmission system. This decision gave the company the right to design, build, and commercially exploit the above-mentioned electric transmission system, as well as its respective maintenance and repair. The concession term is 33 years as of February of 1998.

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As a result of the above-mentioned award of the concession, the company subscribed with the Peruvian Government the Build, Own, Operate and Transfer contract (the BOOT contract), which establishes the rights and obligations of the parties, as well as the standards and procedures which will govern the design, procurement of goods and services, construction and exploitation of the electric transmission line Mantaro - Socabaya, the provision of services and the transfer of all property to the State upon termination of the concession.

The Mantaro - Socabaya transmission line started commercial operation on October 8 of 2000 and has, as of that date, been delivering public electric transmission service, integrating the National Interconnected System –SINAC–. As retribution for the service, the company is paid revenues corresponding to the tariff regime established in the concession contract, regulated by the Supervising Organism of Investment in Energy and Mining –OSINERGMIN, for its Spanish initials–.

As retribution for the electric energy transmission service, the company is remunerated through the total cost of transmission corresponding to the investment carried out annually, including costs of operation, maintenance, and others. Total investment, as established in the concession contract, totals USD179,179,000. During the term of the concession, it is adjusted yearly according to variation in the United States Finished Good Less Food and Energy index. The Peruvian State, through the Ministry of Mines and Energy –MEM–, guarantees that the Supervisory Organism of Investment in Energy and Mining –OSINERGMIN– will establish necessary tariff mechanisms and the corresponding values

to ensure that the company's RAG will be paid in its entirety each year. After application of RAG, the company recognized in 2011 and 2010, revenues for energy transmission services of USD44,330,468 and USD31,437,149, respectively.

Expansion N°1

In June of 2009, the company subscribed with the Ministry of Mines and Energy an addendum to the concession contract to expand by 505 MVAR capacity of the Mantaro-Socabaya electric transmission lines. The project was commissioned in July of 2011; investments totaled USD72,761,940.

Concesión Chilca - La Planicie - Zapallal

On June 17, 2008, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain the Chilca - Zapallal transmission line at 500 kV, the Chilca - La Planicie - Zapallal transmission line at 220 kV, and associated substations. Investment cost established in the line concession contract amounts to USD52,233,900, while yearly operation and maintenance cost amounts to USD3,510,327. ISA subsequently transferred the awarding to the company, which subscribed with the Peruvian State the concession contract on September 8, 2008. The BOOT-type contract term will be 30 years as of the project's start of operations, which is estimated to happen 20 months after the process closing. The project was commissioned in June of 2011; investments total USD143,946,198.

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Ica - Independencia Concession

On October 21 of 2009, the company subscribed with the Peruvian State the concession contract for construction of the Reinforcement of the Mid-south Transmission System project: Independencia - Ica Transmission Line at 220 kV. This concession comprises construction of a 55-km transmission line and cells in the Independencia to Ica substations. Investment cost established in the concession contract is USD10,888,160, with 30 years term. The project was commissioned in June of 2011; investments total USD10,453,339.

Zapallal - Trujillo Concession

On November 06, 2009, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain the Zapallal - Trujillo transmission line at 500 kV, for the Reinforcement of Mid Central Transmission System. As established in the concession contract, investment cost equals USD167,500,000, and operation and maintenance annual cost USD5,025,000. ISA subsequently transferred the awarding to the company, which subscribed the concession contract with the Peruvian State. The BOOT-type contract term will be 30 years as of the project's start of operations, which is estimated to happen 30 months after the process closing. At December 31, 2011 the company has made investments for USD137,605,003.

Talara - Piura Concession

On July 8, 2010, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN–

to design, finance, construct, operate and maintain the Reinforcement of Northern System with a second transmission circuit at 220 kV between Talara and Piura. As established in the concession contract, investment cost equals USD14,580,022, and operation and maintenance annual cost USD466.562. ISA subsequently transferred the awarding to the company, which subscribed the concession contract with the Peruvian State. The contract term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. At December 31, 2011 the company has made investments for USD6,506,776.

Pomacocha - Carhuamayo Concession

On August 10 of 2010, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain an approximately 110 km transmission line, at 220 kV between Pomacocha and Carhuamayo substations. As established in the concession contract, investment cost equals USD16,407,891, and annual operation and maintenance cost USD410.197. ISA subsequently transferred the awarding to the company, which subscribed the concession contract with the Peruvian State. The contract term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. At December 31, 2011 the company has made investments for USD6,141,097.

Trujillo - Chiclayo Concession

On March 31, 2011, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN–

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to design, finance, construct, operate and maintain one transmission line at 500 kV between Trujillo and Chiclayo. Investment cost totals USD133,554,646. ISA subsequently transferred the awarding to the company, which subscribed the concession contract with the Peruvian State. The contract's term will be 30 years as of the project's start of operations, which is estimated to happen 30 months after the process closing. At December 31, 2011 the company has made investments for USD8,987,203.

Machupicchu - Cotaruse Concession

On November 18, 2010, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain an approximately 204 km transmission line, at 220 kV between Machupicchu II, Suriray, Abancay Nueva and Cotaruse substations. Total investment, as established in the concession contract, stands at USD94,740,591. ISA subsequently transferred the awarding to the company, which subscribed the concession contract with the Peruvian State. The contract term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. Activities are currently stalled due to the negative opinion of the State Protected Areas National Service –SERNANP, for its Spanish initials–. At December 31, 2011 the company has made investments for USD7,330,046.

Private Contract - Compañía Eléctrica El Platanal S.A.

In September of 2008, Red de Energía del Perú S.A. -REP-, transferred to the company the contract subscribed with Compañía Eléctrica El Platanal S.A., (hereinafter CELEPSA), under which it is bound to construct the El Platanal - Chilca transmission line, as well as to deliver electric energy transmission service to that customer. Contract term is 20 years. Final investment in the transmission line was USD16,606,850. Transmission service startup took place in May of 2009.

Private Contract – Miski Mayo S.A. mining company

In March of 2009, the company subscribed a contract with Miski Mayo mining company, under which it is bound to construct a 220-1138 kV transmission line and substation, as well as to deliver electric energy transmission service. Contract term is 30 years. Final investment in the transmission line was USD16,808,047. Transmission service startup took place in March of 2010.

Private Contract - Duke Energy S.A. and Kallpa Generación S.A.

In July of 2009, the company subscribed two contracts with Duke Energy S.A., and Kallpa Generación S.A., under which it is bound to construct a 220kV cell in the Chilca Nueva Substation and to construct a Kallpa III 220kV cell Chilca Substation, as well as to deliver electric energy transmission service. Term is 20 years in both cases. Final investment in the transmission lines was USD1,309,000 and USD1,392,000, respectively. Transmission service startup for both contracts took place in May of 2010.

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Private Contract - Fenix Power Perú S.A.

In March of 2010, the company subscribed a contract with Miski Mayo mining company, under which it is bound to construct a 220kV transmission line and substation, as well as to deliver electric energy transmission service. Total construction contract cost nears USD12,784,588, with 30 years term. Construction term is 23 months. At December 31, 2011 the company has made investments for USD11,179,103.

CONCESSION CONTRACT OF INTERCONEXIÓN ELÉCTRICA ISA PERÚ

On February 16, 2001, ISA was awarded the International Public Bidding for concession to the private sector of the Pachachaca - Oroya - Carhuamayo - Paragsha - Derivación Antamina, and Aguaytía - Pucallpa power lines. On April 26, 2001, the company 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 32 years.

The transmission system, subject matter of the contract, consists of the following transmission lines: (a) Pachachaca - Oroya - Carhuamayo - Paragsha - Derivación Antamina and corresponding substations, y (b) Aguaytía - Pucallpa and corresponding substations and Parque Industrial Pucallpa. On November 19, 2001, the company and the Peruvian State, through the Ministry of Energy and Mines and the Commission for Foreign Investments and Technology –CONITE, for its Spanish initials–, subscribed an Investment Contract to avail from the benefits provided

for in Legislative Decree N° 818 and supplementary rules regarding investments to be carried out for the project. Under the contract, the company is bound to carry out investments for USD51,828,515 within a term of 24 months from April 26, 2001, investment that has been fully completed.

As retribution for the electric energy transmission service, the company is remunerated through the total cost of transmission corresponding to the investment carried out annually, including costs of operation, maintenance, and others. Total transmission cost is set for a 12-month period, on May 1st of each year. During the term of the concession, it is adjusted every four years according to variation in the United States Finished Good Less Food and Energy index. The Peruvian State, through the Ministry of Mines and Energy –MEM–, guarantees that the Supervisory Organism of Investment in Energy and Mining –OSINERGMIN– will establish necessary tariff mechanisms and the corresponding values to ensure that the company's RAG will be paid in its entirety each year. After application of RAG, the company recognized in 2011 and 2010 revenues for energy transmission services of USD 11,358,646 and USD 11,013,184, respectively.

LICENSE CONTRACT OF INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA

On July 31, 2003, the corporation signed with the Superintendency of Electricity the license contract to construct, operate, maintain and administer the transmission lines at 230 kV, for a term of 30 years.

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As provided in the licensing contract signed between the company and the Superintendency of Electricity (today, Electricity Fiscal and Social Control Authority) remuneration of investment shall be carried out by electric wholesale market agents along a 30-year period, counting as of their commercial operation, divided in two 15-year periods, through monthly payments, as follows:

- During the first 15-year period, annual transmission cost is made up of annual investment cost, plus annual operation, maintenance, and administration costs –OM&A–.
- During the second 15-year period, annual transmission cost is equal to annual OM&A costs.

In turn, the license contract for Arboleda Substation establishes remuneration of the investment, amortization and annual transmission cost during the 30 year period.

CONCESSION CONTRACT OF INTERNEXA IN PERU

On October 2 of 2007, the company subscribed with the Peruvian Government a concession contract for provision of non-switched national and international long-distance carrier services as approved by Ministry Resolution N° 325-2007-MTC/03. Concession term is 20 years from the date of contract subscription.

The company's telecommunications activities are carried out according to the laws and rules that regulate the telecommunications sector and

are supervised by the Supervisory Organism of Private Investment in Telecommunications.

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 8, 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 N° 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 N° 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, in order to promote efficiency and tariff changes in accordance with specific ruling to be issued by ANEEL.

Lot C - LT Porto Velho - Jauru

Lot C refers to the third circuit of the transmission line at 230 kV between Jauru (Mato Grosso) and Porto Velho (Rondônia), totaling 987 km. Línea

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Verde Transmissora de Energia S.A. was established on July 2 of 2009 to exploit the line. On May 19 of 2010, Linha Verde officially requested, together with ANEEL, the transfer of the shares controlled by CTEEP to Abengoa Concesiones Brasil Holding S.A. Estimated investment for this project stands at BRL380 million, and Permitted Annual Income –RAP– at BRL4.7 million. The company's shareholding is 25.5%.

Lot D - LT Porto Velho – Rio Branco

Lot D refers to the second circuit of the transmission line at 230 kV between Porto Velho (Rondônia), Abunã and Rio Branco (Acre), totaling 487 km. Rio Branco Transmissora de Energia S.A. was established on July 2 of 2009 to exploit the line. As on the date of quarterly reports, CTEEP has not made the contribution corresponding to its capital participation in Rio Branco. Estimated investment for that project stands at BRL210 million, and Permitted Annual Income –RAP– at BRL24.4 million. The company's shareholding is 25.5%.

Lot Y – LT Jauru – Cuiabá and Jauru Substation

This lot refers to the 500 kV transmission line between Jauru and Cuiabá (Mato Grosso), totaling 348 km., and Jauru Substation, at 500/230 kV. Transmissora Matogrossense de Energia S.A. was incorporated on July 2 of 2009 to exploit these installations. On May 14 of 2010, CTEEP transferred its shares in Matogrossense to the company Mavi Ingeniería y Construcciones Ltda.

Law 001/2011

On June 10, 2011, through ANEEL Law N° 001/2011, in a public session

at BM&FBOVESPA, CTEEP, jointly with CHESF, established Extremoz consortium, acquiring Lot A, made up by the following transmission lines: Ceará - Mirim - João Câmara II, at 500 Kv (64 km); Ceará-Mirim – Campina Grande III, at 500 Kv (201 km); Ceará - Mirim - Extremoz II, at 230 kV (26 km); Campina Grande III - Campina Grande II, (8,5 km); and João Câmara II 500 kV substation, Campina Grande III 500/230 kV substation, and Ceará - Mirim 500/230 kV substation.

The project's estimated investment is BRL622.0 million. The company's shareholding is 51%; commissioning is projected for August 2013.

Law 004/2011

On September 2, 2011, through ANEEL Law N° 004/2011, in public session at BM&FBOVESPA, CTEEP acquired Lot K independently and Lot L through Garanhuns Consortium, in association with CHESF.

Lot K refers to the 345/88 kV Itapeti substation, new switchyard at 88kV. This project will be part of Subsidiaria Pinheiros (100% CTEEP) and has an estimated investment of BRL73 million. Commissioning of the project is scheduled for September of 2013.

Lot L refers to the 500 kV Luiz Gonzaga – Garanhuns transmission line (224 km); the 500 kV Garanhuns Pau Ferro transmission line (239 km); the 500 kV Campina Grande – Garanhuns transmission line (190 km); the 500 kV Garanhuns – Angelim I transmission line (13 km); the 500/230 kV Garanhuns substation (200 MVA) and the 500 kV Pau Ferro substation new switchyard at 500 kV. This project has an estimated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

investment of BRL942 million and Permitted Annual Income –RAP–of BRL68.9 million.

The company's shareholding is 51%; commissioning is projected for July 2014.

INTERVIAL CHILE S. A. CONCESSIONAIRES

Ruta del Maipo (formerly, Autopistas del Maipo)

Supreme Decree N° 859 of June 30 of 1998 of the Ministry of Public Works, published in the Official Gazette on August 31 of 1998, awarded to the bidding consortium made up of Cintra Chile S.A. (today, INTERVIAL CHILE S. A.), Infraestructura 2000 S.A., and Inversiones Golf Center S.A., the concession contract "International Concession Ruta 5 Santiago Talca Segment and Santiago South Access", to execute, maintain, and exploit the fiscal public works comprised between km. 29.014 and 219.490 of Ruta 5 Sur, including works corresponding to Santiago Southern entrance comprised between km. 0.000 and 46.586, as well as the works corresponding to the Rancagua by-pass comprised between km. 66.760 and 94.829.

Original concession term was 300 months, starting on September 12, 1999.

Amendments to the concession agreement:

Supplementary agreement N° 4 –MDI– was subscribed on July 8, 2003; the concession term became flexible, according to advance of the Total Guaranteed Revenues established in that agreement.

Supplementary agreement N° 5 was signed on September 2, 2004, regulating, among other minor matters, form of payment of the indemnity granted by the Arbitration Commission regarding claim for delayed start-up of lateral road toll collection posts filed by the Company.

Supplementary agreement N° 6 was subscribed on June 14, 2006, regulating payment of indemnity by MOP to the concessionaire, upon acceptance of the conciliation base proposed by the Arbitration Commission regarding claim of higher construction costs, for a total payable amount agreed of MUF1,600 plus interest, in five yearly installments starting in 2007 via issue of DGOP Resolutions, which are transferable, unconditional, and irrevocable.

Supplementary agreement N° 7 was subscribed on February 1, 2008. Among other things, the agreement commits the Concessionaire Company to carrying out works and investments for UF1,439,000, with the MOP committed to compensating its construction, maintenance, and operation costs through payment of 5 yearly installments. Among other matters, the agreement regulates form of payment of those works with an order for immediate implementation, under DGOP Resolution (E) N° 3989 of November 24, 2006, DGOP Resolution (E) N° 78 of January 15, 2007, DGOP Resolution (E) N° 3251 of September 28, 2006, and DGOP Resolution (E) N° 2442 of July 30, 2007. Additionally, the agreement regulates the modifications established in DGOP Resolution (E) N° 2554 of August 8, 2007, as well as the partial commissioning of Santiago South Access with collection of road toll tariffs.

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Through DGOP Resolution (E) N° 2239, implemented on August 10, 2010, the MOP modified the characteristics of the works, and set a new timetable for implementation of the Inter-operation Tele-toll System.

Ad-Referendum Agreement N° 1 of Autopista del Maipo (currently, Ruta del Maipo) was published in the Official Gazette on December 2, 2010; the agreement involves investments stipulated in DGOP Resolutions N° 1062 and DGOP N° 5333, with the minor works, fast delivery services, and the casino mitigation works studio standing out. Additionally, the first UF85,000 installment was invoiced and paid.

Ad-Referendum Agreement N° 2 of Autopista del Maipo (currently, Ruta del Maipo), was published in the Official Gazette on January 29, 2011; the agreement involves investments stipulated in DGOP Resolutions N° 2992 and DGOP N° 3873 and Supreme Decrees DS N° 130 and DS N° 318, with the Regulatory Safety Improvement engineering studies and the new Puente Maipo standing out. Additionally, in January of 2011, the MOP invoiced and paid the amount of UF69,371, representing total investment, with those costs that accrue annually as the only pending costs (electric consumption).

Ad-Referendum Agreement N° 3 of Autopista del Maipo (currently, Ruta del Maipo), was published in the Official Gazette on January 8, 2011; the agreement involves the investments stipulated in DGOP Resolution N° 4759, with Santiago South Access works, acoustic screens, and an upgrade of the subterranean tunnel, standing out. Also, in January of 2011, the amount of UF334,533, representing total investment, was invoiced and paid by the MOP.

At December 31 of 2010, the total length of Ruta 5 and Santiago south access is under exploitation.

Ruta de la Araucanía

Supreme Decree N° 443 of April 20, 1998 of the Ministry of Public Works, published in the Official Gazette on July 8, 1998, awarded the concession contract “International Concession Ruta 5 Collipulli Temuco Segment”, to execute, maintain, and exploit the fiscal public works comprised between km. 574.177 and 718.335 of Ruta 5 Sur, excluding sectors between km. 661,340 and 677,500 and between km. 714 and 718, including works corresponding to the Temuco by-pass.

Original concession term was 300 months, starting on March 17, 1999, six months after September 17, 1998, date when the awarding supreme decree was subscribed and formalized with Notary Public.

However, as a result of the subscription of supplementary agreement N° 4 –MDI– the concession term became flexible according to advance of the Total Guaranteed Revenues established in that agreement (see amendments to the concession contract).

Amendments to the concession agreement:

Supplementary agreement N° 1 was subscribed on October 2, 2000, anticipating construction of the Temuco by-pass, incorporating construction of a new Toll Plaza and environmental mitigation, as work added to the original contract.

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Supplementary agreement N° 2 was subscribed on January 25, 2001, incorporating new investments and additional services to the originally contracted project and stipulating anticipated commissioning of standard four-lane road of sector i) Collipulli - Cajón.

Supplementary agreement N° 3 was subscribed on January 30, 2002, incorporating new investments and additional services to the originally contracted project and stipulating anticipated commissioning of standard four-lane road of sector ii) Licanco - Gorbea.

Supplementary agreement N° 4, named Mecanismo de Distribución de Ingresos (Revenues Distribution Mechanism)–MDI–, was subscribed on November 7, 2003, guaranteeing total revenues along concession life at a current value, making the concession regime from fixed to variable until total guaranteed revenues of UF10,448,753 are reached, in exchange of total investment by the Concessionaire Company of up to UF836,122.

Supplementary agreement N° 5 was subscribed on June 16, 2006, regulating payment of indemnity by the MOP to the concessionaire, upon acceptance of the conciliation base proposed by the Arbitration Commission regarding claim of higher construction expenses amounting to MUF220 plus interest.

Ad-Referendum Agreement N° 1 of Ruta de la Araucanía, was published in the Official Gazette on November 17, 2010, pursuant to Supreme Decree N° 469, regarding Regulatory Safety Works Engineering Studies.

Also, the amount of UF3,926, constituting total investment, was invoiced and paid.

Ad-Referendum Agreement N° 2 of Ruta de la Araucanía was published in the Official Gazette on November 17, 2010, regarding the investments stipulated in DGOP Resolution 4896, for implementation of safety measures in truck service and parking areas. Also, in January, 2011, the amount of UF17,619 was invoiced and paid by the MOP, representing total investment, with only those costs that accrue yearly remaining pending (preservation, maintenance, operation and exploitation of works).

Ruta del Maule (formerly, Talca – Chillán)

Supreme Decree N° 21 of January 12, 1996 of the Ministry of Public Works, published in the Official Gazette on March 13, 1996, awarded the concession contract “International Concession Ruta 5 Talca-Chillán Segment”, to execute, maintain, and exploit the fiscal public works comprised between km. 219.49 and 412.80 (according to amendment to Supplementary Agreement N° 1)

Original concession term was 120 months, counting as of March 13, 1996, publication date in the Official Gazette of the Supreme Decree of Awarding of MOP N° 21, of January 12, 1996.

Signing of supplementary agreement N°4 resulted in the concession term extending until April of 2015.

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Finally, as a result of the subscription of supplementary agreement N° 5 –MDI– the concession term became flexible according to advance of the Total Guaranteed Revenues established in that agreement (see amendments to the concession contract).

Amendments to the concession agreement:

Supplementary agreement N° 1 was subscribed on May 8, 1998, stipulating, among others: new works for around current UF509,000, bank guarantees in favor of MOP for UF266,000, compensations for delayed commissioning of road toll collection posts, etc.

Supplementary agreement N° 2 was subscribed on October 6, 1998, establishing further works for road safety improvement, and establishing compensations for non-direct exploitation of road toll collection posts.

Supplementary agreement N° 3 was subscribed on October 3, 2000. This Agreement arose from diverse facts and circumstances after the celebration of the concession contract that led to loss of economic and financial balance of the contract, such as suspended operation of access toll plazas, a higher degree of demand on the works and services on the part of the MOP, the need for investment in new works, etc.

Supplementary agreement N° 4 was subscribed on October 10, 2001, establishing new investments to be made, with construction of a new by-pass to the city of Chillán, for a maximum of UF450,000, and expanding the concession term until April 13, 2015, among others, standing out.

Supplementary agreement N° 5 was subscribed on December 19, 2003, selecting the Mecanismo de Distribución de Ingresos (Revenues Distribution Mechanism)–MDI–, resulting in commitment to carrying out investments and expenditures for UF961,027, in exchange for Total Guaranteed Revenues of UF12,012,839.

Ad-Referendum Agreement N° 1 of Talca Chillán (currently, Ruta del Maule), was published in the Official Gazette on November 17, 2010, involving investments stipulated in Supreme Decree DS N° 317, mandating the Company to implement a series of regulatory safety engineering projects for the segment Talca –Chillán. Also, in January, 2011, the amount of UF22,240.88, representing total investment, was invoiced and paid by the MOP.

DGOP Resolution N° 3092, of July 9, 2009, was issued on August 11, 2009, mandating development of the Definitive Replacement Engineering Study of Puente Achibueno Oriente, as well as execution of investments related to replacement of that bridge, according to the engineering studies. Lump sum value of the study and related investment for replacement of the bridge is UF226,736.19.

Compensations related to these investments were established in Ad-Referendum Agreement N° 2 of January 27 of 2010. This agreement entered into force with its publication in the Official Gazette on November 17, 2010. The MOP already issued payment resolutions for the amount of the advances up to December 2010, plus the corresponding interest.

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Ruta del Bosque

Supreme Decree N° 443 of June 30, 1997 of the Ministry of Public Works, published in the Official Gazette on October 14, 1997, awarded the concession contract "International Concession Ruta 5 Chillán Collipulli Segment", to execute, maintain, and exploit the fiscal public works comprised between km. 413.640 and 573.760 of Ruta 5 Sur, now km. 412.800 and 573.760 of Ruta 5 Sur according to amendment to Supplementary Agreement N° 1.

Original concession term was 262 months; it was extended to 275 months through Supplementary Agreement N° 1, and then to 280 months through Supplementary Agreement N° 2, starting on June 10, 1998.

However, as a result of the subscription of Supplementary Agreement N° 3 –MDI– the concession term became flexible according to advance of the Total Guaranteed Revenues established in that agreement. (see amendments to the concession contract).

Amendments to the concession agreement:

Supplementary Agreement N° 1 was subscribed on October 30, 2000, to: modify the works, decide on new investments and services for the project, extend the northern limit of the concession, modify design and construction of the San Carlos de Purén By-pass, transfer axis in the Santa Clara sector, and modify the conditions that mandated Provisional Service Start-up of the road sector i) Rucapequén - Inicio By-Pass Los Ángeles.

Supplementary Agreement N° 2 was subscribed on December 21, 2001, introducing new investments and additional works to the original contract, especially in sector ii) Inicio By Pass Los Ángeles - Collipulli, to expand the construction stage and modify conditions to authorize provisional operating start-up of sector ii) Inicio By Pass Los Ángeles - Collipulli.

Supplementary agreement N°3, named Mecanismo de Distribución de Ingresos (Revenues Distribution Mechanism)–MDI–, was subscribed on April 7, 2004, guaranteeing total revenues along concession life at a current value, making the concession regime from fixed to variable until total guaranteed revenues of UF10,187,844 are reached, in exchange of total investment by the concessionaire company of up to UF658,998.34.

Through DGOP Resolution N° 2739 of August 29, 2007, the MOP mandated development of engineering projects for regulatory safety works. Compensations related to these investments were established in Ad-Referendum Agreement N° 1 of January 27 of 2010. Ad-Ref Agreement N° 1 was published in the Official Gazette on November 17 of 2010, and is related to the engineering projects of the future works of regulatory safety. Agreement stipulated value is UF13,162.62 plus interest up to payment date.

Through Resolution N° 2016 of June 3, 2009, the MOP ordered immediate development of the definitive engineering studies and works related to replacement of the Relbún Poniente, Itata Oriente and Bureo Oriente bridges. Compensations related to the investments were established in Ad-Referendum Agreement N° 2, signed on January 27, 2010. Ad-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Referendum Agreement N° 2 was published in the Official Gazette on November 17, 2010, related to construction of the Relbún, Itata and Bureo bridges for a total value of UF234,704.

Compensations derived from this Agreement will start being paid in 2011, including construction sales tax.

Ruta de los Ríos

Supreme Decree N° 758 of August 14, 1997 of the Ministry of Public Works, published in the Official Gazette on October 28, 1997, awarded bidding participant made up by Ferrovial Chile Ltda., CB Infraestructura S.A. and Empresa Constructora Delta S.A., the concession contract "International Concession Ruta 5 Temuco - Río Bueno Segment", to execute, maintain, and exploit the fiscal public works comprised between km. 718.30 and 890.00 of Ruta 5 Sur.

Original concession term is 300 months, counting from June 30 of 1998, six months after subscription and formalizing of the Supreme Decree before notary public. (see amendments to the concession contract)

Amendments to the concession agreement:

Supplementary Agreement N° 1, signed on October 31, 2000, mandated construction of a new works: a by-pass to the city of Lanco, construction of the Curaco Bridge, and diverse vertical signaling works.

Supplementary Agreement N° 2 was signed July 23, 2003, consisting basically of adjustment of balances of works and others with the Ministry of Public Works. This agreement involved no disbursement on the part of the Concessionaire.

Supplementary Agreement N° 3 was signed June 17, 2005, involving construction of the second lane of the Lanco by-pass, passes, and service roads, for a total amount of UF547,692, including all additional expenses related to construction. The MOP compensated the cost of the agreement in five yearly installments starting on March 31, 2006, through monthly DGOP resolutions.

Supplementary Agreement N° 4 was signed October 19, 2007, and it shall enter into force once it is formalized and published in the Official Gazette. This agreement involves construction of four minor lighting and maintenance works for walkway, access and passes to improve the work's services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: OPERATING COSTS

	2011	2010
Personnel expenses	312,685	268,753
Materials and maintenance	208,299	106,589
Cost of construction services for third parties	166	-
Taxes and contributions	277,909	150,045
Fees	6,629	4,782
Insurance	31,712	18,551
Rentals	16,951	14,253
Services	129,816	84,450
Advertising and publications	1,104	1,022
Miscellaneous	35,331	33,118
Total operating costs before depreciation, amortization and transfers	1,020,602	681,563
Depreciation	165,272	168,005
Amortization	404,724	265,246
Total depreciation, amortization and transfers	569,996	433,251
TOTAL OPERATING COSTS (1)	1,590,598	1,114,814

(1) For 2011, operating costs include costs for the whole year for INTERVIAL CHILE S. A. and its concessionaires for \$436,216, while for 2010, it only included costs for the three months following the acquisition (October to December) for \$64,321.

NOTE 22: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

	2011	2010
Personnel expenses	191,901	194,248
Materials and maintenance	10,953	10,605
Taxes and contributions	33,309	33,522
Fees	30,528	34,979
Insurance	9,230	8,890
Rentals	9,158	6,694
Services	10,195	11,828
Advertising and publications	5,212	4,097
Miscellaneous	49,267	52,349
Total administration expenses before depreciation, amortization and provisions	349,753	357,212
Depreciation	6,411	7,910
Amortization	164,632	126,285
Provisions	(1) 63,817	36,370
Total depreciation, amortization and provisions	234,860	170,565
TOTAL ADMINISTRATION EXPENSES	584,613	527,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (1) Includes provision for civil and fiscal contingencies of CTEEP for \$28,721 (2010: \$8,182), and of ISA for \$2,698 (2010: \$7,860), and provision for overhauls and replacements of REP \$19,230 (2010: \$18,877), Consorcio Transmantaro \$6,446 (2010: \$2,151) and ISA Perú \$549 (2010: \$0).

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2011 and 2010:

	2011	2010
Personnel expenses	504,586	463,001
Materials and maintenance	219,252	117,194
Cost of construction services for third parties concession	166	-
Taxes and contributions	311,218	183,567
Fees	37,157	39,761
Insurance	40,942	27,441
Rentals	26,109	20,947
Services	140,011	96,278
Advertising and publications	6,316	5,119
Miscellaneous	84,598	85,467
Total costs and expenses before depreciation, amortization and provisions	1,370,355	1,038,775
Depreciation	171,683	175,915
Amortization	569,356	391,531
Provisions	63,817	36,370

Total depreciation, amortization and provisions		804,856	603,816
TOTAL COSTS AND EXPENSES	(1)	2,175,211	1,642,591

- (1) Increase is explained mainly by \$390,204 of INTERVIAL CHILE S.A. and its concessionaires for the twelve months of 2011, while in 2010 in only included three months after the acquisition.

NOTE 23: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

	2011	2010
FINANCIAL REVENUES		
Interest		
On overdue accounts receivable and other loans	(1) 43,255	18,907
Investment valuations	(2) 120,790	65,992
Commercial, conditioned and agreed discounts	15,246	16,186
Monetary variation	9,611	17,761
TOTAL INTEREST	188,902	118,846
Exchange difference		
Cash	34,334	17,073
Accounts receivable	1,383	793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Investments abroad	2,663	5,610
Other assets	1,281	708
Accounts payable	7,305	32,321
Financial liabilities	121,073	154,097
TOTAL EXCHANGE DIFFERENCE	168,039	210,602

TOTAL FINANCIAL REVENUES	356,941	329,448
EXTRAORDINARY REVENUES		
Indemnities	5,611	533
Rentals	1,059	1,111
Recoveries	(3) 46,527	20,808
Revenue from prior years	(4) 57,964	6,771
Gain on sale of property, plant and equipment	791	492
Other	(5) 76,182	44,652
TOTAL EXTRAORDINARY REVENUES	188,134	74,367
TOTAL NON-OPERATING REVENUES	545,075	403,815

(1) Includes yields on accounts receivable for \$11,562, of which, CTEEP participates with \$10,280; yields on deposits and financial investments for \$27,757, of which, \$22,624 correspond to INTERVIAL CHILE S.A. and its concessionaires, \$2,005 to ISA and \$1,007 to XM; and monetary yields readjustment of ISA for \$2,320

(2) Variation corresponds specifically to valuation of the swap of INTERVIAL CHILE S. A. Maipo concessionaires for \$62,391.

(3) Variation corresponds mainly to recovery of provisions for civil and labor contingencies of \$15,539 of CTEEP and \$10,127 of ISA.

(4) Variation corresponds mainly to INTERVIAL CHILE S. A. and its concessionaires for \$41,380 resulting from recovery of deferred taxes of previous fiscal years, and \$9,319 of REP resulting from recovery of provision for workers benefits on income.

(5) Includes \$35,948 of CTEEP for amortization of remaining goodwill originated with Empresa Paulista de Transmisión de Energía – EPTÉ–, and \$36,286 of earnings on disposal of land.

Non-operating expenses for years ended December 31 included:

	2011	2010
FINANCIAL EXPENSES		
Interest and commissions		
On financial liabilities	(1) 216,808	49,754
Interest on bonds	(2) 429,657	273,581
Other interest	4,743	7,058
Commissions	(3) 28,592	84,773
Preferred shares dividends	-	-
Debt restructuring expenses	71,052	52,580
Administration of security issues	(4) 57,657	2,714
Loss from valuation and sale of investments	87,110	102,718
Miscellaneous	(5) 60,758	40,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TOTAL INTEREST AND COMMISSIONS	956,377	614,166
Exchange difference		
Assets	1,981	1,096
Investments	7,479	987
Accounts payable	4,224	12,102
Financial liabilities	142,337	126,073
TOTAL EXCHANGE DIFFERENCE	156,021	140,258
TOTAL FINANCIAL EXPENSES	1,112,398	754,424
OTHER EXPENSES		
Losses on casualties	94	-
Loss on retirement of assets	(6) 113,015	2,039
Other	6,808	8,827
Total extraordinary expenses	119,917	10,866
Prior years adjustments	19,478	54,998
TOTAL OTHER EXPENSES	139,395	65,864
TOTAL NON-OPERATING EXPENSES	1,251,793	820,288

(1) Increase includes \$94,395 of CTEEP resulting from higher debt hired for its expansion plan, and \$55,330 of INTERVIAL CHILE S.A. and its concessionaires for the twelve months of 2011, while in 2010 in only included three months after the acquisition.

(2) Increase is explained mainly by higher interest expense on bonds of the Chilean concessionaires for \$151,995 for the twelve months of 2011, while in 2010 in only included three months after the acquisition.

(3) Variation corresponds mainly to \$74,757 reduction in CTEEP, and to \$9,343 increase in INTERVIAL CHILE S. A. and its concessionaires of expenses for the full year of 2011.

(4) Variation corresponds mainly to \$54,694 of INTERVIAL CHILE S. A. and its concessionaires for amortization of debt issuance costs homologated in 2011 to deferred assets to be fully amortized during the term of the debt.

(5) Variation corresponds mainly to ISA Capital do Brasil and CTEEP for \$12,107 y \$7,808, respectively resulting from monetary variation.

(6) Variation generated basically in CTEEP for \$102,870 from application of ANEEL Resolution N° 367 of 2009 introducing the new Electric Sector Equity Control Manual, as a result of which, CTEEP carried out a physical inventory of all its physical assets and conducted necessary adjustments.

NOTE 24: FINANCIAL RATIOS

Some financial ratios at December 31:

RATIO	2011	2010
RETURN ON ASSETS		
Net income/Total assets (%)	1.26%	1.33%
RETURN ON EQUITY		
Net income / Equity (accounting income) (%)	5.24%	5.34%
EBITDA/operating interest (times)	4.68	7.81
EBITDA/ long-term debt (times)	0.38	0.35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RATIO	2011	2010
LIQUIDITY (%)		
Current assets/ current liabilities	69.10%	68.52%
DEBT (%)		
Liabilities / Assets	59.40%	54.80%
LEVERAGE (%)		
Liabilities / Equity	246.49%	219.57%

EBITDA/ OPERATING INTEREST (TIMES): Variation is explained mainly by the inclusion of twelve months of revenues and expenses of INTERVIAL CHILE S. A. and its concessionaires, and by the increase in operating costs.

DEBT RATIO: Increase is explained mainly by the higher debt and by the bonds issues of ISA and its companies.

LEVERAGE: Variation resulting from increased liabilities, especially debt.

NOTE 25: BYLAWS AMENDMENTS**ISA CAPITAL DO BRASIL S.A.**

The Special Shareholder's Meeting held on March 9 of 2010 approved, in the terms of the proposal of the Administration Council dated March 8 of 2010, the increase of the company's capital stock by BRL840,000, of which BRL420 was earmarked for capital stock and BRL839,580 was earmarked for the capital reserve account, through creation and issuance

of 415,691,162 redeemable preferred shares distributed in 13 classes, entitled to cumulative fixed dividend, which were subscribed and paid for on the same date; capital stock increases then from BRL839,778 to BRL840,198 divided into 1,256,316,162 shares. This same meeting approved reduction of mandatory dividend, which went from 25% to 1%, and the amendment to the company's bylaws.

In its meeting of March 10 of 2010, the Administration Council approved a new capital increase of the company, within the limit of its authorized capital, through issuance of 178,153,342 redeemable preferred shares distributed in 13 classes, entitled to cumulative fixed dividend, for a total value of BRL360,000, which was subscribed and paid for on the same date, and of which BRL180 was earmarked for capital stock and BRL359,820 was earmarked for the company's capital reserve account.

ISA INVERSIONES CHILE S.A.

ISA Inversiones Chile Ltda. acquired 60% of the shares held by Spanish Cintra Infraestructura S. A in Cintra Chile S. A. (today INTERVIAL CHILE); in December of 2011 it acquired the remaining 40% of shares, thus owning the totality of shares in INTERVIAL CHILE S.A.

NOTE 26: SUBSEQUENT EVENTS AND RELEVANT ISSUES**ISA**

- The claim for nullity and redress filed by ISA against CREG Resolution 106 of July 1 of 2010 and against CREG Resolution 078 of June 14,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2011 was admitted on January 19 of 2012. CREG Resolution 106 approves the basis of assets and parameters necessary to determine remuneration of ISA in the STN and CREG Resolution 078 of June 14 of 2011, decides ISA's appeal against CREG Resolution 106 of 2010, by Cundinamarca Administrative Appellate Court, First Section, Subsection B. Analysis of alternatives is underway to reduce or ameliorate the impact on ISA of the non-recognition of the Betania STN assets.

- With respect to the El Bosque transmission project, a meeting was held in January of 2012 between ISA and officers of Cartagena city's public administration, with the presence of officers from the National General Auditing Office and the Attorney General's Office, meeting where it was agreed that those electric expansion works aimed to avoid failures in the city's electric power supply by the end of this year, will include overhead cables in a sector of the Vía Perimetral.

ISA committed itself to: arranging for and obtaining the environmental license, installing overhead cables and simultaneously installing subterranean cables, with the year 2018 as the deadline, and assuming the total cost of this project.

- With respect to Autopistas de la Montaña project, on August 10, 2011, and in compliance with its contractual obligation, ISA delivered to Agencia Nacional de Infraestructura –ANI–the results

of the studies and designs subject matter of the First Stage of the Inter-administrative Contract or Evaluation Stage. ANI is currently in the process of reviewing those studies and designs; according to the terms of the contract, once reviewing is finished, the project's scope and construction schedule will be defined. At that moment, the second stage of the Inter-administrative Contract –pre-construction, construction, operation and maintenance– must start.

In order to analyze the macro-project's different aspects, work tables will be set, with the participation of different entities from both the National and Regional Government, and of course, ISA. Concerns associated to the Project are expected to be answered in May of 2012.

TRANSELCA

CREG issued Resolution N° 061 of 2011 setting 3.41% of VRN as the annual remuneration base value for recognition of AOM expenses. Such percentage can vary within a range of 1% to 3.81% depending on the expenses effectively demonstrated by TRANSELCA.

Since July of 2011, and upon conduction of necessary procedures, TRANSELCA is recognized 3.81% for AOM expenses on the basis of its actual expenses incurred in 2010. Before March 31, 2012, a report shall be submitted to the Superintendency of Domiciliary Public Utilities and to CREG updating the expenses incurred in 2011 in order to request updating of distribution percentage by XM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- TRANSELCA is negotiating with insurer DeLima Marsh claims for damages suffered by Sabanalarga and Cuestecita substations transformers during 2010. According to negotiations conducted up to the date of this report, TRANSELCA management considers that the indemnity may near \$4,000.

CTEEP

- The sixth issuance of promissory notes for BRL400 million, maturing January 5, 2013, took place on January 11, 2012. The fourth issue of promissory notes was paid on the same date.
- The Company paid dividends on January 30, 2012, leaving available interest on own capital approved in meeting of the Administration Council held on December 21, 2011
- Salto substation owned by Sierra do Japi started operations on January 18, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ABBREVIATIONS

ACOLGEN:	Asociación Colombiana de Generadores (Colombian Association of Generators)
ANEEL:	Agência Nacional de Energia Elétrica (Brazilian National Agency of Electric Energy)
ASIC:	Administración del Sistema de Intercambios Comerciales (Administration of the Commercial Settlement System)
BCIE:	Banco Centroamericano de Integración Económica (Central American Bank for Economic Integration)
IDB:	Inter American Development Bank
BRL:	Brazilian Real
CAN:	Comunidad Andina de Naciones (Andean Community of Nations)
CESP:	Compañía Energética de São Paulo (Brasil)
CFO:	Cable de Fibra Oscura (Dark Fiber)
CGN:	Contaduría General de la Nación (National General Accounting Office)
CIGRE:	International Council on Large Electric Systems
CND:	Centro Nacional de Despacho (National Dispatch Center)
COP:	Colombian Pesos
CRD:	Centro Regional de Despacho (Regional Dispatch Center)
CREG:	Comisión de Regulación de Energía y Gas (Energy and Gas Regulatory Commission)

CTES:	Energy Transmission Centers
CT:	Current Transformer
CVM:	Comissão de Valores Mobiliários (Brazil)
DECEVAL:	Depósito Centralizado de Valores de Colombia
DIAN:	Dirección de Impuestos y Aduanas Nacionales (Tax and Customs Authority)
DNP:	Dirección Nacional de Planeación (National Planning Department)
ECA:	Export Credit Agency
ECOPETROL:	Empresa Colombiana de Petróleos
EEB:	Empresa de Energía de Bogotá
ELETROBRÁS:	Centrales Eléctricas Brasileñas S.A. (Brazil)
ELETROPAULO:	Electropaulo Metropolitana Electricidad de São Paulo S.A.
EPM:	Empresas Públicas de Medellín E.S.P.
EPR:	Empresa Propietaria de la Red
EPSA:	Empresa de Energía del Pacífico
EPTE:	Compañía Paulista de Transmisión de Energía Eléctrica S.A. (Brazil)
ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
ETESUR:	Empresa de Transmisión Eléctrica del Sur S.A. (Peru)
FAER:	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Electrification of Interconnected Rural Areas)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FAZNI:	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Electrification of Non-Interconnected Rural Areas)
FOES:	Fondo de Energía Social (Energy Social Fund)
GMF:	Levy on Financial Transactions
HVDC:	High Voltage Direct Current
ICO:	Instituto de Crédito Oficial (Chile)
ISS:	Instituto de Seguros Sociales (Social Security Institute)
LAC:	Liquidación y Administración de Cuentas (Account Settling and Clearing)
LT:	Transmission Line
MEM:	Mercado de Energía Mayorista (Wholesale Energy Market)
MEM:	Ministry of Mines and Energy (Peru)
MOP:	Minister of Public Works (Chile)
NDF:	Non-Delivery Forward
IFRS:	International Financial Reporting Standards
OSINERGMIN:	Organismo Supervisor de la Inversión en Energía y Minería (Supervising Organism of Investment in Energy and Mining) (Peru)
PGE:	State Attorney General (Brazil)
PLP:	Power Line Carrier
PROINVERSION:	Promoción de la Inversión Privada del Perú (Peruvian Promotion of Private Investment)
PRONE:	Programa de Normalización de Redes Eléctricas (Network Standardization Program)

PT:	Power Transformer
RAG:	Guaranteed Annual Remuneration (Peru)
REP:	Red de Energía del Perú S.A.
RTU:	Remote Terminal Unit
SAC:	South American Crossing
SCI:	Fire System
SIIC:	Sistema de Intercambios Comerciales (Commercial Settlement System)
SIEPAC:	Sistema de Transmisión Eléctrica para América Central (Central American Electrical Interconnection System)
SID:	Atmospheric Discharge Information System
SINAC:	National Interconnected System (Peru)
SSPD:	Superintendency of Domiciliary Public Utilities
STE:	Servicio de Transporte de Energía (Energy Transport Service)
STN:	Sistema de Transmisión Nacional (National Transmission System)
UNE:	Une Telecomunicaciones S.A. E.S.P.
UPME:	Unidad de Planeación Minero Energética (Mining and Energy Planning Unit)
USD:	United States Dollar
VQ:	Voltage Quality

STATUTORY AUDITOR'S REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS OF ISA



ISA FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continue to next page

	NOTES	DECEMBER 2011	DECEMBER 2010
ASSETS			
Activo corriente			
Cash	(5)	34,813	3,330
Marketable investments	(5)	122,360	84,257
Accounts receivable – net	(7)	676,306	318,410
Inventories – net	(8)	9,815	2,519
Deferred charges and other assets	(10)	76,640	100,333
TOTAL CURRENT ASSETS		919,934	508,849
Non-current assets			
Long-term investments – net	(6)	3,002,573	3,112,762
Long-term accounts receivable	(7)	9,444	13,224
Inventories – net	(8)	52,069	55,853
Property, plant and equipment – net	(9)	2,349,813	2,414,732
Deferred charges and other assets	(10)	365,528	344,573
Reappraisals	(11)	2,685,472	2,583,387
TOTAL NON-CURRENT ASSETS		8,464,899	8,524,531
TOTAL ASSETS		9,384,833	9,033,380
Memorandum accounts			
Debit	(20)	3,054,688	3,250,484
Credit	(20)	1,610,569	2,161,077

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

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	NOTES	DECEMBER 2011	DECEMBER 2010
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Outstanding bonds	(12)	-	230,000
Financial liabilities	(13)	150,458	35,259
Accounts payable	(15)	360,002	173,929
Labor liabilities	(16)	6,945	6,456
Accrued liabilities and estimated provisions	(17)	42,720	92,306
Other liabilities	(18)	12,847	12,907
TOTAL CURRENT LIABILITIES		572,972	550,857
Non-current liabilities			
Outstanding bonds	(12)	1,101,365	801,365
Financial liabilities	(13)	323,576	427,891
Related parties	(13)	265,121	264,437
Accounts payable	(15)	150,487	64,220
Labor liabilities	(16)	1,487	1,334
Accrued liabilities and estimated provisions	(17)	131,993	134,942
Other liabilities	(18)	441,489	348,638
TOTAL NON-CURRENT LIABILITIES		2,415,518	2,042,827
TOTAL LIABILITIES		2,988,490	2,593,684

MENU ▲

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page

	NOTES	DECEMBER 2011	DECEMBER 2010
Equity	(19)		
Subscribed and paid share capital		36,916	36,916
Capital surplus		1,445,509	1,445,509
Reserves		795,990	642,614
Revaluation surplus		2,685,472	2,583,387
Surplus from equity method		680,035	815,529
Equity revaluation		415,645	571,845
Net income		336,776	343,896
TOTAL SHAREHOLDERS' EQUITY		6,396,343	6,439,696
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,384,833	9,033,380
Memorandum accounts			
Credit	(20)	1,610,569	2,161,077
Debit	(20)	3,054,688	3,250,484

See accompanying notes to Financial Statements.



Luis Fernando Alarcón M.
Chief Executive Officer



John Bayron Arango V.
Chief Accounting Officer
T.P. No. 34420-T



Alba Lucía Guzmán L.
Statutory Auditor
T.P. 35265-T
(See attached report of February 15, 2012)
Designated by Ernst & Young Audit Ltda. TR-530

MENU ▲

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS, EXCEPT FOR NET INCOME PER SHARE THAT IS EXPRESSED IN COLOMBIAN PESOS)

Continue to next page

	NOTES	DECEMBER 2011	DECEMBER 2010
OPERATING REVENUES			
	(21)		
Electric energy transmission services		833,063	801,552
Connection charges		97,679	89,655
Infrastructure projects		26,057	16,859
Telecommunications		16,991	15,484
Other operating revenues		22,898	18,421
TOTAL OPERATING REVENUES		996,688	941,971
OPERATING COSTS AND EXPENSES			
Operating costs	(22)	411,888	359,479
Administration expenses	(23)	106,149	109,884
TOTAL OPERATING COSTS AND EXPENSES		518,037	469,363
OPERATING INCOME		478,651	472,608
NON-OPERATING REVENUES (EXPENSES)			
Non-operating revenues	(24)	211,327	183,093
Non-operating expenses	(24)	(230,685)	(203,168)
NON-OPERATING LOSS		(19,358)	(20,075)

MENU ▲

ISA FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS, EXCEPT FOR NET INCOME PER SHARE THAT IS EXPRESSED IN COLOMBIAN PESOS)

Continued from previous page

	NOTES	DECEMBER 2011	DECEMBER 2010
INCOME BEFORE TAXES		459,293	452,533
Income tax provision	(17.2)	122,517	108,637
NET INCOME		336,776	343,896
NET INCOME PER SHARE		304.04	310.47

See accompanying notes to Financial Statements.

Luis Fernando Alarcón M.
Chief Executive Officer

John Bayron Arango V.
Chief Accounting Officer
T.P. No. 34420-T

Alba Lucía Guzmán L.
Statutory Auditor
T.P. 35265-T
(See attached report of February 15, 2012)
Designated by Ernst & Young Audit Ltda. TR-530

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS, EXCEPT SHARE PAR VALUE THAT IS EXPRESSED IN PESOS)

	CAPITAL SURPLUS				RESERVES										
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Total	Legal	For tax purposes mandatory	For repurchase of shares	For reinforcement of equity	For rehabilitation and replacement of STN assets	Total	Net income	Equity revaluation	Surplus from equity method	Revaluation surplus	Total
Balances at December 31, 2009	36,916	1,428,128	17,381	1,445,509	17,934	240,550	38,100	170,946	37,435	504,965	314,878	592,019	819,909	2,405,688	6,119,884
Transfers approved by the Shareholders' Meeting					525	83,509		53,615		137,649	(137,649)				-
Dividends declared at \$160 per share on 1,107,677,894 outstanding shares payable in four quarterly installments in April, July and October of 2010, and January of 2011											(177,229)				(177,229)
Equity tax												(20,174)			(20,174)
Increase in surplus from equity method													(4,380)		(4,380)
Increase in re-appraisals of the year														177,699	177,699
Net income at December of 2010											343,896				343,896
Balances at December 31, 2010	36,916	1,428,128	17,381	1,445,509	18,459	324,059	38,100	224,561	37,435	642,614	343,896	571,845	815,529	2,583,387	6,439,696
Transfers approved by the Shareholders' Meeting						83,785		69,591		153,376	(153,376)				-
Dividends declared at \$172 per share on 1,107,677,894 outstanding shares payable in four quarterly installments in April, July and October of 2011, and January of 2012											(190,520)				(190,520)
Variation in equity revaluation												(156,200)			(156,200)
Increase in surplus from equity method													(135,494)		(135,494)
Increase in re-appraisals of the year														102,085	102,085
Net income at December of 2011											336,776				336,776
Balances at December 31, 2011	36,916	1,428,128	17,381	1,445,509	18,459	407,844	38,100	294,152	37,435	795,990	336,776	415,645	680,035	2,685,472	6,396,343

See accompanying notes to Financial Statements



Luis Fernando Alarcón M.
Chief Executive Officer



John Bayron Arango V.
Chief Accounting Officer
T.P. No. 34420-T



Alba Lucía Guzmán L.
Statutory Auditor
T.P. 35265-T
(See attached report of February 15, 2012)
Designated by Ernst & Young Audit Ltda. TR-530

MENU ▲

ISA FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CASH FLOWS
 DECEMBER 2011 - DECEMBER 2010
 (IN MILLIONS OF COLOMBIAN PESOS)

Continue to next page

	2011	2010
CASH FLOW FROM OPERATION ACTIVITIES:		
Net income	336,776	343,896
Add (less) – Adjustments to reconcile net income to net cash provided by operation activities:		
Depreciation of property, plant and equipment	108,669	108,003
Amortization of deferred charges and other assets	6,928	6,676
Amortization of retirement pensions and fringe benefits	10,767	24,281
Allowance for doubtful accounts	910	1,099
Provision for inventory protection	3,082	-
Recovery of provisions for investments	(2,267)	2,070
Income tax provision	122,517	108,637
Loss on retirement of property, plant and equipment	2,727	771
Exchange difference revenue	(13,329)	(985)
Income from equity method	(62,204)	(94,229)
Interest and commissions accrued	103,442	114,449
		614,668
Changes in operating assets and liabilities:		
Accounts receivable	(390,221)	(94,624)
Inventories	(6,594)	130
Deferred charges and other assets	23,693	(16,521)
Accounts payable	436,129	291,371

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CASH FLOWS
 DECEMBER 2011 - DECEMBER 2010
 (IN MILLIONS OF COLOMBIAN PESOS)

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	2011	2010
Labor liabilities	642	(385)
Accrued liabilities and estimated provisions	(167,584)	(133,779)
Other liabilities	45,520	82,346
Cash flow in other operations:		
Payment of retirement pensions	(13,027)	(13,464)
Payment of taxes and contributions	(253,368)	(268,545)
NET CASH PROVIDED BY OPERATION ACTIVITIES	293,208	461,197
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Acquisition of long-term investments	(4,840)	(699,590)
Dividends received	76,989	54,060
Sale of property, plant and equipment	-	2,413
Acquisition of property, plant and equipment	(46,569)	(89,502)
Additions to deferred charges and other assets	(57,429)	(1,157)
NET CASH USED IN INVESTMENT ACTIVITIES	(31,849)	(733,776)
CASH FLOW FROM FINANCING ACTIVITIES:		
Interest received in cash	1,704	1,498
Interest paid in cash	(103,678)	(105,831)
Dividends paid	(187,198)	(173,796)

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ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CASH FLOWS
 DECEMBER 2011 - DECEMBER 2010
 (IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page

	2011	2010
Increase in financial liabilities	284,432	224,455
Bond issues	300,000	-
Payment of financial liabilities	(258,109)	(171,736)
Payment of bonds	(230,000)	-
Decrease in hedging operations	-	394
Decrease in related parties loans	1,076	-
NET CASH USED IN FINANCING ACTIVITIES	(191,773)	(225,016)
INCREASE IN CASH AND CASH EQUIVALENTS – NET	69,586	(497,595)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	87,587	585,182
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	157,173	87,587

See accompanying notes to Financial Statements.


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ISA FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETS

DECEMBER 2011- DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS)

Continue to next page

ITEM	NOTES	2011			2010		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
ASSETS							
Cash		122	-	122	117	-	117
Deposits in financial institutions		34,691	-	34,691	3,213	-	3,213
Cash	(5)	34,813	-	34,813	3,330	-	3,330
Liquidity management investments in debt securities		47,516	-	47,516	81,343	-	81,343
Liquidity management investments in equity securities		74,844	-	74,844	2,914	-	2,914
Equity investments in non-controlled entities		-	24,745	24,745	-	26,810	26,810
Equity investments in controlled companies		-	2,987,863	2,987,863	-	3,098,254	3,098,254
Provision for investment protection (cr)		-	(10,035)	(10,035)	-	(12,302)	(12,302)
Investments and derivatives	(5) y (6)	122,360	3,002,573	3,124,933	84,257	3,112,762	3,197,019
Services rendered		4,204	-	4,204	6,749	-	6,749
Public utilities		171,687	-	171,687	164,454	2,449	166,903
Advances and pre-payments		6,228	-	6,228	3,469	-	3,469
Advances or credit balances for taxes and contributions		16,727	-	16,727	3,765	-	3,765
Funds given under administration		188,022	-	188,022	88,659	-	88,659
Deposits as guarantees		239	-	239	651	-	651
Other accounts receivable		289,012	9,444	298,456	50,475	10,775	61,250
Doubtful accounts receivable		11,051	-	11,051	10,142	-	10,142
Provision for accounts receivable (cr)		(10,864)	-	(10,864)	(9,954)	-	(9,954)
Accounts receivable	(7)	676,306	9,444	685,750	318,410	13,224	331,634
Materials to render services		2,926	54,783	57,709	2,519	61,312	63,831
In transit		6,889	-	6,889	-	-	-
Provision for inventory protection (cr)		-	(2,714)	(2,714)	-	(5,459)	(5,459)
Inventories	(8)	9,815	52,069	61,884	2,519	55,853	58,372
Land		-	19,665	19,665	-	19,665	19,665
Constructions in progress		-	43,503	43,503	-	17,403	17,403
Machinery, plant and equipment in assembly		-	10,451	10,451	-	9,119	9,119
Un-exploited property, plant and equipment		-	10,377	10,377	-	10,377	10,377
Buildings		-	92,900	92,900	-	89,098	89,098
Plants, ducts and tunnels		-	1,519,226	1,519,226	-	1,524,859	1,524,859
Networks, lines and cables		-	2,148,796	2,148,796	-	2,146,339	2,146,339

ISA FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETSDECEMBER 2011- DECEMBER 2010
(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page and continue to next page

ITEM	NOTES	2011			2010		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
Machinery and equipment		-	43,379	43,379	-	37,134	37,134
Furniture, fixtures and office equipment		-	13,540	13,540	-	13,044	13,044
Computer and communications equipment		-	25,451	25,451	-	24,272	24,272
Transport, traction and lifting equipment		-	1,845	1,845	-	1,845	1,845
Investment property		-	3,532	3,532	-	3,532	3,532
Accumulated depreciation (cr)		-	(1,573,875)	(1,573,875)	-	(1,472,764)	(1,472,764)
Allowance for protection of property, plant and equipment (cr)		-	(8,977)	(8,977)	-	(9,191)	(9,191)
Property, plant and equipment	(9)	-	2,349,813	2,349,813	-	2,414,732	2,414,732
Prepaid assets and services		6,514	-	6,514	5,777	-	5,777
Deferred charges		70,126	51,293	121,419	94,556	25,125	119,681
Works and improvements in others' property		-	384	384	-	461	461
Assets in possession of third parties		-	3,383	3,383	-	3,383	3,383
Accumulated amortization of assets in possession of third parties (cr)		-	(567)	(567)	-	(537)	(537)
Trust rights		-	2,564	2,564	-	1,184	1,184
Intangibles		-	392,080	392,080	-	401,254	401,254
Intangibles' accumulated amortization (cr)		-	(83,609)	(83,609)	-	(86,297)	(86,297)
Reappraisals	(11)	-	2,685,472	2,685,472	-	2,583,387	2,583,387
Other assets	(10)	76,640	3,051,000	3,127,640	100,333	2,927,960	3,028,293
TOTAL ASSETS		919,934	8,464,899	9,384,833	508,849	8,524,531	9,033,380
LIABILITIES							
Short-term public credit domestic operations	(12)	60,000	-	60,000	-	-	-
Long-term public credit domestic operations	(12)	53,000	1,391,797	1,444,797	230,000	1,159,698	1,389,698
Long-term public credit foreign operations	(13)	37,458	33,144	70,602	35,259	69,558	104,817
Public credit operations and central bank financing		150,458	1,424,941	1,575,399	265,259	1,229,256	1,494,515
Long-term domestic financing operations		-	218,885	218,885	-	218,884	218,884
Long-term foreign financing operations		-	46,236	46,236	-	45,553	45,553
Financing and derivatives operations	(13)	-	265,121	265,121	-	264,437	264,437
Acquisition of national assets and services		41,636	-	41,636	21,574	-	21,574
Acquisition of foreign assets and services		7,572	-	7,572	849	-	849
Interest payable		25,629	51,131	76,760	21,787	44,067	65,854
Creditors		51,664	-	51,664	47,195	-	47,195
Withholding and stamp tax		4,496	-	4,496	4,067	-	4,067

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETSDECEMBER 2011- DECEMBER 2010
(IN MILLIONS OF COLOMBIAN PESOS)

Continued from previous page and continue to next page

ITEM	NOTES	2011			2010		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
LIABILITIES							
Taxes, imposts and duties payable		40,802	78,099	118,901	3,688	-	3,688
Value added tax - VAT		872	-	872	1,472	-	1,472
Advances and pre-payments received		-	21,257	21,257	-	20,153	20,153
Funds received under administration		187,331	-	187,331	73,297	-	73,297
Accounts payable	(15)	360,002	150,487	510,489	173,929	64,220	238,149
Salaries and labor benefits		6,586	1,487	8,073	6,097	1,334	7,431
Pensions and fringe benefits		359	-	359	359	-	359
Labor and social security liabilities	(16)	6,945	1,487	8,432	6,456	1,334	7,790
Provision for fiscal liabilities		90	-	90	36,134	-	36,134
Provision for contingencies		28,427	-	28,427	36,773	-	36,773
Provision for labor benefits		4,007	-	4,007	746	-	746
Provision for pensions		-	84,817	84,817	-	86,830	86,830
Miscellaneous provisions		10,196	47,176	57,372	18,653	48,112	66,765
Estimated liabilities	(17)	42,720	131,993	174,713	92,306	134,942	227,248
Collections for third parties		197	-	197	10	-	10
Advance revenues		12,650	-	12,650	12,897	-	12,897
Deferred credits		-	441,489	441,489	-	348,638	348,638
Other liabilities	(18)	12,847	441,489	454,336	12,907	348,638	361,545
TOTAL LIABILITIES		572,972	2,415,518	2,988,490	550,857	2,042,827	2,593,684
Institutional equity							
Subscribed and paid share capital		-	36,916	36,916	-	36,916	36,916
Additional paid-in capital		-	1,428,128	1,428,128	-	1,428,128	1,428,128
Reserves		-	795,990	795,990	-	642,614	642,614
Year's results		-	336,776	336,776	-	343,896	343,896
Surplus from gifts		-	17,381	17,381	-	17,381	17,381
Revaluation surplus		-	2,685,472	2,685,472	-	2,583,387	2,583,387
Surplus from equity method		-	680,035	680,035	-	815,529	815,529
Equity revaluation		-	415,645	415,645	-	571,845	571,845
TOTAL INSTITUTIONAL EQUITY	(19)	-	6,396,343	6,396,343	-	6,439,696	6,439,696
LIABILITIES + EQUITY		572,972	8,811,861	9,384,833	550,857	8,482,523	9,033,380

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ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETSDECEMBER 2011- DECEMBER 2010
(IN MILLIONS OF COLOMBIAN PESOS)*Continued from previous page*

ITEM	NOTES	2011			2010		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
Memorandum accounts	(20)						
Contingent rights			24,355	24,355		42,792	42,792
Fiscal debit accounts			3,030,333	3,030,333		3,207,692	3,207,692
Debit accounts (cr)			3,054,688	3,054,688		3,250,484	3,250,484
Contingent liabilities			306,248	306,248		947,883	947,883
Fiscal credit accounts			142,274	142,274		160,650	160,650
Control credit accounts			1,162,047	1,162,047		1,052,544	1,052,544
Credit accounts (cr)			1,610,569	1,610,569		2,161,077	2,161,077

Luis Fernando Alarcón M.
Chief Executive Officer

John Bayron Arango V.
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T.P. No. 34420-T

Alba Lucía Guzmán L.
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T.P. 35265-T

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ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS, EXCEPT FOR NET INCOME PER SHARE THAT IS EXPRESSED IN COLOMBIAN PESOS)

Continúa página siguiente

	NOTES	2011	2010
Energy service		935,402	891,289
Other services		66,118	50,814
Returns, rebates and discounts in sale of services (db)		(4,832)	(132)
Sale of services	(21)	996,688	941,971
Wages and salaries		30,408	27,598
Contributions charged		16,428	27,191
Actual contributions		10,730	9,575
Contributions on payroll		1,004	903
General		34,354	25,533
Taxes, imposts and duties		679	637
Administration expenses	(23)	93,603	91,437
Allowance for protection of investments		225	2,493
Provision for accounts receivable		909	2,025
Provision for inventory protection		3,082	-
Provision for contingencies		2,698	7,860
Depreciation of property, plant and equipment		1,081	1,475
Amortization of intangible assets		4,551	4,594
Provisions, depreciation and amortization	(23)	12,546	18,447
Public utilities		373,986	333,351
Other services		37,902	26,128

MENU ▲

ISA FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS, EXCEPT FOR NET INCOME PER SHARE THAT IS EXPRESSED IN COLOMBIAN PESOS)

*Viene de la página anterior
y continúa página siguiente*

	NOTES	2011	2010
Cost of sales of services	(22)	411,888	359,479
TOTAL OPERATING COSTS AND EXPENSES		518,037	469,363
OPERATING INCOME		478,651	472,608
Financial revenues		14,008	38,251
Exchange difference adjustment		28,942	25,381
Income from equity method		147,660	110,137
Other regular revenues		735	1,036
Extraordinary revenues		17,167	3,520
Prior years adjustment		2,815	4,768
Other revenues	(24)	211,327	183,093
Interest		116,768	116,690
Commissions		349	514
Exchange difference adjustment		15,619	21,803
Financial expenses		8,320	42,556
Loss from equity method		85,455	15,908
Other regular expenses		2,783	3,008
Extraordinary expenses		2	-
Prior years adjustment		1,389	2,689

ISA FINANCIAL STATEMENTS

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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(IN MILLIONS OF COLOMBIAN PESOS, EXCEPT FOR NET INCOME PER SHARE THAT IS EXPRESSED IN COLOMBIAN PESOS)

	NOTES	2011	2010
Other expenses	(24)	230,685	203,168
NON-OPERATING INCOME		(19,358)	(20,075)
INCOME BEFORE TAXES		459,293	452,533
Provision for fiscal liabilities	(17,2)	122,517	108,637
NET INCOME		336,776	343,896
NET INCOME PER SHARE		304.04	310.47



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NOTES TO THE FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

(Amounts expressed in millions of Colombian Pesos and original currencies)

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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 N° 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 Interconnected System.
4. The administration of the financial settlement system and commercialization of energy in the wholesale energy market.

MENU ▲

NOTES TO THE FINANCIAL STATEMENTS

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.

BRANCHES

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. 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

ISA established a branch in Argentina on January 24, 2007. 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. This branch is not in commercial operation.

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

NOTES TO THE FINANCIAL STATEMENTS

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, for its Spanish initials–, 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 accounting 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 defined by the Colombian General Accounting Office –CGN–, the accounting regulations issued by the Superintendency of Domiciliary Public Utilities –SSPD, for its Spanish initials– 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, as amended, through which the Public Accounting Regime was implemented in order to harmonize its provisions with the criteria established by international accounting standards.

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

NOTES TO THE FINANCIAL STATEMENTS

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 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 that approximate their value to 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.

As of application of the Public Accounting Regime, for matters of their valuation, the Company's investments 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 policy 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, are initially recorded at cost and are updated monthly through methodology issued by 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.

NOTES TO THE FINANCIAL STATEMENTS

INVESTMENTS WITH POLICIES PURPOSE

Investments with policies 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 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 and its amendments. Under the

equity method investments in subsidiaries are recognized at cost and subsequently adjusted as follows:

- Credit or charge to the investment's cost equal to the participation of the Company in profits and losses of the subsidiary, with a matching entry in the income statement.
- 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, except when originated in equity variations from translation effect.
- 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 intrinsic value and book value of the investment recorded on equity basis is:

- Positive, re-appraisal of assets is increased, and the revaluation surplus included in the equity accounts is credited.
- Negative, re-appraisal of assets is decreased with a charge to revaluation surplus until its exhaustion. Any additional deficit is recognized in the income statement as a loss.

NOTES TO THE FINANCIAL STATEMENTS

Investments in subordinated companies abroad are recorded on the basis of their financial statements at December 31 of each year, translated into Colombian pesos, using the United States dollar as functional currency, applying the provisions of International Accounting Standard 21. For the translation of the Financial Statements the following is taken into account: Balance sheet items are calculated using the closing exchange rate; income statement items are calculated using the accumulated average exchange rate for each month closing; net effect with respect to closing rate is recognized as translation adjustment.

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

For the debts of companies subject to reorganization or under liquidation, the provision for accounts receivable must be adjusted to one hundred percent (100%) of nonperforming accounts receivable, regardless of provision recorded for debt age.

3.5 INVENTORIES

Inventories are recorded at cost, and at end of the year, through a provision charged to the income statement, are reduced to their sale value, if it is lower than their book value. 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 associated to acquisition and construction of assets not in operational conditions and,

NOTES TO THE FINANCIAL STATEMENTS

- b. Until year 2000, includes inflation adjustments on costs, excluding capitalized exchange differences 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.

Definition of components of the Energy Transmission System:

A component of a fixed asset is an element that can be regarded as a part of another asset, but due to its own features, because of the function it serves, and the type of strategies or activities developed along its technical service life, can be treated as an independent asset.

Materials with high inventory turnover shall not be classified as fixed assets.

Based on CIGRE (International Council of Large Electric Systems) reference statistics and ISA's experience in terms of transmission grid, the average useful life of transmission lines is estimated at a maximum of 63 years.

According to evaluation of the Company's buildings, their useful life was determined to be 100 years.

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 / COMPONENT	USEFUL LIFE
Transmission lines	63
Buildings	100
Fiber optics	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
SUBSTATION COMPONENTS	
Lines (Substations' grounding nets)	63
Power transformer	40
PT	38
Breaker	32
CT	30
Lightning arrester	30
Diesel plant	30
SVC reactors	30
Main breaker	30
Reactor	27
Mobile substation	25
FS	20
Battery bank	15

NOTES TO THE FINANCIAL STATEMENTS

ASSET / COMPONENT	USEFUL LIFE
Charger	15
SAS component	15
Condensers	15
SVC condensers	15
Series compensation control	15
SVC control	15
Converter	15
Inverter	15
Telephone exchange	15
PLC	15
Sequence of events recorder	15
Protection relays	15
RTU	15
LIS	15
Teleprotection	15
SVC thiristor valve	15
VQ	15

Maintenance expenditures of these assets are charged to the Income Statement, while improvements and additions are added to their costs, since they increase useful life, expand productive capacity and operational efficiency, improve service quality, and permit significant cost reduction.

Repairs required because of attacks to the electric infrastructure are recorded as expenses in the period when the attacks occur and do

not increase the useful life originally assigned to the assets. Due to the difficulties to insure this type or risk, 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, easements, bond underwriting commissions, legal stability agreement premium, 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. Goodwill, bond underwriting commissions, legal stability

NOTES TO THE FINANCIAL STATEMENTS

agreement premium, 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.

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 to execute the project and when the project is intended for internal purposes, except when, contractually, the Company has guaranteed their economic benefit, in which case the procedure will be as stated in number (1) of Note 10.

Useful life of intangibles can be indefinite or finite. It is indefinite when there is no foreseeable limit for the period in which the asset is expected to generate future economic benefits; it is finite when the period during which economic benefits or service potential will be received can be estimated (see note 10).

3.8 RE-APPRAISALS

Re-appraisals that are part of equity include:

- 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).

- 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 as temporary differences that result in the accrual of deferred tax, among others, the one resulting from inflation adjustments recognized only for tax effects on depreciable fixed assets, since these generated a greater fiscal revenue from monetary correction in the period of adjustment, increasing the

NOTES TO THE FINANCIAL STATEMENTS

payable income tax recoverable during the following years as the fixed assets are depreciated (See Notes 10 and 17.2).

Starting 2010, the Company records deferred tax on exchange difference of investments abroad.

3.10 OBLIGACIONES LABORALES

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, applicable to each particular entity, and counted from the actuarial estimate closing date. For ISA, maximum time provided for by accounting regulation is 30 years starting on December 31, 1994.

Regarding the methodology to amortize benefits and aids, the Company amortizes 100% of actuarial 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 weighted average number of outstanding shares during the year 1,107,677,894 shares for years 2011 and 2010.

3.12 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the financial statements at Friday, December 31, 2010 were reclassified to conform to the presentation of the financial statements for 2011.

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 REVENUE, COSTS AND EXPENSES

Revenue, costs and expenses are recorded on an accrual basis. Revenue from service provision is recognized during the contractual period or when services are rendered. Amounts received to remunerate recovery of investments in UPME, as well as usage rights not accrued because their respective costs have not been incurred or because the related services

NOTES TO THE FINANCIAL STATEMENTS

have not been rendered yet, are recognized as deferred revenues. This deferred revenue is amortized over the periods along which it accrues.

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 in such periods. The actual result of certain items may differ from such estimates.

3.16 OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2011 and 2010, no operating or administrative limitations or deficiencies were found that would significantly affect the normal accounting processes, or the consistency and reliability of the accounting figures.

3.17 CONTINGENCIES

Contingent conditions may exist on the date of issue of the Financial Statements that can result in a loss for the Company; they will only be solved in the future upon the occurrence of one or several facts and they 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.

NOTES TO THE FINANCIAL STATEMENTS

II. SPECIFIC NOTES

NOTA 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 Banco de la República (Colombia) or, by the State banks in the countries where the Company carries out transactions. The exchange rates used for preparation of the financial statements at December 31, 2011 and 2010, expressed in Colombian pesos, were as follows:

CURRENCY	CODE	2011	2010
US Dollar	USD	1,942.70	1,913.98
Euro	EUR	2,522.20	2,567.99
Nuevo sol	PEN	720.31	681.62
Boliviano	BS	279.12	274.59
Brazilian Real	BRL	1,035.66	1,148.71
Chilean Peso	CLP	3.74	4.09

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

	2011	2010
ASSETS		
Current assets		
CASH AND MARKETABLE INVESTMENTS	13,119	168
Accounts receivable	151,628	6,868
Total current assets	164,747	7,036
Non-current assets		
Foreign currency investments	1,081,957	1,171,810
Total non-current assets	1,081,957	1,171,810
TOTAL ASSETS	1,246,704	1,178,846
LIABILITIES		
Current liabilities		
Current portion of financial liabilities	19,281	36,342
Accounts payable	9,599	3,088
Total current liabilities	28,880	39,430
Long-term liabilities	17,061	142,422
Related parties	23,800	23,800
Accounts payable	-	53
Total non-current liabilities	40,861	166,275
TOTAL LIABILITIES	69,741	205,705
NET ASSET MONETARY POSITION	1,176,963	973,141

With respect to foreign-currency liabilities, for 2011 and 2010, the Company had no hedging operations contracted.

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:

	2011	2010
Financial revenues (See Note 24)	28,941	25,382
Financial expenses (See Note 24)	(15,620)	(21,804)
TOTAL EXCHANGE DIFFERENCE NET	13,321	3,578

In 2011, financial liabilities generated \$25,186 exchange difference revenue (2010: \$13,803) and \$9,747 exchange difference expense (2010: \$13,092).

NOTA 5: CASH AND MARKETABLE INVESTMENTS

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Cash and marketable investments on December 31 included:

ACCOUNT	2011	2010	2011 RATE	2010 RATE
Cash				
Cash and deposits in banks (1)	34,813	3,330	3.86% (COP)	3.46% (COP)
TOTAL CASH	34,813	3,330		
Marketable investments				
CDs, bonds and securities (2)	13,236	71,598	3.97% (COP)	2.83% (COP)
Other fixed-income investments (3)	34,280	9,745	6.32% (COP)	3.32% (COP)
Trusts (4)	74,844	2,914	3.33% (COP)	3.20% (COP)
TOTAL MARKETABLE INVESTMENTS	122,360	84,257		
TOTAL CASH AND MARKETABLE INVESTMENTS	157,173	87,587		

(1) (4) Variation is explained mainly by funds coming from the bond issue made by the company by late 2011.

(2) Includes CDs \$10,831 (2010: \$24,822), bonds and private securities \$2,504 (2010: \$46,776).

(3) Includes TES invested through the investment trust portfolio of the risk retention fund administered by Fiducolumbia S.A. plus time-deposit investments.

NOTES TO THE FINANCIAL STATEMENTS

NOTA 6: EQUITY INVESTMENTS – NET

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS

Below are a description of the corporate purpose and other relevant information of the affiliate companies with which the equity method was applied as well as other significant investments:

TRANSELCA S.A. E.S.P.

TRANSELCA is a mixed-ownership utility with main offices in the city of Barranquilla. It was incorporated on July 6, 1998 and is engaged in the provision of energy transmission services, coordination and control of the Regional Dispatch Center and connection to the National Transmission System. The corporation's term is indefinite.

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%; consequently it has control over it.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

ISA Perú is a Peruvian corporation with main offices in the city of Lima. It was incorporated on February 16, 2001 and its main activities are the transmission of electric energy and the operation and maintenance of transmission grids. The corporation's term is indefinite. ISA owns 28.07% of the capital stock of ISA Perú, and indirectly, through TRANSELCA, 54.85%; in this way ISA controls ISA Perú.

RED DE ENERGÍA DEL PERÚ S.A. –REP–

REP is a Peruvian corporation with main offices in the city of Lima. It was incorporated on July 3, 2002. The corporation's term is indefinite. REP provides services of electric power transmission, ancillary services such as operation and maintenance of energy transmission and transport facilities, and specialized technical services. ISA owns 30% of the capital stock of ISA Perú, and additional 30% indirectly through TRANSELCA, thus controlling ISA Perú.

CONSORCIO TRANSMANTARO S.A. –CTM–

Transmantaro is a Peruvian corporation with main offices in the city of Lima. It was established in January of 1998. Since December 13, 2006, ISA directly owns 60% of Transmantaro's capital stock. The term is indefinite and its main activities are the transport of electric energy as well as the provision of operation and maintenance services for different facilities.

In August of 2010, Consorcio Transmantaro won bidding to develop 110-km electric transmission grid in Junin Province, central Peru. The project includes installation of a 220 kV, single circuit transmission line, approximately 110 km long, with 180 MVA nominal capacity between the Pomacocha and Carhuamayo substations, plus expansion of the Carhuamayo and Pomacocha substations.

Additionally, in November of 2010, Consorcio Transmantaro won international public bidding to develop an approximately 204-km electric transmission line between Cusco and Apurimac.

NOTES TO THE FINANCIAL STATEMENTS

The term of both concessions will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing.

In March of 2011, ISA was granted a public international bid to develop a 304 km, 550 kV energy transmission line between the Lambayeque and Libertad regions in Northern Peru. The contract was granted to Transmantaro, and it will have 30 years validity as of the moment it enters operation, estimated to be 30 months upon signing of concession contract.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

ISA Bolivia is a Bolivian corporation with main offices in the city of Santa Cruz de la Sierra. It was incorporated on July 14, 2003. Its term is indefinite and its main activities are the transmission of electric energy and the construction, operation and maintenance of approximately 588 km of transmission grids. ISA owns directly 51.00% of capital stock, and indirectly, through TRANSELCA and INTERNEXA, 48.99% and 0.01%, respectively; it has therefore, control over this company.

ISA CAPITAL DO BRASIL S.A.

ISA Capital do Brasil S.A. is a Brazilian corporation with main offices in the city of São Paulo. It was established as investment vehicle on April 28, 2006. 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. The corporation's term is indefinite.

In March of 2010, ISA Capital do Brasil S.A. made a public offer to repurchase international bonds maturing in 2017, repurchasing 91.06% of the issue for USD322.3 million, thus remaining USD31.7 million outstanding. The USD200 million tranche was 100% repurchased in February of 2010, exercising the call option foreseen in corresponding prospectus. Debt restructuring process was conducted through issuance of BRL 1,200,000 million in preferred stock, meaning that ISA reduced its participation in ISA Capital do Brasil to 58.60% of its capital stock and keeps control of 99.99% of common shares.

Participation of ISA Capital do Brasil in CTEEP went up from 37.6% in 2010 to 37.81% in 2011, by means of capitalization of amortized goodwill and purchase of 63,146 common shares of CTEEP.

COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA -CTEEP-

Located in the State of São Paulo, CTEEP is a public corporation authorized to work as a concessionaire of the electric energy service. The term of the corporation is indefinite; 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.

CTEEP has stock participation in the following corporations, whose corporate purpose is exploitation of the concession of electric power transmission service:

NOTES TO THE FINANCIAL STATEMENTS

- **INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A. -IENNE-:** Brazilian corporation with main offices in the city of São Paulo established on December 3, 2007. The term of the concession is 30 years. CTEEP has shared control and 25.00% stake in this concern. It started commercial operation in December 2010.
- **INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A. -IEMG-:** Brazilian corporation with main offices in the city of São Paulo established on December 13, 2006. Concession term is 30 years, and in 2011, CTEEP purchased the remaining 40% of this company, thus holding 100% participation in it. It started commercial operation in 2009.
- **INTERLIGAÇÃO ELÉTRICA SUL S.A. -IESUL-:** Brazilian corporation with main offices in the city of São Paulo, established on July 23, 2008. Concession duration is 30 years, with CTEEP holding 50.1% of the company's shares, and thus shared control. The new Santa Rita – Scharlau transmission line and the Scharlau substation entered commercial operation in December of 2010. The Forquilha substation entered operation in October of 2011.
- **INTERLIGAÇÃO ELÉTRICA DO MADEIRA S.A. -IEMADEIRA-:** Brazilian corporation with main offices in the city of São Paulo established on December 18, 2008. Concession term is 30 years, with CTEEP holding 51.00% of shares, as well as shared control of this company. The IEMADEIRA facilities have not yet started commercial operation.
- **INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A. -IE PINHEIROS-:** Brazilian corporation with main offices in the city of São Paulo. It was incorporated on July 22, 2008. Concession term is 30 years; holding 99.99% of shares, CTEEP controls the company. The Araras substation entered operation in September of 2010. The Getulina, Mirassol II and Piratininga II substations started operation in March, April, and December of 2011, respectively. The Atibaia II and Itapeti substations are scheduled to enter operation in the second quarter of 2012 and third quarter of 2013, respectively.
- **INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI S.A. -SERRA DO JAPI-:** Brazilian corporation with main offices in the city of São Paulo. It was incorporated on June 1, 2009. The term of the concession is 30 years. CTEEP owns 99.99% and exercises control. The Salto substation will enter commercial operation in January of 2012, and the Jandira substation is scheduled to enter operation the first quarter of the same year.
- **INTERLIGAÇÃO ELÉTRICA GARANHUNS S.A. -IE GARANHUNS-:** Brazilian corporation with main offices in the city of Recife, Pernambuco State. It was incorporated on October 07, 2011. The term is 30 years; its main activity is the exploitation of concessions of transmission services delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, lines, substations, control centers and respective infrastructure. CTEEP has 51% shareholding. Start of operations of IE GARANHUNS is expected for 2014.

NOTES TO THE FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ S.A. -ICP-

ICP is a corporation with main offices in Panama City. It was established on May 14, 2007 and its term is indefinite. 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. This corporation is not in commercial operation yet.

Along 2011, ISA made capitalizations in ICP worth USD751,000 (\$1,398). Capitalizations along the year 2010 stood at USD1,441,000 (\$2,837).

INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ S.A.S. E.S.P.

ICP S.A.S. is a corporation with main offices in Medellín. It was incorporated on February 4, 2010. 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. ISA owns 50.00% of authorized capital, thus exercising shared control. This corporation is not in commercial operation yet.

INVESTMENTS IN THE ROADS CONCESSIONS BUSINESS UNIT

ISA INVERSIONES CHILE LTDA.

Corporation with main offices in the city of Santiago de Chile. It was established on February 22, 2010 and its main activity is the long-term

investment for profit in any type of real and personal property, including participation in other legal entities and associations of any type. ISA has 99.99% participation in ISA Inversiones Chile Ltda. and through it it acquired 60% of the shares held by Spanish Cintra Infraestructura S.A in Cintra Chile S.A. (today INTERVIAL CHILE); in December of 2011 it acquired the remaining 40% of shares, thus owning the totality of shares in INTERVIAL CHILE.

- **INTERVIAL CHILE S.A.** It starts activities under the name Ferrovial Chile in 1996 after being awarded concession for the Talca - Chilán (TACHI) route. ISA, through its investment vehicle ISA Inversiones Chile, owns 100% shareholding in INTERVIAL CHILE.

Since 1996, INTERVIAL CHILE has been the leading player in interurban road concessions, controlling, operating and administering 907 km of Ruta 5 Sur through its concessionaires: Ruta del Maipo, Ruta del Maule, Ruta del Bosque, Ruta de la Araucanía and Ruta de los Ríos.

The purpose of the concessionaires is the design, construction, maintenance, exploitation and operation under concession of five road corridors:

- **RUTA DEL MAIPO SOCIEDAD CONCESIONARIA S.A.:** Corporation established on October 30, 1998 with main offices in the Los Condes borough, metropolitan Santiago. The 237 km road was opened to traffic in December of 2004. The concession has variable term according to the Revenue Distribution Mechanism

NOTES TO THE FINANCIAL STATEMENTS

-MDI, for its Spanish initials- INTERVIAL CHILE S.A. owns 99.9999% shareholding in this corporation.

■ **RUTA DEL MAULE SOCIEDAD CONCESIONARIA S.A.:** Chilean corporation established on April 10, 1996 with main offices in the city of Santiago de Chile. The purpose of the corporation is the design, construction, maintenance, exploitation and operation under concession of Ruta 5, Talca - Chillán Segment. The 193 km road was opened to traffic in 2000. The concession has variable term according to the Revenue Distribution Mechanism -MDI, for its Spanish initials-. INTERVIAL CHILE S.A. owns 99.9993% shareholding in this corporation.

■ **RUTA DEL BOSQUE SOCIEDAD CONCESIONARIA S.A.:** Chilean corporation established on November 26, 1997 with main offices in the city of Santiago de Chile. The road is 161 km long and the concession has variable term according to the Revenue Distribution Mechanism -MDI, for its Spanish initials-. INTERVIAL CHILE S. A. owns 99.9909% shareholding in this corporation.

■ **RUTA DE LA ARAUCANÍA SOCIEDAD CONCESIONARIA S.A.:** Corporation established on September 04, 1998 with main offices in the Los Condes borough, metropolitan Santiago. The 144-km road was opened to traffic in September of 2003. The concession has variable term according to the Revenue Distribution Mechanism -MDI, for its Spanish initials- INTERVIAL CHILE S. A. owns 99.99994% shareholding in this corporation.

■ **RUTA DE LOS RÍOS SOCIEDAD CONCESIONARIA S.A.:** Corporation established on December 17, 1997 with main offices in the Los Condes borough, metropolitan Santiago. The 172 km road was opened to traffic in August of 2003. The concession has definite term ending in 2023 INTERVIAL CHILE S.A. owns 74.99% shareholding in this corporation.

AUTOPISTAS DE LA MONTAÑA S.A.S.

Corporation established on January 18, 2011 with main offices in Medellín and Interconexión Eléctrica S.A. E.S.P. –ISA– as sole shareholder. This corporation may carry out any activity both in Colombia and abroad, especially those related to:

- Developing engineering-related activities.
- Operating and maintaining road transport infrastructure.
- Providing services to road transport infrastructure users.
- Promoting and structuring road infrastructure projects.

This corporation is not in commercial operation yet.

INVESTMENTS IN THE INTELLIGENT MANAGEMENT OF REAL-TIME SYSTEMS BUSINESS UNIT

XM, COMPAÑÍA DE EXPERTOS EN MERCADOS S.A. E.S.P.

XM is a Colombian mixed-ownership utility with main offices in Medellín. It was established on September 1, 2005 and operations began on October 1 of same year. The corporation's term is indefinite and its purpose is the operation planning and coordination of the resources of the

NOTES TO THE FINANCIAL STATEMENTS

National Interconnected System, the administration of the Commercial Settlement System in the wholesale energy market, as well as the settling and clearing of charges for use of the National Interconnected System's grids, the administration of financial derivative markets with electric energy and gas as underlying asset, including compensation systems, the planning, design, optimization, commissioning, operation, administration and management of goods and services markets requiring the development of information systems or technological platforms that involve value added information exchange, the operation of tolls control centers, the planning and operation of supervision, control and management of transport mobility systems both nationally and internationally and of mass transport integrated systems, among others. ISA directly owns 99.73% of capital stock of XM.

XM has participation in the following corporations:

- **CÁMARA DE RIESGO CENTRAL DE CONTRAPARTE DE COLOMBIA S.A. -CRCC-**: Corporation established on October 3, 2007, whose corporate purpose is the provision of settling services as operations central counterparty, in order to reduce or abolish default risks of obligations derived from them. XM owns 6.25% shareholding in this corporation.
- **DERIVEX**: Corporation established on June 2, 2010, whose purpose is the negotiation and recording of operations with financial derivatives that meet the definition of security included in paragraphs 3 and 4 of Article 2 of Law 964 of 2005 and have electric energy, gas, fuel and other energy commodities as underlying assets. XM owns 49.95% stake at this corporation.

- **SISTEMAS INTELIGENTES EN RED S.A.S.**: Incorporated on August 10 of 2011, this company has as its corporate purpose the planning, design, optimization, commissioning, operation, management of goods and services markets requiring development of information systems and technological platforms that involve information exchange with value added, operation of road toll collection centers, as well as planning and operation of supervision, control and management of traffic mobility systems, both domestic and international, and also integrated mass transport systems. XM owns 85% of this company's capital stock, while ISA holds the remaining 15%.

INVESTMENTS IN THE CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

PROYECTOS DE INFRAESTRUCTURA DEL PERÚ S.A.C. -PDI-

PDI is a Peruvian corporation with main offices in the city of Lima. It was established on November 15, 2007 with indefinite term. 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 2008. ISA has control and owns directly 99.97%, plus 0.03% indirectly through TRANSELCA S.A.

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

INTERNEXA S.A.

INTERNEXA is a Colombian company with main offices in Medellín. It was incorporated on January 4, 2000, with indefinite term. Its corporate

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purpose is the organization, administration, commercialization and rendering of telecommunications services. It is currently engaged in development and promotion of the telecommunications transport business locally and internationally. ISA has control over this company and owns, directly, 99.27% of capital stock.

In October of 2011, INTERNEXA S.A. E.S.P. changed its corporate name, due to the fact that, pursuant to Law 1341 of 2009, articles 55 and 73, telecommunications sector companies will no longer be subject to the domiciliary public utilities regime (Law 142 of 1994), and as a consequence, it must eliminate the abbreviation "E.S.P." from its corporate name.

INTERNEXA S.A. has participation in the following corporations:

- **TRANSNEXA:** Corporation established in 2002. Its corporate purpose is 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. INTERNEXA S.A. owns 50% shareholding in this corporation.
- **INTERNEXA Perú:** Corporation established in 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 laws and regulations applicable in Peru. It can also carry out all kinds of supplementary activities, and in general, any telecommunications service including

administration of telecommunications networks. INTERNEXA S.A. owns 99.99% shareholding in this corporation.

- **INTERNEXA Chile:** On November 27 of 2009, INTERNEXA S.A. purchased from CMET Telecomunicaciones S.A., 90% of shares of Comunicaciones Intermedias S.A. with main offices in the city of Santiago, Chile. Its corporate purpose is the installation, operation, exploitation, organization, administration, commercialization and delivery of every type of telecommunications services.
- **INTERNEXA Argentina:** INTERNEXA S.A., purchased TRANSAMERICAN TELECOMMUNICATIONS S.A. –TTSA–, a corporation whose corporate purpose is to carry out on its own name or for third parties or in association with third parties, import, export, production and trading of all kinds of pieces, devices and instruments dedicated to telecommunications as well as to servicing them. The corporation has one single telecommunications services license. This corporation is not in commercial operation yet.
- **INTERNEXA PARTICIPAÇÕES S.A.:** Corporation established on July 23, 2008 whose 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, consortia and commercial initiatives of any kind. INTERNEXA S.A. owns 99.99% shareholding in this corporation.

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This corporation is not in commercial operation yet.

INTERNEXA Participações S.A., in turn, owns 99.99% shareholding in INTERNEXA Brasil Operadora de Telecomunicações S.A.

■ INTERNEXA BRASIL OPERADORA DE TELECOMUNICAÇÕES

S.A.: Incorporated on January 4 of 2010, this Company's corporate purpose consists of the following activities:

- Exploration, delivery, organization, administration, and trading of telecommunications and general communications services, according to regulation in force.
- Development of activities ancillary to telecommunications services, such as operation, maintenance, planning, construction, development and administration of telecommunications networks, and delivery of consulting and support services to businesses in the telecommunications sector; and
- Participation, as partner or shareholder, in other corporations, consortia and commercial initiatives related to its corporate purpose.

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. As of December 31, 2011 and 2010, the investment is represented by nine shares equivalent to 0.00069% participation.

EMPRESA PROPIETARIA DE LA RED -EPR-

EPR is a Panamanian corporation with main offices in San Jose de Costa Rica. Established in 1998 it 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. ISA owns 6,500 common shares equivalent to 11,11% participation. This company has already begun operation in some of the line segments.

ELECTRIFICADORA DEL CARIBE S.A. E.S.P. ELECTRICARIBE

ELECTRICARIBE is the company that delivers electric energy distribution and trading services in the Colombian Caribbean. ISA has 0.48072666% participation. These shares were received by ISA as payment.

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

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
INVESTMENTS IN SHARES		
TRANSELCA S.A. E.S.P.	759,379	733,101
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,210	23,201
INTERNEXA S.A. (1)	107,310	113,824
FEN S.A.	3	3
ELECTRICARIBE S.A. E.S.P. (2)	12,114	12,114
Sistemas Inteligentes en Red S.A.S. –SIR– (3)	214	-
Autopistas de la Montaña S.A.S (4)	955	-
Total in Colombia	903,185	882,243
REP S.A.	130,278	116,313
ISA Perú S.A.	14,171	13,544
Consorcio Transmantaro S.A.	302,666	277,867
Proyectos de Infraestructura de Perú S.A.C. –PDI–	13,851	6,880
ISA Bolivia S.A. (5)	21,806	22,085
ISA Inversiones Chile Ltda (6)	484,858	590,938
ISA Capital Do Brasil (7)	1,125,200	1,197,825
Interconexión Eléctrica Colombia – Panamá S.A. –ICP– (8)	3,965	2,676
Empresa Propietaria de la Red S.A. –EPR– (9)	12,628	14,693
Total abroad	2,109,423	2,242,821
Total investments in shares	3,012,608	3,125,064
Long-term investment allowance (10)	(10,035)	(12,302)
Total long-term investments	3,002,573	3,112,762

- (1) Reduction is accounted for by the fiscal period's losses, mainly losses in the affiliates.
- (2) Corresponds to shares received as payment.
- (3) Company incorporated in August of 2011, with \$114 contribution, and \$517 additional paid-in capital. XM owns 85% of this company's capital stock, while ISA holds the remaining 15%.
- (4) Incorporated in January of 2011 with \$1,000 contribution, this company is currently in pre-operating stage.
- (5) Along the year 2011, ISA Bolivia paid ISA, dividends for USD2,471,616.93, equivalent to \$4,645 and containing a component of inflation adjustments showing in its financial statements prepared under Bolivian standards.
- (6) Mainly accounted for by loss of \$77,905 stemming from deferred taxes and financial expenses in Chilean concessionaires.
- (7) Reduction is basically explained by the conversion effect of the financial statements from reais to Colombian pesos; as of December of 2011 and 2010, the exchange rate was \$1,035.66 and \$1,148.71 to the real, respectively.
- (8) Along 2011, ISA made contributions worth USD751,000 (\$1,398).
- (9) Variation arises from the exchange difference.
- (10) Provision on ELECTRICARIBE investments \$2,291 (2010: \$2,066), ISA Bolivia S.A., \$2,045 (2010: \$2,045), Proyectos de Infraestructura del Perú S.A.C. –PDI–, \$238 (2010: \$238), Consorcio Transmantaro S.A., \$5,459 (2010: \$5,459), EPR \$0 (2010: \$2,492).

NOTES TO THE FINANCIAL STATEMENTS

Starting 2010, as provided by Resolution 193 of July of 2010 of the CGN, the Company records under equity the exchange difference of equity entries resulting from translation of investments abroad.

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The following table includes financial information of the affiliates and subsidiaries with which ISA applies the equity method:

2011							
Company	ISA Participation		Financial information				
	Shares	%	Assets	Liabilities	Equity	Income (Loss)	
ISA Capital do Brasil (1)	840,624,995	58.6000	2,879,888	1,752,203	1,127,685	48,587	
TRANSELCA S.A. E.S.P.	1,809,679,227	99.9967	1,278,871	519,466	759,405	56,481	
REP S.A.	21,648,000	30.0000	1,024,651	588,325	436,326	40,411	
Consorcio Transmantaro S.A.	348,428,555	60.0000	1,202,356	705,247	497,109	34,514	
ISA Inversiones Chile Ltda. (2)		99.9998	901,457	420,684	480,772	(79,888)	
INTERNEXA S.A.	34,302,597	99.2745	295,500	187,406	108,094	(3,955)	
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99.7303	255,004	231,731	23,272	282	
ISA Bolivia S.A.	95,638	51.0100	121,520	82,295	39,226	(1,104)	
ISA Perú S.A.	18,586,446	28.0723	91,611	40,799	50,812	9,294	
Proyectos de Infraestructura del Perú S.A.C. -PDI-	299,901	99.9700	84,764	70,795	13,969	6,852	
Interconexión Eléctrica Colombia Panamá S.A. -ICP-	1,936	50.0000	9,117	1,265	7,852	(1,513)	
Sistemas Inteligentes en Red -SIR-	113,850	15.0000	1,649	220	1,429	153	
Autopistas de la Montaña S.A.S.	1,000,000	100.0000	1,299	344	955	(45)	

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2010						
Company	ISA Participation		Financial information			
	Shares	%	Assets	Liabilities	Equity	Income (Loss)
ISA Capital do Brasil (1)	840,624,995	58.6000	3,175,384	2,722,262	453,122	20,745
TRANSELCA S.A. E.S.P.	1,809,679,227	99.9967	1,237,039	503,914	733,125	41,882
REP S.A.	21,648,000	30.0000	830,115	442,089	388,026	37,178
Consorcio Transmantaro S.A.	348,428,555	60.0000	764,250	309,999	454,251	28,053
ISA Inversiones Chile Ltda. (2)		99.9998	591,276	222	591,054	13,490
INTERNEXA S.A. E.S.P.	34,302,597	99.2745	290,326	175,671	114,655	(12,128)
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99.7303	216,394	193,130	23,264	848
ISA Bolivia S.A.	95,638	51.0000	127,664	88,267	39,397	(6,460)
ISA Perú S.A.	18,586,446	28.0723	95,656	47,329	48,327	8,894
Proyectos de Infraestructura del Perú S.A.C. -PDI-	299,901	99.9670	58,681	52,014	6,667	2,695
Interconexión Eléctrica Colombia Panamá S.A. -ICP-	1,936	50.0000	4,760	105	4,655	975

(1) Liabilities include \$402,529 (2010: \$418,501) to be paid to Secretaría de Fazenda, Gobierno de Brasil, as payment commitment for the difference between the purchase price of the shares of CTEEP and pension payments established in Law 4819/58, in case CTEEP is exonerated. ISA owns 58.60% of ISA Capital do Brasil's capital stock, and holds 99.99% of common shares.

(2) Capital contributions from ISA to ISA Inversiones Chile are divided into corporate rights.

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NOTES TO THE 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.

		2011	2010
INCOME FROM EQUITY METHOD	(1)		
TRANSELCA S.A. E.S.P.	(2)	56,479	41,880
INTERNEXA S.A.	(3)	(3,927)	(12,040)
XM, Compañía de Expertos en Mercados S.A. E.S.P.		282	846
Autopistas de la Montaña S.A.S		(44)	-
Sistemas Inteligentes de la Red S.A.S. –SIR–		23	-
TOTAL IN COLOMBIA		52,813	30,686
ISA Capital Do Brasil S.A.	(4)	48,587	20,745
Consorcio Transmantaro S.A.		20,708	16,832
REP S.A.	(5)	12,123	11,153
ISA Bolivia S.A.		(839)	(3,380)
ISA Perú S.A.		2,609	2,496
Proyectos de Infraestructura del Perú S.A.C. –PDI–		6,848	2,694
ISA Inversiones Chile Ltda.	(6)	(79,888)	13,490
Interconexión Eléctrica Colombia Panamá S.A. –ICP–		(756)	(487)
TOTAL ABROAD		9,392	63,543
Net income from equity method		62,205	94,229

- (1) To record the equity method, revenues and expenses resulting from reciprocal transactions are deleted in the affiliates. (See Note 26).
- (2) Income accounted for by higher revenues from connection.
- (3) Income reduction is explained by results in the affiliates, especially INTERNEXA Chile.
- (4) Income increase arises mainly from accrual of deferred tax on fiscal losses.
- (5) Higher income from recovery of provisions related to participation of workers in previous years' income.
- (6) For the year 2010, it only included three months. In 2011, the variation is explained by higher financial expenses and exchange difference.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

	2011	2010
CUSTOMERS		
Electric energy transmission services	166,981	161,152
Telecommunications (1)	5,571	9,520
Infrastructure projects (2)	4,204	6,749
Technical services (3)	7,148	4,299
TOTAL CUSTOMERS	183,904	181,720
INTEREST RECEIVABLE	1,184	853
LOANS EXTENDED	140	105
PREPAYMENTS AND ADVANCES		
Taxes and contributions (4)	16,727	3,765
To suppliers	408	1,139
For purchase of goods and services	5,360	2,128
Advances and prepayments of per-diem and travel expenses	106	196
Other	354	5
TOTAL PREPAYMENTS AND ADVANCES	22,955	7,233
OTHER ACCOUNTS RECEIVABLE		
Related parties	-	2,429
Loans extended (5)	10,784	11,560

	2011	2010
Miscellaneous accounts receivable (6)	477,647	137,688
TOTAL OTHER ACCOUNTS RECEIVABLE	488,431	151,677
TOTAL ACCOUNTS RECEIVABLE	696,614	341,588
Less – Allowance for doubtful accounts (7)	(10,864)	(9,954)
TOTAL ACCOUNTS RECEIVABLE - NET	685,750	331,634
LONG-TERM ACCOUNTS RECEIVABLE		
Customers	-	2,449
Loans extended	6,058	7,992
Other accounts receivable	3,386	2,783
TOTAL LONG-TERM ACCOUNTS RECEIVABLE	9,444	13,224
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE	676,306	318,410

- (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 Bogotá, Medellín and Cali, to improve the national telecommunications system.
- (2) Corresponds to \$4,204 of accounts receivable for sales projects (2010: \$6,749), including mainly: a) \$1,859 for execution of Piedecuesta sale project, b) \$613 for construction projects conducted in Peru, c) \$1,324 execution of the Mitu sale project, d) \$408 for La Mojana delegated management project.

NOTES TO THE FINANCIAL STATEMENTS

- (3) Variation explained by the technical assistance contracts with Chilean companies, which started in 2011.
- (4) Includes mainly amounts in favor of ISA regarding income tax based on provision \$12,011 (2010: \$0)
- (5) Loans extended include employee receivables from housing loans, vehicle-purchase loans and other loans granted at 5% and 7% interest rates, and terms of 5 years for vehicle and general purpose, and between 13 and 15 years for housing.
- (6) Increase corresponds mainly to ISA's loan to ISA Inversiones Chile for USD140,400,000 (\$271,808) for purchase of remaining 40% of the company INTERVIAL CHILE (former Cintra Chile) and an increase in resources from delegated management of projects IPSE, FAER, FAZNI, and pacific distributor S.A E.S.P DISPAC.
- (7) The provision for doubtful accounts as of December 31 of 2011 was adjusted to \$10,864 (2010: \$9,954) affected by the following movements: additions with a charge of \$909 to fiscal year results (2010: \$2,025) corresponding to customers: Comercializar, Energen, Energía Confiable, Transacciones de Energía, Energía y Servicios, and Enerlar; and debtors of pension portions. \$272 of accounts receivable recovery in 2011 (2010: \$370). No accounts receivable were written off in the years 2011 and 2010, whereas debt recalculations and payment agreements brought provision down by \$272 (2010: \$925).

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

CUSTOMERS	2011	2010
SHAREHOLDERS		
Empresas Públicas de Medellín –EPM–	11,953	11,743
Empresa de Energía de Bogotá –EEB–	42	34
Empresa Colombiana de Petróleos –ECOPETROL–	79	76
TOTAL SHAREHOLDERS	12,074	11,853
Other customers	171,830	169,867
TOTAL ACCOUNTS RECEIVABLE FROM CUSTOMERS	183,904	181,720

Classification of accounts receivable from customers according to maturity date:

CUSTOMERS	2011	2010
CURRENT	173,555	173,058
OVERDUE		
Between 1 and 90 days	1,084	1,700
Between 91 and 180 days	111	6
Between 181 and 360 days	1,735	2,216
More than 360 days	7,419	4,740
TOTAL OVERDUE	10,349	8,662
TOTAL ACCOUNTS RECEIVABLE FROM CUSTOMERS	183,904	181,720

NOTES TO THE FINANCIAL STATEMENTS

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 2011 and 2010 the rates were 29.09% and 21.32%, 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, 2011 and 2010, \$3,728. These overdue amounts are 100% provisioned.

EMCALI is under intervention by SSPD; in 2011 it paid \$272 (2010: \$274), for liabilities that were supported on payment agreements.

NOTE 8: INVENTORIES – NET

Inventories at December 31 included:

	2011	2010
SHORT-TERM INVENTORIES		
Materials to render services	2,926	2,519
Inventories in transit (1)	6,889	-
TOTAL SHORT-TERM INVENTORIES	9,815	2,519
LONG-TERM INVENTORIES		
Materials to render services (2)	54,783	61,312

	2011	2010
Provision (3)	(2,714)	(5,459)
TOTAL LONG-TERM INVENTORIES	52,069	55,853
TOTAL INVENTORIES	61,884	58,372

- (1) Corresponds to supply of allumoweld guard cable and ACAR conducting cable for the connection project of Sogamoso substation to the STN.
- (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 to keep large stocks in order to guarantee continuity of service and compliance with the system's availability indicators.
- (3) Related to identification of the company's surplus, obsolete, and useless assets.

The Company conducts actions to guarantee adequate preservation and safeguarding of inventories, and takes periodic stock count with no significant differences found; additionally, inventories are insured under a combined material damage policy.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	2011	2010
PROPERTY, PLANT AND EQUIPMENT IN OPERATION (1)		
Networks, lines and cables	2,148,797	2,146,340
Plants and ducts	1,519,226	1,524,858
Buildings	92,900	89,098
Machinery and equipment	43,379	37,134
Computer and communications equipment	25,451	24,272
Transport, traction and lifting equipment	1,845	1,845
Furniture, fixtures and office equipment	13,540	13,044
Land	19,665	19,665
Subtotal property, plant and equipment in operation	3,864,803	3,856,256
Less – accumulated depreciation (2)	(1,572,435)	1,471,350
Less – provisions	(229)	444
TOTAL PROPERTY, PLANT AND EQUIPMENT IN OPERATION	2,292,139	2,384,462

	2011	2010
INVESTMENT PROPERTY (3)		
Buildings	3,532	3,532
Less – accumulated depreciation	1,441	1,413
TOTAL INVESTMENT PROPERTY	2,091	2,119
NON-PRODUCTIVE ASSETS (4)		
Land	71	71
Buildings	1,411	1,411
Constructions received as payment	8,895	8,895
Subtotal non-productive property	10,377	10,377
Less – provisions (5)	8,748	8,748
TOTAL NON-PRODUCTIVE ASSETS	1,629	1,629
Constructions in progress (6)	43,503	17,403
Machinery, plant and equipment in assembly	10,451	9,119
TOTAL PROPERTY, PLANT AND EQUIPMENT-NET	2,349,813	2,414,732

NOTES TO THE FINANCIAL STATEMENTS

- (1) The “Reliability Stage 3” Project, for \$3,179, was activated in the year 2011. \$5,568 were transferred from constructions underway to operational projects (Lines \$2,130 and Substations \$3,437). Substations equipment additions for a total \$1,736 were carried out (2010: \$6,053); also, retirements worth \$2,727 were carried out (2010: \$907). Retirement and sales of property, plant and equipment during the year generated net loss for \$2,525 (2010: \$304).
- (2) The movement in accumulated depreciation during 2011 corresponds to the accrual of depreciation expense for \$108,669 (2010:\$108,003). Additionally, retirements of depreciation were made for \$7,558 (2010: \$5,121).
- (3) Blocks II and V of ISA’s headquarters, leased to affiliates XM and INTERNEXA, respectively.
- (4) Telecommunications assets received as payment from Global Crossing, which are expected to be exploited by INTERNEXA (Fiber optic availability agreement), and to the Pailitas plot of land and Manizales headquarters, which are not currently under sale proceedings.
- (5) Provision of constructions received as payment from Global Crossing.
- (6) ISA is responsible for constructions, assembly, putting into operation, administration, operation and maintenance of El Bosque 220 kV substation and associated transmission lines. Although the commissioning date stipulated in the UPME bid for the project was May of 2011, it has been delayed for problems with the environmental license; commissioning is expected in the year 2013.

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

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. Transmission towers are not included in the policy, and to cover risks affecting them, the Company carries out budget appropriations.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

	2011	2010
DEFERRED CHARGES AND OTHER SHORT-TERM ASSETS		
Prepaid expenses	6,514	5,777
Deferred taxes	70,126	94,556
TOTAL DEFERRED CHARGES AND OTHER SHORT-TERM ASSETS	76,640	100,333
DEFERRED CHARGES AND OTHER LONG-TERM ASSETS		
Deferred charges		
Trust rights	2,564	1,184
Studies and research (1)	32,279	3,961
Other deferred charges	19,013	21,164
TOTAL DEFERRED CHARGES	53,856	26,309
Intangibles		
Software	24,486	30,743
Licenses	11,948	13,241
Easements (2)	78,128	79,752
Rights	43,422	43,422
Goodwill (3)	234,095	234,095
Less – Amortization of intangible assets	(83,609)	(86,297)
TOTAL INTANGIBLE ASSETS	308,470	314,956

	2011	2010
Miscellaneous	3,202	3,308
TOTAL DEFERRED CHARGES AND OTHER ASSETS		
LONG-TERM INVENTORIES	365,528	344,573
TOTAL DEFERRED CHARGES AND OTHER ASSETS	442,168	444,906

- (1) Studies in evaluation stage associated to the Autopistas de la Montaña project. Should the technical and financial requirements not be met (guaranteed IRR, bankability and functionality) Agencia Nacional de Infraestructura –ANI– (former INCO) shall reimburse ISA, within three months following the date of termination of the agreement, 70% of the evaluation stage studies. In case AIN opts for using the studies, it shall pay ISA the remaining 30% and will become the sole owner of the studies.
- (2) Easements correspond to the rights of way acquired by the Company for its operation assets, mainly transmission lines. These assets are acquired perpetually, i.e., no expiration date or time limit exists, and the right remains along time.
- (3) Corresponds mainly to goodwill for \$103,631, generated in the purchase of 60% of Consorcio Transmantaro S. A. which is amortized along the term of the concession, 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 because TRANSELCA is an indefinite-term company.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

	2011	2010
Investments	181	-
Property, plant and equipment (1)	2,685,291	2,583,387
TOTAL RE-APPRAISALS	2,685,472	2,583,387

- (1) Economic appraisal was conducted in 2011 and 2010 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.

Economic appraisal of operational assets use the Linear Depreciated Replacement Cost methodology, a methodology of recognized technical value for ascertaining the value of State assets approved by Colombia's General Accounting Office as indicated in number 18 of accounting procedure for recognition and disclosure of facts related to plant and equipment issued by Resolution 356 of September 5, 2007. The current value of the equipment in use is determined on the basis of the cost of similar equipment that can provide the same service (the as-new-replacement value -VRN, for its Spanish initials-¹), affected by the service time remaining (remaining life) in proportion to its useful life. This

¹Values determined according to regulation applicable for their remuneration.

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.

²Assets not often offered or demanded on the market.

³Assets often offered and demanded on the market.

NOTES TO THE FINANCIAL STATEMENTS

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

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ASSETS	2011				2010		
	APPRAISAL	ACCOUNTING BALANCE NET	APPRECIATION	ADJUSTMENT	APPRAISAL	ACCOUNTING BALANCE - NET	BALANCE RECORDED AS APPRAISAL
Transmission lines	2,772,697	1,278,506	1,494,191	(150,125)	2,946,435	1,302,119	1,644,316
Transmission substations	1,751,921	827,666	924,255	187,269	1,632,934	895,615	736,986
Land	161,475	19,665	141,810	52,488	108,988	19,666	89,322
Buildings	199,166	75,779	123,387	11,978	184,723	73,314	111,409
Telecommunications usufruct	85,237	85,237	-	-	91,227	91,227	-
Vehicles	1,857	209	1,648	294	1,611	257	1,354
TOTAL	4,972,353	2,287,062	2,685,291	101,904	4,965,918	2,382,531	2,583,387

Of total valuation of ISA's operational assets, transmission lines assets account for 55.76%, substation assets for 35.23%, land and buildings for 7.25%, and telecommunications for 1.71% Vehicles represent the lowest value relative to total.

The 0.6% increase in appraisal of operational assets from 2010 to 2011 is explained, in the case of transmission lines, by the decrease in unit costs of assets in use according to Resolution No. 011 of 2009 of the Energy and Gas Regulatory Commission –CREG–, and by the inclusion of transmission substations La Cira, Caricare y Porce, and, in the case of land and buildings, by the revision of commercial appraisal of land and buildings due to changes from rural to urban, to developments and to correction of areas.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: OUTSTANDING BONDS

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

ISSUE	SERIES	TERM (YEARS)	INTEREST RATE	2011	2010	MATURITY
Third	A	10	IPC + 8.10%	-	130,000	JUL-16-11
Program Tranche 1		7	IPC + 7.0%	-	100,000	FEB-20-11
Program Tranche 2		12	IPC + 7.3%	150,000	150,000	FEB-20-11
Program Tranche 3		15	IPC + 7.19%	108,865	108,865	DEC-07-19
Program Tranche 4		20	IPC + 4.58%	118,500	118,500	APR-07-26
Program Tranche 5		7	IPC + 4.84%	110,000	110,000	SEP-21-13
Program Tranche 4 Batch 2		17	IPC + 4.58%	104,500	104,500	APR-07-26
Program Tranche 6 Series A	A	6	IPC + 4.99%	150,000	150,000	APR-02-15
Program Tranche 6 Series B	B	9	IPC + 5.90%	59,500	59,500	APR-02-18
Program Tranche 7 Series B	A	12	IPC + 4.47%	180,000	-	DEC-01-23
Program Tranche 7 Series B	B	30	IPC + 4.84%	120,000	-	DEC-01-41
TOTAL OUTSTANDING BONDS				1,101,365	1,031,365	
Total long-term outstanding bonds				1,101,365	801,365	
Total short-term outstanding bonds				-	230,000	

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NOTES TO THE FINANCIAL STATEMENTS

Bonds accrued interest during 2011 for \$80,702 and in 2010 for \$85,719, recorded as financial expense. (See Note 24). Below is the detail of maturities for outstanding bonds:

YEAR	CAPITAL
2013	110,000
2015	150,000
2016	150,000
2018 onwards	691,365
TOTAL	1,101,365

A Bonds Program is approved with \$1,700,000 global amount, of which \$1,101,365 has already been placed.

On February 20 of 2011, \$100,000 of the first trench was paid, according to its maturity term.

In the year 2004, bonds worth \$150,000 were issued for domestic debt substitution so as to keep adequate interest rate levels and both expand debt maturity and lower financial risk. Additionally, on December 7 of that same year, bonds for \$108,865 were issued in order to substitute the State's loan so as to improve maturity terms, lower cost and enhance the portfolio's medium life.

The third issue, for \$130,000, was used to substitute domestic and foreign currency loans to reduce exchange risk exposure and

expand the portfolio's average maturity; this issue was fully repaid on July 16, 2011

Tranche 4 was offered in 2006 for \$380,000, of which, \$118,500 were placed in 2006, maturing in April of 2026; in 2008, \$104,500 were placed maturing in April 2026. Additionally, bonds for \$110,000 were issued in that year to finance UPME 01 and UPME 02 projects.

In 2009 the Company issued Tranche 6 for \$350,000, of which, \$150,000 were placed for Series A maturing in April of 2015, and \$59,500 for Series B maturing in April of 2018.

Tranche 7 was offered in 2011 for \$300,000, of which, \$180,000 were placed for Series A, maturing in December of 2023, and \$120,000 for Series B maturing in December of 2041. Funds from the issuance were earmarked for investments and cash flow.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: FINANCIAL LIABILITIES

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The balance of financial liabilities at December 31 included:

ENTITY	CURRENCY	INTEREST RATE	2011	2010	LATEST PAYMENT	GUARANTEE
DOMESTIC FINANCIAL LIABILITIES						
DAVIVIENDA	COP	DTF + 3.88% (3)	25,000	25,000	18-JUL-13	(2)
BBVA	COP	DTF + 3.89% (3)	75,000	75,000	18-JUL-13	(2)
BANCO AGRARIO	COP	DTF + 4.50% (3)	21,000	21,000	30-DEC-18	(2)
BBVA	USD	Libor 6 M + 3.80%	-	237,333	11-AUG-17	(2)
CITIBANK	COP	DTF + 1.00% (3)	20,000	-	15-JUL-12	(2)
AV VILLAS	COP	DTF + 1.25% (3)	40,000	-	15-JUL-12	(2)
BBVA	COP	DTF + 3.80% (3)	222,432	-	26-AUG-21	(2)
Total domestic financial liabilities			403,432	358,333		
FOREIGN FINANCIAL LIABILITIES						
BIRF-3954-CO	USD	Fixed Rate Tranches (6.32%)	-	29	15-FEB-11	(1)
BIRF-3955-CO	USD	Libor 6 M + Spread	30,092	57,621	15-OCT-12	(1)
BNP PARIBAS	USD	Libor 6 M + 0,345%	40,509	47,167	15-MAY-17	(2)
Total foreign financial liabilities			70,601	104,817		
TOTAL FINANCIAL LIABILITIES			474,034	463,150		
Less - short-term portion			150,458	35,259		
Total long-term financial liabilities			323,576	427,891		

- (1) Loans in foreign currency are guaranteed by the Nation.
(2) Unsecured.
(3) DTF and spread are payable quarterly in advance.

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NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities accrued interest in 2011 for \$24,775 (2010: \$19,803), which was recorded as financial expense. (See Note 24).

There is a BNP-PARIBAS 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. In 2011 and 2010, capital was repaid every year in the amount of USD 3.8 million; remaining balance payable is USD 20.8 million that will be paid in 11 equal semi-annual installments.

In the year 2010, USD124 million was borrowed from BBVA Colombia, to be used for purchase of 60% stake in an ongoing concern in the highway concessions sector in Chile; in the year 2011, so as to manage the debt portfolio exchange rate risk, this loan was pre-paid through a debt handling operation by substituting it with a \$222,432 loan in Colombian pesos from the same bank.

In the year 2011, \$60,000 in bridge loans was obtained as follows: \$20,000 from CITIBANK Colombia and \$40,000 from Banco AV VILLAS; these funds were used for cash flow.

USD14.6 million was amortized for IBRD loans corresponding to contractually agreed installments, among them, IBRD-3954 loan last installment.

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

		BALANCE IN ORIGINAL CURRENCY (1)		BALANCE IN LOCAL CURRENCY (MILLION)	
CURRENCY	INTEREST RATE	2011	2010	2011	2010
US Dollar	Between Libor + 0.28% and Libor + 0.345%	36,342	178,764	70,602	342,150
Colombian Pesos	Between DTF + 1.00% and DTF + 4.5%	403,432	121,000	403,432	121,000
				474,034	463,150

(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
2013	60,365
2014	10,365
2015	42,141
2016	42,141
2017 onwards	168,564
TOTAL LONG-TERM LIABILITIES	323,576

NOTES TO THE FINANCIAL STATEMENTS

LOANS WITH RELATED PARTIES

Loans with related parties accrued interest in 2011 for \$9,109 (2010 \$10,701).

Financing balance with related parties at December 31 included:

YEAR 2011

SUBSIDIARY	MATURITY	INTEREST RATE	CAPITAL BALANCE	INTEREST BALANCE PAYABLE
LOANS FROM LOCAL SUBSIDIARIES				
TRANSELCA S.A. E.S.P.	07-NOV-12	Fixed rate DTF AE December 31 of former year	60,798	15,580
TRANSELCA S.A. E.S.P.	07-DEC-12	Fixed rate DTF AE December 31 of former year	72,642	22,828
TRANSELCA S.A. E.S.P.	27-DEC-12	Fixed rate DTF AE December 31 of former year	12,537	3,899
TRANSELCA S.A. E.S.P.	30-DEC-12	Fixed rate DTF AE December 31 of former year	28,500	4,612
TRANSELCA S.A. E.S.P.	30-JAN-13	Fixed rate DTF AE December 31 of former year	12,500	1,931
TRANSELCA S.A. E.S.P.	26-DEC-13	Fixed rate DTF AE December 31 of former year	31,908	2,282
Total loans with local affiliates			218,885	51,132
LOANS FROM FOREIGN AFFILIATES				
ISA Capital do Brasil	28-DEC-14	Libor 6M + 3%	53,153	10
Exchange difference			(6,917)	-
Total loans with foreign subsidiaries			46,236	10
TOTAL LOANS WITH AFFILIATES			265,121	51,142

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NOTES TO THE FINANCIAL STATEMENTS

YEAR 2010

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SUBSIDIARY	MATURITY	INTEREST RATE	CAPITAL BALANCE	INTEREST BALANCE PAYABLE
LOANS FROM LOCAL SUBSIDIARIES				
TRANSELCA S.A. E.S.P.	30-DEC-12	Fixed rate DTF AE December 31 of former year	28,500	3,692
TRANSELCA S.A. E.S.P.	26-DEC-13	Fixed rate DTF AE December 31 of former year	31,908	1,252
TRANSELCA S.A. E.S.P.	07-DEC-12	Fixed rate DTF AE December 31 of former year	72,642	20,484
TRANSELCA S.A. E.S.P.	27-DEC-12	Fixed rate DTF AE December 31 of former year	12,537	3,494
TRANSELCA S.A. E.S.P.	07-NOV-12	Fixed rate DTF AE December 31 of former year	60,798	13,618
TRANSELCA S.A. E.S.P.	30-JAN-13	Fixed rate DTF AE December 31 of former year	12,500	1,527
Total loans with local affiliates			218,885	44,067
LOANS FROM FOREIGN AFFILIATES				
ISA Capital do Brasil	28-DIC-14	Libor 6M + 3%	53,153	9
Exchange difference			(7,601)	-
Total loans with foreign subsidiaries			45,552	9
TOTAL LOANS WITH AFFILIATES			264,437	44,076

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: HEDGING OPERATIONS

No hedging operations on liabilities existed on December 31, 2011 and 2010.

NOTE 15: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

		2011	2010
Related parties	(1)	51,142	44,076
Suppliers and contractors	(2)	49,208	22,422
Financial expenses		25,620	21,778
Creditors		4,033	2,888
Dividends		47,631	44,308
Other taxes		7,117	9,227
Equity tax payable		117,150	-
Deposits received under administration	(3)	187,331	73,297
Sales prepayments	(4)	21,257	20,153
TOTAL ACCOUNTS PAYABLE		510,489	238,149
Total long-term accounts payable		150,487	64,220
Total long-term accounts payable		360,002	173,929

- (1) Includes mainly interests on loans to TRANSELCA for \$51,130 (2010: \$44,067).
- (2) Variation corresponds mainly to accounts payable for purchase of equipment and supplies for construction of the Sogamoso, Cana, Piedecuesta and Guatiguara projects. Also, to the FAER and PRONE \$7,642 account payable entry, which shows in a diminished provision for that concept, given that in the year 2010, the estimates account included two months' worth of such items.
- (3) Corresponds to funds received for implementing the projects: FAZNI Cauca-Nariño Pacific Coast Interconnection, FAER-Construction of electric distribution grid for rural municipalities in Sucre, and DISPAC Interconnection Project.
- (4) Corresponds mainly to advanced payment of sales of construction project services for third parties \$95 (2010:\$0), delegated management, amounting to \$545 (2010: \$13,562), and fiber optic construction, for \$18,611 (2010:\$2,900).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: LABOR LIABILITIES

Labor liabilities at December 31 included:

	2011	2010
LABOR LIABILITIES		
Severance payments and interest	3,616	3,253
Vacations	2,065	1,842
Agreed fringe benefits	2,212	2,158
Other	539	537
TOTAL LABOR LIABILITIES	8,432	7,790
Less –long-term portion	1,487	1,334
Short-term labor liabilities	6,945	6,456

NOTE 17: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

	2011	2010
Retirement pensions	(1) 84,817	86,830
Other provisions for agreed labor benefits	(2) 44,559	44,806
Other provisions for estimated assets	2,617	3,306
Provision for income tax and surtax and other fiscal liabilities	(3) 90	36,134

	2011	2010
Provision for contingencies	(4) 28,427	36,774
Other estimated liabilities and provisions	(5) 14,203	19,398
TOTAL ESTIMATED LIABILITIES AND PROVISIONS	174,713	227,248
Retirement pensions	84,817	86,830
Other provisions for estimated assets	2,617	3,306
Other provisions for agreed labor benefits	44,559	44,806
Less –long-term portion	131,993	134,942
Total short-term estimated liabilities and provisions	42,720	92,306

- (1) Corresponds to the amortized present value of pension liabilities at December 31 of 2011 and 2010, according to actuarial studies (See Note 17.1)
- (2) Estimated liabilities to show present value of future health, education and aging benefits recognized to pensioners.
- (3) See Note 17.2.
- (4) Includes contingency provisions for: 64 easement civil processes for \$16,369 (2010:\$22,531); 6 administrative processes, for \$11,389 (2010: \$13,476) and 22 labor processes estimated at \$669 (2010: \$767).
- (5) Includes mainly: \$4,572 for FAER provision (2010: \$8,342), \$3,529 for PRONE provision (2010: \$5,947), \$2,800 incentive for variable compensation results (2010 \$3,129), \$49 provision for recovery of transmission towers (2010: \$316) and \$1,207 for bonus provision (2010: \$746)

NOTES TO THE FINANCIAL STATEMENTS

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 meet 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, 2011 and 2010 was determined using actuarial calculations that comply with the law and specifically with labor contracts and collective bargaining agreements. To determine pension liability, provisions of Resolution No. 1555 of July 30 of 2010 of Colombia's Financial Superintendency were included, to update mortality rates for male and female pensioners.

The main estimates used in the actuarial calculation were as follows:

	2011	2010
Actual interest rate	4.80%	4.80%
Future increase of pensions and salaries	3.53%	4.51%
Number of people covered by the plan	425	435

On December 31, 2011, the Company had 663 (2010: 627) active employees, of whom 7 (2010: 9) are covered by the pension plan provided in the collective and individual agreements, while the remaining 656

(2010: 618) are covered by Law 100 of 1993. The actuarial estimate covers active personnel (7), retired personnel (353), surviving spouse pension benefit substitutions (49), 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, 2011, 67.3% has been amortized (2010: 66.81%) 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.

With respect to amortization, it corresponds to the value resulting from dividing the total actuarial estimate pending amortization by the number of years remaining to complete the term set, counted from the actuarial estimate closing date.

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

NOTES TO THE FINANCIAL STATEMENTS

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

	PROJECTED LIABILITY	DEFERRED COST	NET LIABILITY
Balance at December 31, 2008	113,211	27,077	86,134
Plus (less) increase in actuarial estimate	6,920	9,542	(2,622)
Balance at December 31, 2009	120,131	36,619	83,512
Plus increase in actuarial estimate	9,842	6,524	3,318
Balance at December 31, 2010	129,973	43,143	86,830
Plus increase in actuarial estimate	(3,963)	(1,950)	(2,013)
Balance at December 31, 2011	126,010	41,193	84,817

During the year, pension monthly payments totaled \$13,027 (2010: \$13,464).

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– or International Financial Reporting Standards –IFRS–

The calculation included fringe benefits with present value of \$34,713, 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 2011	TOTAL LIABILITIES 2010	TOTAL AMORTIZED DEC-11	TOTAL AMORTIZED DEC -10
Pension payments	2,604	3,582	2,604	3,582
Study aid	2,306	2,391	2,306	2,391
Health aid	39,649	38,833	39,649	38,833
TOTAL	44,559	44,806	44,559	44,806
Amortization percentage			100%	100%

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.

NOTES TO THE FINANCIAL STATEMENTS

17.2 INCOME TAX

Tax regulations applicable to the Company provide:

- a. Nominal income tax rate is 33%, to be applied to net taxable income.
- 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 on the basis of items duly authorized by tax regulations in force.
- c. As of fiscal 2011, no taxpayer can benefit from the special 30% deduction for investment in real fixed productive assets.

However, ISA benefits from special 40% deduction, in virtue of the legal stability agreement signed with the Nation (Ministry of Mines and Energy), for the activity of energy transmission. Avail of this benefit does not result in income taxable for shareholders.

- d. As of taxable 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 2011; however, based on the satisfactory results of the study conducted for 2010, 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 Resolution No. 356 of September 5 of 2007 of Colombia's General Accounting Office, exchange rate fluctuations, in updating through equity method of equity investments in controlled entities, are considered equity variations until disposal of the investment, and therefore, affect equity; however, when surplus from equity method cannot absorb equity decreases accumulated in equity entries different from results, the excess must be recognized as expense in the form of provision until the book value of the investment is equal to zero.

Pursuant to the provisions of fiscal regulation on investment in foreign currency, and upon application of the above accounting rule, a reconciliation entry between accounting and fiscal results is produced arising from the exchange difference of investments in foreign currency in controlled entities. Starting 2010, the Company records deferred tax on exchange difference of investments abroad.

- 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.

NOTES TO THE FINANCIAL STATEMENTS

- g. Since 2011, Article 254 of the Tax Law permits discount of tax paid on earnings of the corporation that pays the dividends, as well as payment by the corporations from which this latter receives the dividends, regardless of jurisdiction.

Additionally, application of this discount is allowed either in the fiscal year when dividends are received, or in the next four (4) years.

- 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 refers basically to rules regarding income tax, among which the following stand out: 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.

NOTES TO THE FINANCIAL STATEMENTS

The reconciliation between pre-tax income and taxable income for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Income before taxes	459,293	452,533
PLUS - ITEMS THAT INCREASE TAXABLE INCOME:		
Investments exchange difference	(140,033)	51,577
Amortization of goodwill	4,318	4,318
Net cost of assets sold	2,703	303
Cash dividends received	77,570	55,979
Non-deductible provisions	14,625	21,435
Non-deductible costs and expenses	1,533	2,447
LESS - ITEMS THAT DECREASE TAXABLE INCOME:		
Excess of depreciation and amortization	(66,340)	(95,508)
Additional depreciation/amortization for tax inflation adjustment	(48,607)	(57,316)
Write-off and tax provision for accounts receivable	(1,158)	(572)
Recovery of provisions	(19,387)	(1,368)
Equity method	(66,850)	(102,781)
Non-taxable dividends and participations	(46,282)	(27,180)
Special deduction of productive real fixed assets	(8,553)	(15,287)
Other	607	(3,975)
TOTAL ORDINARY INCOME	163,439	284,605

	2011	2010
Gross taxable income	163,439	284,605
Less tax-exempt income	(14,483)	(24,304)
Net taxable income	148,956	260,301
Tax rate	33%	33%
INCOME TAX	49,155	85,899

Net tax effect on the results of the year:

	2011	2010
Income tax	49,155	85,899
Deferred taxes net, preceding years income adjustment	71,702	18,787
Andean Community countries tax	1,660	3,951
NET CHARGE TO INCOME	122,517	108,637

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation between accounting and taxable equity at December 31:

	2011	2010
Per-books equity	6,396,343	6,439,696
PLUS:		
Non-deductible provisions	78,611	56,244
Credit deferred tax	239,813	192,542
Monetary correction effect	419,313	472,079
LESS:		
Per-books re-appraisals	2,685,472	2,583,387
Investments increased fiscal value	536,830	556,103
Debit deferred tax	70,126	94,556
Excess of tax depreciation of fixed assets	593,920	525,886
Excess of amortization of deferred charges and intangible assets	104,210	98,945
TOTAL TAXABLE EQUITY	3,143,521	3,301,684

The following temporary differences generated a deferred tax liability for tax years ended December 31:

CREDIT DEFERRED TAX:

	2011	2010
Excess of tax depreciation	593,920	525,886
Excess of tax amortization	23,684	24,863
Exchange difference	90,541	-
Equity method	-	18,110
Retirement pensions	18,561	14,601
Total deferred tax basis	726,706	583,460
Tax rate	33%	33%
CREDIT DEFERRED TAX	239,813	192,542

DEBIT DEFERRED TAX:

	2011	2010
Provision for accounts receivable	3,947	4,377
Estimated liabilities	13,246	16,673
Inflation adjustments	150,396	168,768
Agreed Fringe Benefits	44,559	44,806
Exchange difference	-	51,557
Total deferred tax basis	212,149	286,181
Tax rate	33%	33%
DEBIT DEFERRED TAX	70,009	94,440
Branch's deferred tax	116	116
DEBIT DEFERRED TAX	70,126	94,556

NOTES TO THE FINANCIAL STATEMENTS

The income tax returns for 2009 to 2011 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

Law 1370 of December 30 of 2009, amended by Law 1430 of 2010, sets equity tax for the year 2011 as follows:

- a. The equity tax for the year 2011 is 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 held on January 1st, 2011 that exceeds \$3,000 million. The tax rate is 2.4% for net fiscal equity ranging between \$3,000 and \$5,000 million, and 4.8% when it exceeds five thousand million pesos (\$5,000). The tax shall be paid in eight equal installments in the years 2011, 2012, 2013 and 2014 under the terms established by the National Government.
- b. Decree 4825 of December of 2010, passed under the powers of Decree 4580 of 2010, declared economic and social emergency, and created 25% equity tax surcharge, ruled by Law 1370 of 2009.

Although equity tax would not be applicable to taxpayers covered by the special legal stability regime determined by Law 963 of 2005, DIAN, through opinion 098797 of December 28 of 2010, indicated that this constitutes a new equity tax, and thus it is not under the umbrella

of legal stability agreements under which equity tax had stabilized, as ruled by Law 1111 of 2006, in force until the year 2010.

Pursuant to the above, ISA calculated equity tax for fiscal 2011 on the total value of net fiscal equity, that is, without application of the Legal Stability Contract EJ-09 of 2008; tax amounted to \$124,960 plus \$31,240 surcharge, for a total \$156,200 equity tax, of which two installments of \$19,525 each were paid along the year 2011. Such tax was charged in its entirety against the equity revaluation account.

LEVY ON FINANCIAL TRANSACTIONS –GMF, FOR ITS SPANISH INITIALS– (4/1000)

Law 1430 of 2010 permits gradual reduction of this tax rate. For years 2014 and 2015, the rate shall be 2/1000; for years 2016 and 2017, the rate shall be 1/1000, and for 2018 onwards, it shall be 0/1000. New tax-generating facts were established, related to investments whose liquidation is paid to persons other than the initial investor, and related also, to loans not directly disbursed to the debtor. Deductibility of this tax was also modified to 50% as of 2013; however, modification of Article 115, Number 2, of the Tax Law, leaves without juridical ground 25% deductibility of GMF for the years 2011 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: OTHER LIABILITIES

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Balance of other liabilities at December 31:

	2011	2010
Total other short-term liabilities	12,847	12,907
OTHER LONG-TERM LIABILITIES		
Deferred taxes (1)	239,813	192,542
Deferred revenues and others (2)	201,676	155,965
Other deferred charges	-	131
Total other long-term liabilities	441,489	348,638

(1) Variation corresponds to lesser current tax calculated during the period, resulting from the excess of exchange difference of investments abroad. (See Note 17.2)

(2) Corresponds mainly to deferred revenues of the National Transmission System –STN– \$162,330 (2010:\$120,366), for bid assets and infrastructure usage rights for \$21,897 (2010: \$22,819).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: EQUITY

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SUBSCRIBED AND PAID-IN CAPITAL

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

2011				
SHAREHOLDER	NUMBER OF SHARES	VALUE	% PARTICIPATION (1)	
STATE INVESTORS				
Ministry of Finance and Public Credit	569,472,561	18,679	51.411	
Empresas Públicas de Medellín E.S.P. -EPM-	112,605,547	3,693	10.166	
Subtotal	682,078,108	22,372	61.577	
PUBLIC AND PRIVATE CAPITAL INVESTORS				
Empresa Colombiana de Petróleos ECOPETROL	58,925,480	1,933	5.320	
Empresa de Energía de Bogotá -EEB-	18,448,050	605	1.665	
Subtotal	77,373,530	2,538	6.985	
Subtotal	759,451,638	24,910	68.562	
PRIVATE CAPITAL INVESTORS				
Fondo de Pensiones Obligatorias Porvenir Moderado	51,999,357	1,706	4.694	
Fondo de Pensiones Obligatorias Protección Moderado	40,857,785	1,340	3.689	
Fondo de Pensiones Horizonte	28,906,788	948	2.610	
Fondo de Pensiones Obligatorias Colfondos	24,455,920	802	2.208	
ING Fondo de Pensiones	19,488,028	639	1.759	
Fondo de Pensiones Obligatorias Skandia S.A.	9,167,248	301	0.828	
Fondo Bursatil ISHARES COLCAP	8,100,785	266	0.731	

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Abu Dhabi Investment Authority		3,510,649	115	0.317
Fondo de Pensiones Protección-Diversificado		2,396,262	79	0.216
Blackrock Institutional Trust Company N.A.		2,385,556	78	0.215
Other shareholders		156,957,878	5,148	14.170
Subtotal		348,226,256	11,422	31.438
TOTAL OUTSTANDING SUBSCRIBED CAPITAL		1,107,677,894	36,332	100.000
Repurchased shares	(2)	17,820,122	585	
TOTAL SUBSCRIBED AND PAID-IN CAPITAL		1,125,498,016	36,916	

2010				
SHAREHOLDER		NUMBER OF SHARES	VALUE	% PARTICIPATION (1)
STATE INVESTORS				
Ministry of Finance and Public Credit		569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P. -EPM-		112,605,547	3,693	10.166
Subtotal		682,078,108	22,372	61.577
PUBLIC AND PRIVATE CAPITAL INVESTORS				
Empresa Colombiana de Petróleos ECOPETROL		58,925,480	1,933	5.320
Empresa de Energía de Bogotá -EEB-		18,448,050	605	1.665
Empresa de Energía del Pacífico -EPSA-		203,477	7	0.018
Subtotal		77,577,007	2,545	7.004
Subtotal		759,655,115	24,917	68.581

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PRIVATE CAPITAL INVESTORS				
Fondo de Pensiones Obligatorias Porvenir Moderado		52,708,743	1,729	4.758
Fondo de Pensiones Obligatorias Protección Moderado		46,844,076	1,536	4.229
Fondo de Pensiones Horizonte		34,217,343	1,122	3.089
Fondo de Pensiones Obligatorias Colfondos		28,116,687	922	2.538
ING Fondo de Pensiones		19,648,431	644	1.774
Fondo de Pensiones Obligatorias Skandia S.A.		10,108,774	332	0.913
Abu Dhabi Investment Authority		3,569,406	117	0.322
Fondo de Pensiones Protección-Diversificado		2,340,580	77	0.211
Blackrock Institutional Trust Company N.A.		1,932,582	63	0.174
Fondo de Cesantías Porvenir		1,669,417	55	0.151
Other shareholders		146,866,740	4,818	13.259
Subtotal		348,022,779	11,415	31.419
TOTAL OUTSTANDING SUBSCRIBED CAPITAL		1,107,677,894	36,332	100.000
Repurchased own shares	(2)	17,820,122	584	
TOTAL SUBSCRIBED AND PAID-IN CAPITAL		1,125,498,016	36,916	

(1) Participation percentage on outstanding shares.

(2) Shares initially held by CORELCA, repurchased 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.

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NOTES TO THE FINANCIAL STATEMENTS

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 is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

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.

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

Includes special reserve for the repurchase of shares held by EPM for \$38,100.

Reserve for reinforcement of equity

In compliance with Article 47 of the Bylaws, the Shareholders' Meeting approved an occasional reserve, so that the Company could retain its solid financial position and maintain the financial ratios required by the rating agencies, in order to obtain the investment degree and comply with contractual commitments to financial entities.

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 for total \$37,435

NOTES TO THE FINANCIAL STATEMENTS

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. For 2011 the account decreased by \$156,200 to take into account 100% accrual of such tax.

SURPLUS FROM EQUITY METHOD

Contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method (See Note 3.3).

NOTE 20: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

		DEC 2011	DEC 2010
DEBIT			
Fiscal debit accounts	(1)	3,030,333	3,207,692
Other contingent rights		24,355	42,792
TOTAL DEBIT MEMORANDUM ACCOUNTS		3,054,688	3,250,484
CREDIT			
Claims and lawsuits (See Note 20.1)	(2)	56,073	65,045
Guarantees granted	(3)	250,135	882,798
Fiscal credit accounts	(4)	142,274	160,650
Other credit control accounts	(5)	1,162,087	1,052,584
TOTAL CREDIT MEMORANDUM ACCOUNTS		1,610,569	2,161,077

- (1) Represents differences with accounting that result from applying the inflation adjustment system for tax effects, and differences in accounting and tax deductions when determining ordinary net taxable income.

NOTES TO THE FINANCIAL STATEMENTS

- (2) Includes eventual-and-remote-occurrence administrative processes: a) 14 administrative processes for \$27,276 (2010: 59,275), of which 8 are classified as eventual, and amount to \$4,303 while 6 are classified as remote and amount to \$22,973; b) 16 civil processes for \$25,622, including 15 processes classified as eventual, for \$25,604 and one as remote for \$18, c) 45 labor processes for \$789, including 30 processes classified as eventual, amounting to \$733 and 15 as remote for \$56, and fiscal processes for \$2,386 (2010: \$2,376) in each one of the years (See Note 20.1).
- (3) See Note 20.2.
- (4) Shows the net effect of the year's monetary correction on the period's distributable income and the accounting and tax difference on liabilities.
- (5) Includes mainly 147 administrative processes (third party administration), with the possibility of eventual and/or remote occurrence, amounting to \$1,161,545 (2010: \$1,051,944), of which 3 processes were classified as eventual, for \$12,406, while the remaining 144 processes were classified as remote, for \$1,149,139. (See Note 20.1) (See Note 20.1)

20.1 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 main judicial processes which the Company is a party to, their amounts expressed in millions:

- a. At December 31, 2011, ISA has filed administrative claims against: Electrificadora del Atlántico for default interest on accounts for the use of STN and Energy Pool, for \$12,962.
- b. It has filed a civil claim against Sistepl Ltda. and Aseguradora de Fianzas S.A. –Confianza–, at the Circuit Civil Court No. 10 of Medellín, for USD 1,936,618 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 Appellate Court, first Section. ISA has sued the Superintendency of Public Utilities for \$1,425 in relation to the 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. Cundinamarca Administrative Appellate Court, first Section. ISA has sued the Energy and Gas Regulatory Commission for \$1,289 in relation to CREG acts approving assets base and ISA remuneration in the STN that did not include Betania Substation.
- e. Administrative Supreme Court. ISA has sued the Energy and Gas Regulatory Commission requesting nullity and redress of Resolutions that establish limitations upon ISA's participation in the national transmission activity.

NOTES TO THE FINANCIAL STATEMENTS

- f. Antioquia Administrative Appellate Court. ISA has filed a nullity and redress lawsuit against the tax authorities (Dirección de Impuestos y Aduanas Nacionales –DIAN, for its Spanish initials–), for \$4,780, related to default interest in favor of ISA, resulting from the non-timely reimbursement of excess income tax paid in 1995.
- g. Antioquia Administrative Appellate Court. ISA challenged Resolution 1233 of 2001, by which the Municipality of San Carlos requested payment of taxes for public space occupation for \$1,839 for the year 2000.
- h. Antioquia Administrative Appellate Court. Termocandelaria has filed a nullity and redress lawsuit against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of \$28,379 regarding CREG Resolutions 034, 038 and 094 of 2001.
- i. Antioquia Administrative Appellate Court. 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 \$108,242 and USD43.5 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- j. Antioquia Administrative Appellate Court. 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 \$306,689 and USD115 million regarding application of CREG Resolutions 077 and 111 of 2000.
- k. Antioquia Administrative Appellate Court. 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 \$207,149 and USD107 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- l. Ninth Circuit Civil Court, Barranquilla. Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim against ISA and others for \$4,000 for the accident of a family member during the performance of a contract.
- m. Cundinamarca Administrative Appellate Court, first Section. ISA has sued the Superintendency of Public Utilities for \$923 in relation to Resolutions 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.
- n. State Civil Appellate Court, Fifth Delegated Prosecutor's Office. ISA has filed a request to be accepted as civil claimant in the criminal case against Orlando Antonio Salas Villa, corresponding to amount payable for easement.
- o. Mixed Court of Pivijay, Magdalena. Ganadería Caballero Pérez and Luis Fernando Zambrano C. have filed enforcement proceedings against ISA for payment of \$13,957 for easements; proceedings have been suspended by the Constitutional Court.

NOTES TO THE FINANCIAL STATEMENTS

- p. Cundinamarca Administrative Appellate Court. Consorcio SOT filed contractual liability claim against ISA for \$898.
- q. Antioquia Administrative Appellate Court. Fiduciaria La Previsora has filed a tort claim against ISA and XM for \$911 for alleged incorrectly charged interest.
- r. Cundinamarca Administrative Appellate Court. Ms. Gloria Amparo Valencia filed claim for \$400 against ISA, CODENSA, the Ministry of Mines and Energy, the State and the SSPD, for \$283.
- s. As. Third Administrative Court of Valledupar. Mr. Elbert Araujo Daza filed group action against ISA for damages caused to people near the transmission lines; damages claimed total \$12,400.

As of December 31, 2011, there are other labor, civil and administrative claims pending decision for \$789, \$2,727 and \$9,263, respectively, which are related to the normal course of operations of ISA.

The Company's management and its legal counsels consider remote the possibility of material loss as a result of such claims.

20.2 GUARANTEES AND COMMITMENTS IN FORCE

At 2011 year's end the following guarantees and commitments were in force:

- a. Leasing payment liability; infrastructure leasing granted in 2004 by Leasing de Crédito to Flycom Comunicaciones S.A. E.S.P., and subsequently transferred in 2007 by this latter company to INTERNEXA S.A. E.S.P. The balance as of December of 2011 is \$208.9 and is in force until June 30, 2017.
- b. Performance bank guarantee for liabilities incurred in awarding of UPME 02-2008 El Bosque Project public bid, in force until July 30, 2012. Guarantee amounts to USD3 million.
- c. Performance bank guarantee for liabilities incurred by ISA in awarding of UPME 04-2009 Sogamoso Project public bid, in force until May 23, 2012. Guarantee amounts to \$30,000.
- d. Standby letter of credit to guarantee semi-annual debt service of loans granted by IBD and CAF to ISA Bolivia for execution of transmission licenses. Guaranteed balance is USD2 million maturing on July 07, 2012.
- e. Pledge by ISA of shares in Red de Energía de Perú and ISA Perú equivalent to 30% of its participation. For ISA Bolivia, a power in favor of lender banks and preferential creditors was granted to guarantee payment of loans. The term equals that of the loans. At December of 2011, the debt balance for ISA Bolivia was USD18.4 million, for ISA Perú USD2.4 million and for REP USD56.4 million.

NOTES TO THE FINANCIAL STATEMENTS

- f. Joint and several guarantees signed in favor of Banco Centroamericano de Integración Económica –BCIE– to guarantee loan agreement for USD40 million granted on June 29 of 2007 to Empresa Propietaria de la Red de Costa Rica related to SIEPAC project financing; balance stands at USD35.9 million. Maturity is estimated for June 29 of 2027.

ISA'S COMMITMENT DERIVED FROM ITS AFFILIATE ISA BOLIVIA

- a. Support and Guarantee Agreement under which ISA and TRANSELCA are bound, among other things, to guarantee the loan granted by IDB and CAF until loan contract expiration date. Likewise, ISA and TRANSELCA are bound to pay balance pending with IDB and CAF, in case of Government intervention or as of the moment the license is revoked.
- b. Standby letter of credit to guarantee semi-annual debt service of loans granted by IDB and CAF to ISA Bolivia. Guaranteed amount totaled USD 2 million. Loans were earmarked for execution of 30-year licenses for Santivañez–Sucre, Punutuma and Carrasco–Urubó transmission lines and the license for Arboleda Substation.

ISA'S COMMITMENT DERIVED FROM ITS AFFILIATE ISA PERÚ:

Share Retention Agreement with ISA, TRANSELCA and IFC, which sets the following limitations on transfers of the company's shares: during the ten (10) years following the closing date, as such term is defined in the concession contract, 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.

NOTE 21: OPERATING REVENUES

Remuneration of services rendered by the Company: transmission of electric power (use of the STN), connection to the National Transmission System, energy transport ancillary services (administration, operation, and maintenance, specialized technical services, special studies, infrastructure availability), infrastructure projects, technology transfers and corporate services to affiliates.

	2011	2010
Use of STN existing network	737,839	696,757
UPME bids for use of STN	95,225	104,795
Connection to STN	97,679	89,655
Telecommunications	16,991	15,484
Rights of use	3,242	3,493
Studies and consulting	1,377	913
Administration, operation and maintenance	4,804	5,657
Other services to subsidiaries	911	339
Total revenues from energy transport service	958,068	917,093
Services of construction of infrastructure projects	(4) 26,057	16,859

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
Total revenues from services of construction of infrastructure projects	26,057	16,859
Technology transfers	6,087	2,809
Corporate services to subsidiaries	6,476	5,210
Total revenues from other services	12,563	8,019
TOTAL OPERATING REVENUES	996,688	941,971

- (1) Higher revenues from service of use of existing STN network explained by PPI behavior, which closed at 5.20% (2010: 4.38%); these higher revenues were set off by lower revenues for compensation of UPME 3 bidding.
- (2) Connection service saw a revenue increase over expectations, also due to the effect of revenue updating with respect to the PPI.
- (3) Positive variation corresponds to renegotiated tariffs.
- (4) Revenues from project construction services for third parties for \$26,057 (2010: \$16,859), generated mainly by: a) execution of sales projects in Piedecuesta, for \$7,065 (2010: \$0), Mitú \$1,900 (2010: \$0) and IPSE \$1,767 in each year b) Delegated management projects of Cauca, Nariño and DISPAC for \$7,806 (2010: \$6,318) and delivery of technical assistance services to PDI \$7,516 (2010: \$8,144).

Operating revenues come from the following customers:

CUSTOMERS	2011	2010
EPM	143,462	143,236
Codensa	141,238	137,674
Electricaribe	133,631	119,669
Isagen	74,753	65,502
Emcali	43,615	46,467
Emgesa	43,118	38,176
Epsa	27,609	27,853
Other customers with invoicing less than 5% of total	389,262	363,394
TOTAL OPERATING REVENUES	996,688	941,971

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: OPERATING COSTS

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

	2011	2010
Personnel expenses (1)	53,072	48,635
Materials and maintenance (2)	78,279	50,131
Fees	8,554	8,280
Rentals	1,910	1,558
Insurance	6,452	7,530
Services	14,993	13,410
Intangibles	4,392	3,473
Environment and Social – ISA Región (3)	3,884	7,326
Communications	865	779
Advertising, prints and publications	73	63
Studies	568	579
Miscellaneous (4)	17,174	9,010
Taxes and contributions (5)	111,707	100,095
Operating costs before depreciation and amortization	301,923	250,869
Depreciation	107,588	106,528
Amortization	2,377	2,082
Total depreciation and amortization	109,965	108,610
TOTAL OPERATING COSTS	411,888	359,479

- (1) Variation arising from salary raise, hiring of new associates, and change of associates' salary regime from fixed ordinary salary to integral salary.
- (2) Corresponds to recovery of transmission towers affected by terrorist attacks or damage to the electric infrastructure from the heavily rainy season, besides scheduled maintenance of the transmission grid and operation constructions and buildings; since the year 2010, the Company has considered as operating expenses all disbursements brought about by terrorist attacks, given that corrective maintenance work is necessary to prevent the public service from being affected by interruptions or cuts.
- (3) Variations in this item are due to organizational changes, since management of these expenditures went from an operation area to a management area.
- (4) Increase from execution of more projects for third parties, like Piedecuesta and Mitu. Note 21 explains these costs.
- (5) Increase in FAER and PRONE levies, larger contributions to the National General Auditing Office and to Superintendencies, and financial transactions.

NOTES TO THE FINANCIAL STATEMENTS

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

	2011			2010		
	TOTAL	CAPITALIZED	NET	TOTAL	CAPITALIZED	NET
Operating costs before depreciation and amortization	305,598	(3,675)	301,923	255,291	(4,422)	250,869
Depreciation and amortization	109,965	-	109,965	108,610	-	108,610
TOTAL	415,563	(3,675)	411,888	363,901	(4,422)	359,479

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

	2011	2010
Personnel expenses (1)		
Materials and maintenance (2)		
Fees	4,384	4,976
Rentals	374	314
Insurance	329	499
Services	8,285	7,325
Intangibles (3)	3,220	2,540
Environment and Social – ISA Región		13
Communications	638	662
Advertising, prints and publications	1,914	1,503
Studies (5)	6,968	4,916
Miscellaneous	1,929	1,984
Taxes and contributions	679	637
Administration expenses before depreciation, amortization and provisions	93,603	91,437
Depreciation	1,081	1,475
Amortization	4,551	4,594
Provisions (6)	6,914	12,378
Total provisions, depreciation and amortization	12,546	18,447
TOTAL ADMINISTRATION EXPENSES	106,149	109,884

- (1) Net decrease is accounted for by the actuarial calculation effect, with higher expense level in 2010 because of higher pension liabilities (aids and benefits) arising from updating of life expectations, besides concession of retroactive payments by ISS of monthly disbursements to ISA pensioners who already complied with legal retirement requisites, and have actually exceeded the estimated values.

However, some items saw increases, like salaries for newly hired associates, and the change from fixed ordinary salary to integral salary for some associates.

- (2) Corresponds to remodeling of constructions and buildings in Medellin headquarters. (Integral design of offices block 1 remodeling, as well as reforms and supplementary work at the restaurant).
- (3) Increases explained by larger software development and maintenance services.
- (4) See explanation (3) of Note 22.
- (5) Increase in studies of new businesses related to Autopistas de la Montaña and energy transport assets.
- (6) Increase in inventories provision and decrease in other provisions like accounts receivable and contingencies.

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes total administration expenses, detailing expenses capitalization and/or assignment:

	2011			2010		
	TOTAL	CAPITALIZED	NET	TOTAL	CAPITALIZED	NET
Operating costs before depreciation and amortization	94,059	(456)	93,603	92,370	(933)	91,437
Depreciation and amortization	5,632	-	5,632	6,069	-	6,069
Provisions	6,914	-	6,914	12,378	-	12,378
TOTAL	106,605	(456)	106,149	110,817	(933)	109,884

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2011 and 2010:

	2011	2010
Personnel expenses	111,642	113,902
Materials and maintenance	80,411	50,932
Fees	12,938	13,256
Rentals	2,284	1,872
Insurance	6,781	8,029
Services	23,278	20,735
Intangibles	7,612	6,013
Environment and Social – ISA Región	8,065	7,339
Communications	1,503	1,441
Advertising, prints and publications	1,987	1,566
Studies	7,536	5,495

	2011	2010
Miscellaneous	19,103	10,994
Taxes and contributions	112,386	100,732
Operating costs and expenses before depreciation, amortization and provisions	395,526	342,306
Depreciation	108,669	108,003
Amortization	6,928	6,676
Provisions	6,914	12,378
Total provisions, depreciation and amortization	122,511	127,057
TOTAL OPERATING COSTS AND EXPENSES	518,037	469,363

NOTES TO THE FINANCIAL STATEMENTS

In 2011 and 2010, 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 is the "Activities-Based Costing", where the products offered by each service or business are the result of a series of operating processes that interact sequentially, for which reason its structure or costs map will call for observation of the progressive flow of operations or tasks to constitute activities, the former to conform processes, and the latter to deliver a utility.

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 2011.

NOTE 24: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

	2011	2010
FINANCIAL REVENUES		
Interest		
On overdue accounts receivable and other loans	2,035	1,774
Return on other assets	2,005	1,100
Monetary readjustment yields	2,320	1,227
Dividends	(1) 4,646	9,357
Investment valuations	(2) 2,259	24,282
Commercial, conditioned discounts and agreements	744	511
Total interest	14,009	38,251
Exchange difference		
Cash	1,815	3,348
Accounts receivable	1,077	324
Marketable investments	-	5,089
Accounts payable	471	2,818
Related parties	392	-
Financial liabilities	25,186	13,803
Total exchange difference	28,941	25,382
TOTAL FINANCIAL REVENUES	42,950	63,633
REVENUES FROM EQUITY METHOD	147,659	110,137

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
EXTRAORDINARY REVENUES AND OTHERS		
Indemnities	4,025	5
Rentals	201	187
Recoveries (3)	12,875	2,725
Revenue from prior years	2,351	1,391
Revenues from sale of property, plant and equipment	35	1
Otros	1,231	5,014
TOTAL EXTRAORDINARY REVENUES AND OTHERS	20,718	9,323
TOTAL NON-OPERATING REVENUES	211,327	183,093

- (1) Corresponds to dividends paid by ISA Bolivia, which contained a component of inflation adjustment showing in its financial statements prepared under Bolivian standards
- (2) In 2010, corresponds mainly to revenue from hedging carried out while Cintra Chile purchase was carried out.
- (3) Includes recoveries of provisions related to civil contingencies for \$5,801, of actuarial calculation for \$2,281 and provision for investment in non-controlled companies for \$2,492.

Non-operating expenses for years ended December 31 included:

	2011	2010
FINANCIAL EXPENSES		
Interest and commissions		
On public credit financial liabilities (See Note 13)	24,775	19,803
Interests and commissions on bonds (See Note 12)	80,702	85,719
Interest on loans with related parties Related parties	9,109	10,701
Other interest	2,182	466
Fees and other interest	1,231	816
Administration of security issues	2,963	2,714
Loss from valuation and sale of investments (1)	3,786	38,762
Miscellaneous	690	778
Total interest and commissions	125,438	159,759
Exchange difference		
Accounts receivable	1,554	703
Loans	-	259
Cash	1,823	3,302
Marketable investments	-	2,542
Investments abroad	2,066	20

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
Accounts payable	430	1,886
Financial liabilities	9,747	13,092
Total exchange difference	15,620	21,804
TOTAL FINANCIAL EXPENSES	141,058	181,563
EXPENSE FROM EQUITY METHOD	85,455	15,908
EXTRAORDINARY EXPENSES AND OTHERS		
Loss from retirement of assets (2)	2,727	907
Other	56	2,101
Prior years adjustments	1,389	2,689
TOTAL EXTRAORDINARY EXPENSES AND OTHERS	4,172	5,697
TOTAL NON-OPERATING EXPENSES	230,685	203,168

- (1) In 2010, corresponds mainly to expense from hedging carried out while Cintra Chile purchase was carried out.
- (2) Retirement of obsolete assets, of which \$2,598 corresponds to substation equipment and \$129 to other assets.

NOTE 25: FINANCIAL RATIOS

Some financial ratios at December 31:

	2011	2010
RETURN ON ASSETS		
Net income/Total assets (%)	3.6%	3.8%
RETURN ON EQUITY		
Net income/Equity (accounting income) (%)	5.3%	5.3%
EBITDA/operating interest (times)	5.3	5.3
LIQUIDITY		
Current assets/Current liabilities (%)	160.6%	92.4%
DEBT RATIO		
Liabilities/Assets (%)	31.8%	28.7%
ACCOUNTS RECEIVABLE TURNOVER (days)		
Receivables from customers/ Operating revenues * 365	67	70

- **LIQUIDITY:** Improvement is due to growth of current assets, given that part of the funds from the issue of bonds (long term) was used for a short-term loan to ISA Chile.

Noteworthy is the fact that the electric energy transport 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.

NOTES TO THE FINANCIAL STATEMENTS

- **DEBT RATIO:** Increase is accounted for by higher debt levels for capitalization of ISA Inversiones Chile.
- **ACCOUNTS RECEIVABLE TURNOVER:** Its improvement is due to reduced accounts receivable from customers of telecommunications and construction services.

NOTE 26: TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions with related parties during 2011 and 2010 are:

	2011	2010
BALANCE SHEET		
Equity investments		
ISA Capital do Brasil	1,125,200	1,197,825
TRANSELCA S.A. E.S.P.	759,379	733,101
ISA Inversiones Chile	484,858	590,938
Transmantaro S.A.	297,207	272,408
REP S.A.	130,278	116,313
INTERNEXA S.A.	107,310	113,824
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,210	23,201
ISA Bolivia S.A.	19,761	20,039
ISA Perú S.A.	14,171	13,544
Proyectos de Infraestructura del PERÚ -PDI-	13,613	6,642

	2011	2010
Interconexión Colombia-Panamá -ICP-	3,965	2,676
Autopistas de la Montaña S.A.S.	955	-
Sistemas Inteligentes en Red -SIR-	214	-
Accounts receivable		
ISA Inversiones Chile	273,252	-
INTERNEXA S.A.	2,962	4,919
REP S.A.	2,854	1,916
ISA Perú S.A.	884	1,077
ISA Bolivia S.A.	756	754
INTERVIAL CHILE S.A.	752	454
Ruta de la Araucanía Sociedad Concesionaria S.A.	727	54
XM, Compañía de Expertos en Mercados S.A. E.S.P.	721	380
Autopista del MAIPO Sociedad Concesionaria S.A.	650	48
Proyectos de Infraestructura del PERÚ -PDI-	614	-
Autopistas de la Montaña S.A.S.	338	-
TRANSELCA S.A. E.S.P.	130	189
Transmantaro S.A.	38	-
Transnexa S.A. E.M.A.	26	126
Accounts payable and financial liabilities		
TRANSELCA S.A. E.S.P.	270,888	263,387
ISA Capital do Brasil	46,246	45,562

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
INTERNEXA S.A.	19,778	4,018
XM, Compañía de Expertos en Mercados S.A. E.S.P.	8,319	673
REP S.A.	84	73
Proyectos de Infraestructura del PERÚ -PDI-	53	29

EQUITY TRANSACTIONS

Dividends declared in favor of ISA

TRANSELCA S.A. E.S.P.	38,859	37,990
ISA Bolivia S.A.	4,645	15,355
ISA Perú S.A.	2,276	2,828
XM, Compañía de Expertos en Mercados S.A. E.S.P.	805	468

TRANSACTIONS RELATED TO INCOME STATEMENT

Revenues

INTERNEXA S.A.	19,451	17,681
Proyectos de Infraestructura del PERÚ -PDI-	7,587	8,255
ISA Bolivia S.A. (1)	5,475	10,305
REP S.A.	2,886	1,874
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,631	2,379
INTERVIAL CHILE S.A.	1,846	454
ISA Perú S.A.	1,763	1,934
TRANSELCA S.A. E.S.P.	1,278	1,542

	2011	2010
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,200	54
Autopista del MAIPO Sociedad Concesionaria S.A.	1,053	48
Autopistas de la Montaña S.A.S.	751	-
Transnexa S.A E.M.A.	595	627
Transmantaro S.A.	63	15
Internexa Sociedad Anónima	30	31

Expenses

TRANSELCA S.A. E.S.P.	10,902	11,705
XM, Compañía de Expertos en Mercados S.A. E.S.P.	8,172	7,935
INTERNEXA S.A.	6,644	6,612
ISA Capital do Brasil	1,514	1,705
Autopistas de la Montaña S.A.S.	1,000	0
REP S.A.	843	1,099
Proyectos de Infraestructura del PERÚ -PDI-	251	212
ISA Perú S.A.	-	109

(1) Includes dividends declared for \$4,645 (2010: \$9,357).

Administrators

(1)

Board of Director's fees	452	504
Executives' salaries and benefits	7,328	6,785

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
Executives' bonuses	1,747	1,620
Aids to executives and others	739	326
Loans receivable from executives	1,678	1,669

(1) The detail of amounts received by the Company's executives is:

YEAR 2011			
Item	Directors (*)	Managers (**)	Total
Integral salary	4,223	2,648	6,871
Aids (education and health)	247	75	322
Bonuses (temporary transfers, results, directive position)	1,007	740	1,747
Vacations	287	170	457
Other (sick leaves and non-variable per-diems)	251	166	417
TOTAL EARNED	6,015	3,799	9,814
Loans balance	1,248	430	1,678

YEAR 2010			
Item	Directors (*)	Managers (**)	Total
Integral salary	4,109	2,304	6,413
Aids (education and health)	248	60	308
Bonuses (temporary transfers, results, directive position)	869	751	1,620
Vacations	250	122	372

Other (sick leaves and non-variable per-diems)	15	3	18
TOTAL EARNED	5,491	3,240	8,731
Loans balance	1,160	509	1,669

(*) "Directors" includes 27 executives of the Company, whose posts are as follows:

IT Director	Corporate Socio-Environmental Director
Human Talent Management Director	Logistics Director
Accounting and Taxes Director	Maintenance Management Director
Legal Director	Business Integrated Management Director
Road Concessions Director	Northwest CTE Director
Subsidiaries Management Director	Operation Management Director
Corporate Image Director	Central CTE Director
New Businesses Director	East CTE Director
Procurement Director	Southwest CTE Director
Project Execution Director	Project Engineering Director
Corporate Planning Director	Auditing Director
Organizational Development Director	Technical Deputy Manager
Operation and Maintenance Director	Financial Planning Director
Financial Resources Director	

(**) "Managers" includes eight 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.

NOTES TO THE FINANCIAL STATEMENTS

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

- The claim for nullity and redress filed by ISA against CREG Resolution 106 of July 1 of 2010 and against CREG Resolution 078 of June 14 of 2011 was admitted on January 19 of 2012. CREG Resolution 106 approves the basis of assets and parameters necessary to determine remuneration of ISA in the STN and CREG Resolution 078 of June 14 of 2011, decides ISA's appeal against CREG Resolution 106 of 2010, by Cundinamarca Administrative Appellate Court, First Section, Subsection B. Analysis of alternatives is underway to reduce or ameliorate the impact on ISA of the non-recognition of the Betania STN assets.
- With respect to the El Bosque transmission project, a meeting was held in January of 2012 between ISA and officers of Cartagena city's public administration, with the presence of officers from the National General Auditing Office and the Attorney General's Office, meeting where it was agreed that those electric expansion works aimed to

avoid failures in the city's electric power supply by the end of this year, will include overhead cables in a sector of the Vía Perimetral. ISA committed itself to: arranging for and obtaining the environmental license, installing overhead cables and simultaneously installing subterranean cables, with the year 2018 as the deadline, and assuming the total cost of this project.

- With respect to the Autopistas de la Montaña Project, on August 10 of 2011, in compliance with its contractual obligations, ISA submitted to the Agencia Nacional de Infraestructura –ANI–, the results of the studies and designs corresponding to the First Stage of the Inter-administrative Contract, denominated Project Evaluation Stage. ANI is currently in the process of reviewing those studies and designs; according to the terms of the contract, once reviewing is finished, the project's scope and construction schedule will be defined. At that moment, the second stage of the Inter-administrative Contract –pre-construction, construction, operation and maintenance– must start.

In order to analyze the macro-project's different aspects, work tables will be set, with the participation of different entities from both the National and Regional Government, and of course, ISA. Loose ends related to the Project are expected to be solved in May.

NOTES TO THE FINANCIAL STATEMENTS

TABLA DE REFERENCIA PARA SIGLAS

ACOLGEN:	Asociación Colombiana de Generadores (Colombian Association of Generators)
ANI:	Agencia Nacional de Infraestructura –ANI– (National Infrastructure Agency, formerly, Instituto Nacional de Concesiones –INCO–)
ASIC:	Administración del Sistema de Intercambios Comerciales (Administration of the Commercial Settlement System)
BRL:	Brazilian Real
CAN:	Comunidad Andina de Naciones (Andean Community of Nations)
CIGRE:	International Council on Large Electric Systems
CVM:	Comissão de Valores Mobiliários (Brazil)
CGN:	Contaduría General de la Nación (National General Accounting Office)
CND:	Centro Nacional de Despacho (National Dispatch Center)
COP:	Colombian Pesos
CRD:	Centro Regional de Despacho (Regional Dispatch Center)
CREG:	Comisión de Regulación de Energía y Gas (Energy and Gas Regulatory Commission)
CFO:	Cable de Fibra Oscura (Dark Fiber)
CT:	Current Transformer
DIAN:	Dirección de Impuestos y Aduanas Nacionales (Tax and Customs Authority)

ECA:	Export Credit Agency
EPR:	Empresa Propietaria de la Red
ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
FAER:	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Electrification of Interconnected Rural Areas)
FAZNI:	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Electrification of Non-Interconnected Rural Areas)
FOES:	Fondo de Energía Social (Energy Social Fund)
HVDC:	High Voltage Direct Current
IPSE:	Instituto de Planificación y Promoción de Soluciones Energéticas para las Zonas no Interconectadas (Planning and Promotion Institute for Energy Solutions for Non-interconnected Areas)
JPY:	Japanese Yen
LAC:	Liquidación y Administración de Cuentas (Account Settling and Clearing)
MEM:	Mercado de Energía Mayorista (Wholesale Energy Market)
NDF:	Non-Delivery Forward
PLP:	Power Line Carrier
PRONE:	Programa de Normalización de Redes Eléctricas (Network Standardization Program)
PT:	Power Transformer
REP:	Red de Energía del Perú S.A.
RTU:	Remote Terminal Unit

NOTES TO THE FINANCIAL STATEMENTS

SAC:	South American Crossing
SIC:	Sistema de Intercambios Comerciales (Commercial Settlement System)
SCI:	Fire System
SID:	Atmospheric Discharge Information System
SIR:	Sistemas Inteligentes en Red S.A.S.
STE:	Servicio de Transporte de Energía (Energy Transport Service)
STN:	Sistema de Transmisión Nacional (National Transmission System)
UPME:	Unidad de Planeación Minero Energética (Mining and Energy Planning Unit)
USD:	United States Dollar
VQ:	Voltage Quality

STATUTORY AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS OF ISA



SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (Amounts expressed in millions of Colombian Pesos and original currencies)

In compliance with Article 29 of Law 222 of 1995 and given the existence of ISA and its companies, we present to the Shareholders' Meeting the special report on the economic relationships with ISA's companies during 2011 and 2010 that have been directed and coordinated by the parent company, Interconexión Eléctrica S.A. E.S.P.- ISA-.

Commercial transactions carried out during 2011 among ISA's companies, either directly or indirectly, abide by the provisions of Law 788 regarding transfer prices in force since January 1, 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

■ Capitalizations

It is important to highlight that none of the items below has taken place among ISA and its 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 in subsidiaries and affiliates, ISA updates investments in the companies 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 financial information of ISA and its companies is consolidated through the global integration methodology, according to which,

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

(Amounts expressed in millions of Colombian Pesos and original currencies)

significant balances and transactions between ISA and the subsidiaries are deleted, and minority interests corresponding to equity and the results of the period, are recognized and presented in the consolidated financial statements.

The main balances and transactions with related parties during 2011 and 2010 are:

	2011	2010
BALANCE SHEET		
Equity investments		
TRANSELCA S.A. E.S.P.	759,379	733,101
ISA Capital do Brasil	1,125,200	1,197,825
REP S.A.	130,278	116,313
INTERNEXA S.A.	107,310	113,824
Transmantaro S.A.	297,207	272,408
ISA Perú S.A.	14,171	13,544
ISA Bolivia S.A.	19,761	20,039
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,210	23,201
Proyectos de Infraestructura del PERÚ -PDI-	13,613	6,642
Interconexión Colombia-Panamá -ICP-	3,965	2,676
ISA Inversiones Chile	484,858	590,938
Sistemas Inteligentes en Red -SIR-	214	-
Autopistas de la Montaña S.A.S.	955	-

	2011	2010
Accounts receivable		
TRANSELCA S.A. E.S.P.	130	189
INTERNEXA S.A.	2,962	4,919
ISA Perú S.A.	884	1,077
REP S.A.	2,854	1,916
ISA Bolivia S.A.	756	754
XM, Compañía de Expertos en Mercados S.A. E.S.P.	721	380
Proyectos de Infraestructura del PERÚ -PDI-	614	-
Transnexa S.A. E.M.A.	26	126
Transmantaro S.A.	38	-
Ruta del MAIPO Sociedad Concesionaria S.A.	650	48
Ruta de la Araucanía Sociedad Concesionaria S.A.	727	54
ISA Inversiones Chile	273,252	-
INTERVIAL Chile S.A.	752	454
Autopistas de la Montaña S.A.S.	338	-
Accounts payable and financial liabilities		
TRANSELCA S.A. E.S.P.	270,888	263,387
ISA Capital do Brasil	46,246	45,562
INTERNEXA S.A.	19,778	4,018
REP S.A.	84	73

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES
(Amounts expressed in millions of Colombian Pesos and original currencies)

	2011	2010
XM, Compañía de Expertos en Mercados S.A. E.S.P.	8,319	673
Proyectos de Infraestructura del PERÚ -PDI-	53	29
EQUITY TRANSACTIONS		
Dividends declared in favor of ISA		
TRANSELCA S.A. E.S.P.	38,859	37,990
ISA Perú S.A.	2,276	2,828
XM, Compañía de Expertos en Mercados S.A. E.S.P.	805	468
ISA Bolivia S.A.	4,645	15,355
TRANSACTIONS RELATED TO INCOME STATEMENT		
Revenues		
TRANSELCA S.A. E.S.P.	1,278	1,542
INTERNEXA S.A.	19,451	17,681
ISA Perú S.A.	1,763	1,934
ISA Bolivia S.A. (1)	5,475	10,305
REP S.A.	2,886	1,874
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,631	2,379
Transmantaro S.A.	63	15
Proyectos de Infraestructura del PERÚ -PDI-	7,587	8,255
Transnexa S.A E.M.A.	595	627
INTERNEXA Sociedad Anónima	30	31

	2011	2010
Ruta del MAIPO Sociedad Concesionaria S.A.	1,053	48
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,200	54
INTERVIAL Chile S.A.	1,846	454
Autopistas de la Montaña S.A.S.	751	-
Expenses		
TRANSELCA S.A. E.S.P.	10,902	11,705
INTERNEXA S.A.	6,644	6,612
XM, Compañía de Expertos en Mercados S.A. E.S.P.	8,172	7,935
ISA Perú S.A.	-	109
REP S.A.	843	1,099
ISA Capital do Brasil	1,514	1,075
Proyectos de Infraestructura del PERÚ -PDI-	251	212
Autopistas de la Montaña S.A.S.	1,000	.

(1) Includes dividends declared for \$4,645 (2010: \$ 9,357).

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 during 2011, are as follows:

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (Amounts expressed in millions of Colombian Pesos and original currencies)

CONSORCIO TRASMANTARO S.A. -CTM-

In March of 2011, ISA won an international public bid to develop a 304 km, 550 kV energy transmission line between the Lambayeque and Libertad regions in Northern Peru. The contract was assigned to Transmantaro;

its term will be 30 years as of the moment the project enters operation, estimated to be 30 months after signing of concession contract. Once operational, the project will generate annual revenue close to USD 15.8 million.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

Along 2011, in meetings held on March 15, October 3 and November 28 of the same year, the respective dividend payments were declared: earnings distribution on the basis of the financial statements for 2010, for USD1.09 million, advanced payment of dividends amounting to USD1.9 million on the basis of earnings of the period January – June of 2011, and advanced payment of dividends for USD1.29 million on the basis of earnings of the period January –September of 2011.

TRANSELCA S.A. E.S.P

The regular shareholders' meeting of TRANSELCA held on January 18 of 2011 approved distribution of earnings for the January-October 2010 period. The amount declared and paid to ISA was \$30,646.

The Board of Directors meeting of TRANSELCA, held on February 26, 2011, declared payment of dividends to ISA in the amount of \$8,213

corresponding to the earnings from period November – December of 2010.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

The regular shareholders' meeting of ISA Bolivia, held on March 17 of 2011, approved distribution of available earnings of \$B33.9.

XM, GESTIÓN INTELIGENTE DE SISTEMAS DE TIEMPO REAL S.A. E.S.P.

Incorporation meeting for the corporation Sistemas Inteligentes en Red S.A.S, a subsidiary of XM Gestión inteligente de sistemas de tiempo real S.A. E.S.P., was held on August 10 of 2011; this company has as its corporate purpose the planning, design, optimization, commissioning, operation, management of goods and services markets requiring development of information systems and technological platforms that involve information exchange with value added, operation of road toll collection centers, as well as planning and operation of supervision, control and management of traffic mobility systems, both domestic and international, and also integrated mass transport systems.

The corporation's shareholders are XM with 85% and ISA with 15%.

The Board of Directors' meeting of XM held on February 25, 2011, declared distribution of earnings of the year 2010, for \$807.

ISA CAPITAL DO BRASIL S.A.

The Administration Council of ISA Capital, meeting on August 22 of 2011, approved an intercompany loan to INTERNEXA Brasil Operadora

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (Amounts expressed in millions of Colombian Pesos and original currencies)

de Telecomunicaciones S.A., in the amount of USD5 million, at CDI + 0.72% interest rate, maturing in one year. Disbursement took place on August 22 of 2011.

COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA –CTEEP

In September of 2011, CTEEP won lots K and L of transmission auction 004/2011, conducted by Agencia Nacional de Energía –ANEEL– and BM&F Bovespa of Sao Paulo.

Lot K is made up of Itapeti Substation, and it consolidates the company's presence in Sao Paulo State. This lot will generate total yearly revenues nearing R\$4.3 million. Commissioning is expected in September of 2013.

In turn, lot L, won by Consorcio Garanhuns made up of CTEEP (51%) and Compañía Hidro Eléctrica de San Francisco -CHESF- (49%), will allow construction, operation and maintenance of two substations and four transmission lines with an extension of 666 kilometers in Paraíba and Pernambuco Provinces. This lot will generate total yearly revenues nearing R\$68.9 million. Commissioning is expected in July of 2014.

CTEEP Administration Council, meeting in November of 2011, approved homologation of capital increase for the value of R\$42.7 million, by means of issuance of 623,920 common shares and 208,665 preferred shares, for a total 832,585 shares.

Along 2011, CTEEP made capital contributions to its subsidiaries in the amount of R\$321.6 million.

In 2011, CTEEP conducted transfer of shares from companies LINHA VERDE TRANSMISSORA DE ENERGÍA S.A. to Abengoa Consesores Brasil Holding S.A., and from RÍO BRANCO TRANSMISSORA DE ENERGIA S.A. to Centrais Electricas do Norte do Brasil S.A.

INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A. -IENNE-

This is a project including two 500 kV transmission lines, 353 km and 367 km long. IENNE started commercial operation in December 2010. The project generates annual revenues of about R\$36.4 million.

INTERLIGAÇÃO ELÉTRICA PINHEIROS S. A. -IE PINHEIROS-

This Project is made up of five substations. Substation Araras entered operation in September of 2010. The Getulina, Mirassol and Piratinga II substations started operation in March, April, and December of 2011, respectively. The project generates annual revenues of about R\$28 million.

INTERLIGAÇÃO ELÉTRICA SUL S.A. -IESUL-

The new Santa Rita – Scharlau transmission line and the Scharlau substation entered commercial operation in December of 2010. The Forquilha substation entered operation in October of 2011. The project generates annual revenues of about R\$28 million.

ISA INVERSIONES CHILE LTDA.

Along 2011, Interconexión Eléctrica S.A. E.S.P. made the following capital contributions to ISA Inversiones Chile: in March, capitalization for USD133,000, in June, for USD125,000, in August, for USD200,000,

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (Amounts expressed in millions of Colombian Pesos and original currencies)

and in November of the same year, it made an additional contribution of USD450,000.

On December 16 of 2011, Interconexión Eléctrica S.A. E.S.P. and ISA Inversiones Chile Ltda. subscribed a loan agreement for USD140 million, earmarked to finance part of the purchase price of the shares held by Cintra Infraestructura S.A. in Intervial Chile S.A. The loan has a one year maturity, with the possibility of renewal, at a fixed annual rate of 4.37%.

INTERVIAL CHILE S.A.

On September 15 of 2010, ISA purchased 60% of the shares of INTERVIAL CHILE S.A. (formerly, Cintra Concesiones de Infraestructuras de Transporte de Chile Limitada). Attached to the shares purchase agreement, ISA, ISA Inversiones Chile and Cintra Infraestructuras S.A. subscribed a shareholders agreement through which ISA was granted the option to purchase the remaining 40% stake held by Cintra Infraestructura S.A. in INTERVIAL CHILE S.A.

The Board of Directors of ISA, in meetings held on August 5 of 2010 and August 26 of 2011, authorized purchase of the remaining 40% stake held by Cintra Infraestructura S.A. in INTERVIAL CHILE S.A.

On November 11 of 2011, ISA made effective its purchase option of 40% of the capital of INTERVIAL CHILE S.A. (controller of five highway concessions in that country), a purchase that left ISA as the owner of the total amount of shares in that company. The operation closed on December 19 of 2011, through investment vehicle ISA Inversiones

Chile Limitada, and amounted to USD211 million, financed by means of a bond issuance by ISA on the Colombian market, and funds contributed by INTERVIAL CHILE S.A.

INTERCONEXIÓN ELÉCTRICA COLOMBIA-PANAMÁ S.A. -ICP-

Interconexión Eléctrica S.A. E.S.P. made a series of capital contributions to ICP: Capitalizations during 2010 total USD 1,441,000 (\$2,837). In 2011, ISA made capitalizations to ICP for USD 751,000 (\$ 1,398). The funds are earmarked for performing the required activities (technical and environmental studies) for the interconnection project viability.

AUTOPISTAS DE LA MONTAÑA S.A.S.

Upon authorization of the Board of Directors in meeting held on December 17, 2010, ISA filed on January 18, 2011, with the Medellin Chamber of Commerce, the deed of incorporation of Autopistas de la Montaña S.A.S. (Simplified Joint Stock Company), established by private document of its single shareholder, and with \$20,000 authorized capital and \$700 paid-in capital. This corporation is not yet in commercial operation.

Along 2011, Interconexión Eléctrica S.A. made capital contributions to Autopistas de la Montaña totaling \$1,000.

INTERNEXA S.A.

Along 2011, INTERNEXA amortized total debt of three loans originated in its merger with Flycom for the amount of \$2,580.

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES
(Amounts expressed in millions of Colombian Pesos and original currencies)

ABBREVIATIONS

BS	Boliviano
BLR	Brazilian Real
\$	Colombian Peso
USD	US Dollar

CODE OF COMMERCE ARTICLE 446 – REPORT (Figures in millions of Colombian pesos)

As provided by the Code of Commerce, Article 446, number 3, below is the detail of the information required therein:

- a. Remuneration of the Corporation's Executives.

DETAILS OF AMOUNTS RECEIVED BY THE CORPORATION'S EXECUTIVES:

ITEM	DIRECTORS (*)	MANAGERS (**)	TOTAL
Integral salary	4,223	2,648	6,871
Aids (education and health)	247	75	322
Bonuses (temporary transfers, results, directive position)	1,007	740	1,747
Vacations	287	170	457
Other (sick leaves and non-variable per-diems)	251	166	417
Total earned	6,015	3,799	9,814
Loans balance	1,248	430	1,678

(*) "Directors" includes 27 executives of the Company, whose posts are as follows:

IT Director	Corporate Socio-Environmental Director
Human Talent Management Director	Logistics Director
Accounting and Taxes Director	Maintenance Management Director
Legal Director	Business Integrated Management Director
Road Concessions Director	Northwest CTE Director
Subsidiaries Management Director	Operation Management Director
Corporate Image Director	Central CTE Director
New Businesses Director	East CTE Director
Procurement Director	Southwest CTE Director
Project Execution Director	Project Engineering Director
Corporate Planning Director	Auditing Director
Organizational Development Director	Technical Deputy Manager
Operation and Maintenance Director	Financial Planning Director
Financial Resources Director	

(**) "Managers" includes eight 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.

**CODE OF COMMERCE ARTICLE 446 – REPORT
(Figures in millions of Colombian pesos)**

FEES PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS:

Between January 1 and December 31 of 2010, payments of fees to the members of the Board of Directors totaled \$452.

- b. In 2011, no expenditures were made for salaries, fees, per-diems, representation expenses, bonuses, premiums in cash or in kind, and transportation in favor or advisors or intermediaries, either or not related to the Corporation through work contract, when their main duty is to carry out formalities before public or private entities or to advise or prepare studies for such endeavors.
- c. Transfers in cash or other assets, free of charge in favor of individuals or legal entities:

Below is a list of the elements delivered as gifts during 2011 under the social management model and not requiring consideration from the other party:

	ACCOUNTING VALUE
Conditional gift to the municipality of Guadalupe	62.00
Gift to the municipality of El Peñol (Nariño province)	8.09

- d. Between January 1 and December 31 of 2011, expenses paid for public relations with stakeholders totaled COP 16.

Between January 1 and December 31 of 2009, \$1,986 were paid for publicity and advertising, as follows: prints and publications: \$265 and publicity and advertising: \$1,721

- e. Monies and other assets held abroad by the Corporation and foreign-currency liabilities.

CODE OF COMMERCE ARTICLE 446 – REPORT
(Figures in millions of Colombian pesos)

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

	2011	2010
ASSETS		
Current assets		
Cash and marketable investments	13,119	168
Accounts receivable	151,628	6,868
TOTAL CURRENT ASSETS	164,747	7,036
Non-current assets		
Foreign currency investments	1,084,778	1,171,810
TOTAL NON-CURRENT ASSETS	1,084,778	1,171,810
TOTAL ASSETS	1,249,525	1,178,846
LIABILITIES		
Current liabilities		
Current portion of financial liabilities	19,281	36,342
Accounts payable	9,599	3,088
TOTAL CURRENT LIABILITIES	28,880	39,430
Long-term liabilities	17,061	142,422
Related parties	23,800	23,800
Accounts payable	-	53
TOTAL NON-CURRENT LIABILITIES	40,861	166,275
TOTAL LIABILITIES	69,741	205,705
NET ASSET MONETARY POSITION	1,179,784	973,141

CODE OF COMMERCE ARTICLE 446 – REPORT
(Figures in millions of Colombian pesos)

Net equity investments, local or foreign, are as follows:

	2011	2010
Investments in local shares		
TRANSELCA S.A. E.S.P.	759,379	733,101
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,210	23,201
INTERNEXA S.A.	107,310	113,824
FEN S.A.	2	2
ELECTRICARIBE	9,823	10,048
Sistemas Inteligentes en Red -SIR	214	-
Autopistas de la Montaña	955	-
TOTAL LOCAL SHARES	900,893	880,176

	2011	2010
Investments in foreign shares:		
REP S.A.	130,278	116,313
ISA Perú S.A.	14,171	13,544
Consortio Transmantaro S.A.	297,207	272,408
Proyectos de Infraestructura del Perú -PDI-	13,613	6,642
ISA Bolivia S.A.	19,761	20,039
ISA Inversiones Chile Ltda	484,858	590,938
ISA Capital do Brasil	1,125,200	1,197,825

Interconexión Colombia Panamá S.A. -ICP-	3,965	2,676
Empresa Propietaria de la Red -EPR-	12,628	12,200
TOTAL FOREIGN SHARES	2,101,681	2,232,585

All other issues mentioned in Article 446 of the Code of Commerce and Law 6 of 1995 are included in the financial statements, the Statutory Auditor's report and the CEO's management report.

CERTIFICATION OF FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellín, February 24, 2012

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

In connection with the 2011 Annual Report of ISA and its companies, the undersigned, Legal Agent and Chief Accounting Officer of Interconexión Eléctrica S.A. E.S.P., in compliance with Article 37 of Law 222 of 1995, Law 964 of 2005, and Resolution 356 of 2007 of the Colombian General Accounting Office, hereby certify that:

1. The financial statements of ISA parent company, and the consolidated financial statements, at December 31, 2011 and 2010, 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, at the closing date.

2. That the financial statements and other reports relevant to the public, related to the fiscal years ended December 31, 2011 and 2010, do not contain defects, inaccuracies or errors that prevent ascertaining the true financial position and operations of ISA and its companies.


Luis Fernando Alarcón Mantilla
CEO


John Bayron Arango Vargas
Chief Accounting Officer
T.P. N°. 34420-T

ANNUAL REPORT
2011

Certification of Compliance with Intellectual Property and Copyright Regulations



CERTIFICATION OF COMPLIANCE WITH INTELLECTUAL PROPERTY AND COPYRIGHT REGULATIONS

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 corporation's Information Direction 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

CEO



Olga Lucía López Marín

Information Director

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continue to next page

	DECEMBER 2011	DECEMBER 2010
ASSETS		
Current assets:		
Cash	202,671	152,346
Marketable investments	524,643	480,415
Accounts receivable – net	837,311	621,192
Inventories – net	18,871	8,186
Deferred charges and other assets	129,503	169,092
TOTAL CURRENT ASSETS	1,712,999	1,431,231
Non-current assets:		
Long-term investments – net	367,349	318,032
Accounts receivable – net	570,670	625,244
Inventories – net	29,016	29,182
Property, plant and equipment – net	1,523,724	1,580,030
Deferred charges and other assets	7,904,612	7,933,993
Reappraisals	1,614,369	1,572,399
TOTAL NON-CURRENT ASSETS	12,009,740	12,058,880
TOTAL ASSETS	13,722,739	13,490,111
Memorandum accounts:		
Debit	2,098,843	2,241,541
Credit	1,292,160	1,562,477

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continued from previous page and continue to next page

	DECEMBER 2011	DECEMBER 2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Outstanding bonds	237,009	249,075
Financial liabilities	560,014	159,343
Accounts payable	599,059	568,151
Labor liabilities	15,023	18,426
Accrued liabilities and estimated provisions	85,374	107,617
Other liabilities	982,385	986,226
TOTAL CURRENT LIABILITIES	2,478,864	2,088,838
Non-current liabilities:		
Outstanding bonds	2,749,549	2,631,226
Financial liabilities	1,341,115	1,189,365
Accounts payable	201,778	180,680
Labor liabilities	765	701
Accrued liabilities and estimated provisions	437,997	519,951
Other liabilities	941,595	781,595
TOTAL NON-CURRENT LIABILITIES	5,672,799	5,303,518
TOTAL LIABILITIES	8,151,663	7,392,356

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED BALANCE SHEETS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continued from previous page

	DECEMBER 2011	DECEMBER 2010
Minority interest	2,263,982	2,731,054
Shareholders' equity		
Subscribed and paid share capital	19,002	19,288
Capital surplus	744,072	755,237
Reserves	409,734	335,747
Net income	173,355	179,676
Cumulative translation adjustment	14,593	2,143
Equity revaluation	213,952	298,773
Revaluation surplus	1,382,340	1,349,746
Surplus from equity method	350,046	426,091
TOTAL SHAREHOLDERS' EQUITY	3,307,094	3,366,701
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	13,722,739	13,490,111
Memorandum accounts:		
Credit	1,292,160	1,562,477
Debit	2,098,843	2,241,541

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continue to next page

	DECEMBER 2011	DECEMBER 2010
OPERATING REVENUES		
Electric energy transmission services	1,591,378	1,474,224
Connection charges	187,139	168,787
Roads	358,544	86,049
Dispatch and CND-MEM coordination	20,309	20,163
MEM Services (STN, SIC, SDI)	15,330	20,333
Telecommunications	50,624	45,937
Other operating revenues	25,402	20,272
TOTAL OPERATING REVENUES	2,248,726	1,835,765
OPERATING COSTS AND EXPENSES		
Operating costs	818,756	582,459
Administration expenses	300,928	275,748
TOTAL OPERATING COSTS AND EXPENSES	1,119,684	858,207
OPERATING INCOME	1,129,042	977,558
NON-OPERATING REVENUES (EXPENSES)		
Non-operating revenues	280,576	210,982
Non-operating expenses	(644,357)	(428,577)
NON-OPERATING LOSS	(363,781)	(217,595)

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED INCOME STATEMENTS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continued from previous page

	DECEMBER 2011	DECEMBER 2010
INCOME BEFORE TAXES	765,260	759,963
Income tax provision	(235,442)	(221,769)
INCOME BEFORE MINORITY INTEREST	529,818	538,194
Minority interest	356,463	358,518
NET INCOME	173,355	179,676

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continue to next page

	2011	2010
CASH FLOW FROM OPERATION ACTIVITIES		
Net income	173,355	179,676
Add (less) – Adjustments to reconcile net income to net cash provided by operation activities:		
Minority interest	356,463	358,517
Depreciation of property, plant and equipment	88,373	91,911
Amortization of deferred charges and other assets	293,075	204,564
Amortization of retirement pensions and fringe benefits	15,013	26,961
Allowance for doubtful accounts	624	1,587
Provision for inventory protection	1,586	-
Investment allowance	269	1,632
Income tax provision	235,442	221,769
Loss on sale and retirement of property, plant, equipment and rights	58,174	1,664
Exchange difference expense (revenue)	9,008	(12,332)
Hedging operations valuation revenue	-	(12,569)
Equity variation	(12,669)	-
Recovery of provisions	(1,051)	(984)
Interest and commissions accrued	310,501	105,229
	1,528,163	1,167,625
Changes in operating assets and liabilities:		
Accounts receivable	(514,909)	(467,246)
Inventories	(24,592)	22,963

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continued from previous page and continue to next page

	2011	2010
Deferred charges and other assets	(754,514)	(4,408,177)
Accounts payable	434,715	418,341
Labor liabilities	(3,055)	1,355
Accrued liabilities and estimated provisions	(295,678)	(151,497)
Collections for third parties	124,163	105,908
Minority interest	(528,421)	644,509
Other liabilities	175,039	1,246,179
Cash flow in other operations		
Payment of retirement pensions	(12,478)	(14,809)
Payment of taxes	(426,532)	(231,298)
NET CASH USED IN OPERATION ACTIVITIES	(36,305)	(1,453,989)
CASH FLOW FROM INVESTMENT ACTIVITIES		
Decrease in current investments	(54,287)	(124,518)
Sale of property, plant and equipment	-	393
Acquisition of property, plant and equipment	(58,963)	(55,505)
NET CASH USED IN INVESTMENT ACTIVITIES	(113,250)	(179,630)

US DOLLARS CONSOLIDATED FINANCIAL STATEMENTS

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 2011 - DECEMBER 2010

(AMOUNTS IN THOUSANDS OF DOLLARS CONVERTED AT EXCHANGE RATES AT THE REPORTING DATES)

Continued from previous page

	2011	2010
CASH FLOW FROM FINANCING ACTIVITIES:		
Interest received in cash	22,956	9,027
Interest paid in cash	(396,609)	(78,028)
Cash dividends paid	(96,360)	(90,803)
Increase in financial liabilities	967,319	725,039
Bond issues	304,630	2,056,230
Payment of financial liabilities	(329,775)	(523,086)
Bond payment/decrease	(218,701)	(362,380)
Equity variations	-	(879)
NET CASH USED IN FINANCING ACTIVITIES	253,460	1,735,120
INCREASE IN CASH AND CASH EQUIVALENTS – NET	103,905	101,501
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	632,761	531,260
EFFECT BEGINNING BALANCE CONVERSION	(9,352)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	727,314	632,761

ANNUAL REPORT
2011

ISA and companies directory



COLOMBIA

ISA

Calle 12 Sur N° 18 - 168
Medellín - Colombia

PHONE: +57 (4) 325 2270

FAX: +57 (4) 317 0848

WEB SITE: www.isa.com.co

EMAIL: isa@isa.com.co

SHAREHOLDER SUPPORT OFFICE

Calle 12 Sur N° 18 - 168 Bloque 3 piso 2
Medellín- Colombia

PHONE: +57 (4) 325 2270 ext. 74979

SHAREHOLDER SUPPORT PHONE:

01 8000 115000

+57 (4) 360 2472

OFICINA BOGOTÁ

Carrera 69 N° 25B - 44 of.1002

Bogotá - Colombia

PHONE: +57 (1) 416 5596 ext. 71700

TRANSELCA

Carrera 55 N° 72 - 109
Piso 10, Centro Ejecutivo II
Barranquilla - Colombia

PHONE: +57 (5) 371 7200

FAX: +57 (5) 371 7282

WEB SITE: www.transelca.com.co

XM

Calle 12 Sur N° 18 - 168 Bloque 2
Medellín - Colombia

PHONE: +57 (4) 317 2244

FAX: +57 (4) 317 0889

SHAREHOLDER SUPPORT PHONE:

PHONE: +57 (4) 317 2929

WEB SITE: www.xm.com.co

EMAIL: info@xm.com.co

INTERNEXA

Calle 12 Sur N° 18 - 168 Bloque 5
Medellín - Colombia

PHONE: +57 (4) 317 1111

FAX: +57 (4) 317 2200

SHAREHOLDER SUPPORT PHONE:

01 8000 914543

WEB SITE: www.internexa.com

EMAIL: info@internexa.com

BOLIVIA

ISA BOLIVIA

Urubó - Puerto Ichilo

Santa Cruz de la Sierra - Bolivia

PHONE: +591 (3) 370 1323 / 24 / 25

FAX: +591 (3) 312 1134

WEB SITE www.isa.com.bo

EMAIL: isabolivia@isa.com.bo

BRAZIL

CTEEP

Rua Casa do Ator, 1.155, 9º Andar
Vila Olímpia
CEP 04546-004
São Paulo - Brasil

PHONE: +55 (11) 3138 7000
FAX: +55 (11) 3138 7232
WEB SITE: www.cteep.com.br
EMAIL: cteep@cteep.com.br

ISA CAPITAL DO BRASIL

Rua Casa do Ator, 1.155, 8º Andar
Vila Olímpia
CEP 04546-004
São Paulo - Brasil

PHONE: +55 (11) 3138 7673
FAX: +55 (11) 3138 7047
WEB SITE: www.isacapital.com.br
EMAIL: isacapital@isacapital.com.br

PINHEIROS

Rua Casa do Ator, 1.155, 2º Andar
Vila Olímpia
CEP 04546-004
São Paulo - Brasil

PHONE: +55 (11) 3138 7196
FAX: +55 (11) 3138 7232
WEB SITE: www.iepin.com.br

SERRA DO JAPI

Rua Casa do Ator, 1.155, 2º Andar
Vila Olímpia
CEP 04546-004
São Paulo - Brasil

PHONE: +55 (11) 3138 7196
FAX: +55 (11) 3138 7232
WEB SITE: www.iejapi.com.br

IEMG

Rua Casa do Ator, 1.155, 2º Andar
Vila Olímpia
CEP 04546-004
São Paulo - Brasil

PHONE: +55 (11) 3138 7360
FAX: +55 (11) 3138 7232
WEB SITE: www.ieminas.com.br

CHILE

370

INTERVIAL CHILE

Cerro El Plomo 5630
piso 10 - Las Condes
Santiago - Chile

PHONE: +56 (2) 599 3500

FAX: +56 (2) 599 3511

WEB SITE: www.intervialchile.cl

EMAIL: contacto@intervialchile.cl

ISA INVERSIONES CHILE

Cerro El Plomo 5630
piso 10 - Las Condes
Santiago - Chile

PHONE: +56 (2) 599 3500

FAX: +56 (2) 599 3511

INTERNEXA

Avenida La Dehesa 1201, Torre Oriente
Oficina 823
Comuna de lo Barnechea
Santiago - Chile

PHONE: + 56 (2) 954 9732

FAX: + 56 (2) 274 9573

MENÚ ▲

PANAMA

371

INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ -ICP-

Edificio Ocean Business Plaza (Torre Banesco)

Avenida Aquilino de la Guardia y Calle 47 – Bellavista

Piso 11, Oficina 1111

Ciudad de Panamá, Panamá

PHONE: +50 (7) 831 7000 / 12

FAX: +50 (7) 830 5072

www.interconexioncp.com

MENÚ ▲

PERU

372

ISA PERÚ

Avenida Canaval y Moreyra 522,
Piso 10 San Isidro,
Lima 27 - Perú

PHONE: +51 (1) 712 6789
FAX: + 51 (1) 712 6885
WEB SITE: www.isa.com.pe

REP

Avenida Canaval y Moreyra 522,
Piso 11 San Isidro,
Lima 27 - Perú

PHONE: + 51 (1) 712 6600
FAX: + 51 (1) 712 6840
WEB SITE: www.rep.com.pe
EMAIL: rep@rep.com.pe

TRANSMANTARO

Avenida Canaval y Moreyra 522,
Piso 11 San Isidro,
Lima 27 - Perú

PHONE: +51 (1) 712 6600
FAX: +51 (1) 712 6840
WEB SITE: www.transmantaro.com.pe
EMAIL: mantaro@ctm.com.pe

PROYECTOS DE INFRAESTRUCTURA DEL PERÚ –PDI-

Avenida Canaval y Moreyra 380,
Piso 10 Oficina 1002
San Isidro Edificio Siglo XXI
Lima 27 - Perú

PHONE: + 51 (1) 421 1218
FAX: + 51 (1) 421 0310
EMAIL: proinpe@proinpe.com

INTERNEXA

Calle Julio Becerra 290, piso 2
Miraflores
Lima - Perú

PHONE: + 51 (1) 255 7373
FAX: +51 (1) 255 7117

MENÚ ▲