



*isa*

CONNECTIONS THAT INSPIRE

isa

**Connect people,  
tell stories,  
lead transformations**

[conexionesqueinspiran.isa.co](http://conexionesqueinspiran.isa.co)



**“Jaguars are regulators of the ecosystem”**

Meet Esteban Payán, director of Panthera for South America



**Can a community live surrounded by jaguars?**

This is what Arhuaco people’s vision



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CHAPTER 1

**Message from  
ISA'S CEO**

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# 2018 A YEAR TO BE PROUD OF

Dear  
Shareholders



**Bernardo Vargas Gibsone**  
ISA'S CEO

I am glad to present to you the outstanding results of our management for 2018, a solid commitment with our stakeholders. I would like to start by mentioning the name of a famous book written by Marshall Goldsmith “*What got you here won't get you there*”, as it is a clear reflection of the transition we are experiencing in the company, with the launch of the new ISA2030 Strategy.

We are aware of our achievements and we celebrate them. However, we know that today we face great challenges that test our ability to adapt. So, it is crucial to prepare ourselves to ensure our permanence, to transcend, to be far from obsolescence, and to be protagonists of the transforming processes of this industry. And that is precisely the spirit of the ISA2030 Strategy, called “Our Future Inspired by **Sustainable Value**”.

This new strategic cycle brings us big and ambitious challenges. On the one hand, bigger competitors as a result of the arrival of new stakeholders in the region (China and India, among others), which will most likely compress margins seen in previous years. On the other hand, the terms of some concessions will end, and they will have to be replaced with new revenues or rebidding processes. The ISA2030 Strategy also includes our full contribution to fulfill Sustainable Development Goals (SDG) and is framed under the concept of Sustainable Value, based on 4 pillars whose initials make up the acronym **VIDA (LIFE)** a meaningful word: **ecofriendly**,

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representing our environmental awareness and commitment towards our planet; “Innovación” (Innovation), as our leverage to grow through new technologies and trends, potentially disruptive; “Desarrollo” (Development) to keep growing with profitability and through new entrepreneurship proposals, business models, and geographies; and “Articulación” (Articulation) of new collaboration mechanisms and alliances to strengthen our capabilities and scope.

Regarding 2018, we have to say that was a challenging year due not only for the slowdown growth in the region that created a very demanding business context, but also due to the socio-political environment’s volatility, electoral dynamics in markets that are very relevant for our operation, and high levels of social discontent that compromised continuity in public policies, among other factors.

Despite this scenario, ISA achieved outstanding financial results, which confirms the company’s leadership and soundness. These results are even better than results from 2017, that had been the best ones in the Company’s history. This is mainly from healthy operational management, coherent previous business decisions, and the consolidation of a profitable portfolio.

One fact that must be mentioned is that ISA’s share reached its historic peak –COP 15.100 in April 2018-, the highest value since ISA entered the Colombia Stock Exchange. This ratifies our value proposition with the company’s shareholders.

In addition, during 2018, ISA’s revenues reached COP 7,2 trillion, a 4% increase; net income reached COP 1,5 trillion, a 6% increase; EBITDA reached COP 4,8 trillion, a 8,4% in-



**A FIRST FACT TO HIGHLIGHT IS THAT ISA’S SHARE REACHED COP 15.100 IN APRIL 2018, REACHING ITS HISTORICAL PEAK SINCE IT ENTERED THE COLOMBIA STOCK EXCHANGE, WHICH RATIFIES OUR VALUE PROPOSITION TO THE COMPANY’S SHAREHOLDERS”**

crease; the EBITDA margin was 66,5% (73,0% excluding construction activities); and finally, assets reached COP 45 trillion, a 3,6% increase, all compared with 2017.

Other relevant financial events in the year, particularly linked to our investments abroad, are the continuous collections of compensatory payments from the Existing Basic Network (RBSE) in ISA CTEEP, for a gross amount of BRL 1,7 million. This company also maintained its outstanding performance in 2018 in all aspects: finances, sustainability, and organizational climate.

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We must emphasize that in every country we are, we have achieved a high level of credibility before governments, associations and regulatory entities, which has allowed us to lead conversations that have resulted in proper conditions to compete, leveraged by the fact that ISA is a recognized regional reference for corporate governance and operational efficiency.

In the Energy Transmission business in 2018, the group's infrastructure reached 45.142 km of high voltage circuits, 90.921 MVA of transformation, and 408.282 GWh that supplied power to more than 160 million people in Colombia, Peru, Brazil, Bolivia, and Chile.

In project construction, 1.541 km of circuits and 3.195 MVA entered operation in Colombia, Peru, Brazil and Chile.

In Colombia, we energized important projects, including the Sabanalarga - Caracolí - Flores 230 kV, the Chinú-Montería 230 KV Line, the Cauca - Nariño Interconnection, and the La Hermosa - Esmeralda Line. Likewise, we advanced 88% in the construction of 700 km of lines to integrate Hidroituango to the National Transmission System, which is part of the North-Western 230/500 kV Interconnection megaproject. Regarding operations abroad, the most relevant projects that entered into operation are the Nueva Cardones-Nueva Pan de Azúcar 500 kV Line in Chile, as well as the Friaspata-Mollepata 220 kV Line, and the Carapongo 500/220 kV Substation in Peru. On the other hand, despite strong competitors in bidding processes, we were awarded five important transmission projects in Colombia and Brazil in 2018, which will yield future revenues of approximately USD 20 million per year.

Similarly, ISA kept promoting the consolidation of energy markets in the region and took a significant step towards the materialization of the Colombia-Panama interconnection, by obtaining the necessary approvals from the Guna Yala indigenous communities in that country to start the required studies. This process required great coordination with government authorities from both countries as well as the support of the IDB.

Furthermore, our affiliate XM, operator of the National Interconnected System (SIN) and administrator of the Wholesale Energy Market of Colombia, inaugurated the control center of the National Dispatch Center, one of the most modern in the region, from which the operation of the SIN is planned, supervised and coordinated to meet the country's energy demand.

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In the Road Concessions business unit, we achieved what was undoubtedly one of the most important business alliances of the year in Colombia, by signing an agreement with Construcciones El Cóndor S.A., a leading company in the sector, whose values, corporate governance, administration, and purposes are similar to those of ISA. With this alliance which was created to get involved in the road concessions business unit in Colombia and Peru, our goal is to assemble a portfolio of relevant assets, leveraged by complementary capabilities of our partners. ISA will bring its extensive experience as a highway operator in Chile, its financial capacity, and its leadership as a multi-latin company, while Construcciones El Cóndor S.A. will bring its recognized experience in construction. This is an important step towards objectives defined for our ISA2030 Strategy.

In the same line of business, through ISA INTERVIAL, we announced an investment of more than USD 500 million in security and connectivity of important interurban roads in Chile. Also, we were officially awarded the Rutas del Loa Road Concession, which will extend our infrastructure by an additional length of 136 km, thus reaching 1.043 km.

In the Communications business unit, our affiliate INTERNEXA presented its Thunder multicloud platform, to contribute to digital transformation of small and medium size enterprises in the region, since it will allow them to effectively access services and applications in the cloud, providing tools for competitiveness.

In terms of sustainability, our Conexión Jaguar® program was internationalized through the consolidation of the first project in Peru, added to projects developed in Colombia for



**I AM HAPPY TO TELL YOU ABOUT US BEING INCLUDED, FOR THE FOURTH CONSECUTIVE YEAR, IN THE DOW JONES SUSTAINABILITY INDEX, GETTING THE HIGHEST RATINGS IN CORPORATE CITIZENSHIP AND PHILANTHROPY CATEGORIES FOR THE ENERGY COMPANIES SEGMENT”.**

biodiversity conservation, climate change mitigation, and connectivity of natural habitats of this feline, considered one of the most emblematic animals of Latin America since times of our ancestral indigenous cultures. We also celebrate 10 years of the Transformación Educativa para la Vida program, which helps improving the quality of rural education in Colombia in partnership with Fundación Antonio Restrepo Barco.

I am happy to tell you about us being included, for the fourth consecutive year, in the Dow Jones Sustainability Index, getting the highest ratings in the corporate citizenship and philanthropy categories for the energy companies segment. In the same way, we are ratified in the MILA sustainability index for countries of the Pacific Alliance, and we are included again in the prestigious Sustainability Yearbook, two of the most relevant rankings of the RobecoSam group. Additionally, for the second consecutive year, ISA was included in the FTSE4Good, an index of the London Stock Exchange created to recognize companies included in the stock exchange that comply with global standards of corporate investment and best corporate sustainability practices.

In terms of ethics, we are a reference in the region due to our administrative autonomy, transparency, and good governance. As we are convinced that ethics is an intelligent decision and the only way for corporate survival, we work every day to evolve, learn and share knowledge with experts. So, this year we held a series of meetings and conferences around this important topic, counting on the attendance of national and international figures, including the president of the State Council of Colombia, who reaffirmed our strong conviction of acting ethi-

**Message from  
ISA's CEO**



cally under the premise that not only statements define us, but also facts and daily actions before big and small challenges. This year we created the Group's Compliance area, renewed our Ethics and Conduct Code as a navigation chart to guide our behavior, and, above all, we worked to strengthen the culture of empowering our employees as the best way to preserve what we are and what we have.

Our position in this matter was demonstrated once again this year, by being ranked as a "company with low corruption risk", in the Transparency for Colombia 2018 ranking.

In terms of innovation, at the end of the year, we achieved 13 patents and alliances to materialize our strategy with organizations as important as Microsoft, the Massachusetts Institute of Technology (MIT), Ruta N, and the universities of EAFIT and UPB.

Regarding our labor relations, I would like to emphasize

that in 2018 we continued moving forward with the Chief Talent Office in the implementation of the Strategic Business Partner model, in which we have been working since previous year. This way, 32 professionals of this field were appointed business partners (HRBP), each of whom was assigned a group of managers and their respective work teams, to accompany and advise them in human resources processes. Likewise, seven Excellence Centers were created, which are responsible for designing world-class talent management practices, to apply them in all the Group's companies.

Concerning collective labor agreement negotiations with unions at some of our companies, the most remarkable agreements were reached with ORGANISA, majority union of employees of our affiliate INTERCOLOMBIA, and with SINTREP, union of workers of our affiliate REP in Peru, each of them for five-year periods. This is proof of the level of reliability that we have been building with our employees and organizations that represent them collectively.

Finally, I would like to highlight, with great satisfaction and pride, the strengthening of the work climate in the Group. This indicator reflects not only the level of commitment and responsibility of the company towards its employees and of employees towards the company, but also it is a sign of clear strength to consolidate us as one of the most attractive groups to work for. In 2018, after a steady yearly improvement, we obtained a favorability rating of 84%, two percentage points above 2017, which places us 15 points above the regional market benchmark in Latin America and 11 points above in Colombia, whose market benchmark is 73%. Our evolution will be materialized on several areas: to keep

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working on connecting us to inspire; to keep working on consolidating a more accessible, closer, responsible and ethical culture; the impulse of innovation; alliances to improve competitiveness; creating skills in our professionals to ensure us alignment with the company's business, as it is done with our Linemen and Talent Hotbed programs; adaptation of our business models to today's challenges in the market; and promoting initiatives that generate a positive environmental impact. The foregoing leveraged by a determined and committed path towards Digital transformation.

With these results, our challenge for 2019 will be greater. Of course, we must remain profitable and competitive, but also to every day reaffirm commitments acquired with our stakeholders and society, while getting involved in the global agenda with clear and tangible contributions and results to respond to major issues of global interest, all included in our ISA2030 Strategy.

Finally, I would like to thank all our stakeholders for trusting the Company; but especially our people, our collaborators, for all their efforts and commitment and who are, undoubtedly, a determining factor for our results.

Please, join us in the journey that we have undertaken aiming at 2030 and which we hope will lead us not only to continue being a reference in the region, but worldwide, always building CONNECTIONS THAT INSPIRE.

**| Bernardo Vargas Gibsone**  
ISA's CEO



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## REPORT PROFILE

This report was prepared as per the methodology adopted by the International Integrated Reporting Council (IIRC) and under the new standard of the Global Reporting Initiative (GRI) essentially required. [GRI 102-54] corresponds to the period between January 1 and December 31, 2018 and has an annual periodicity. [GRI 102-50] For comparative purposes, the 2017 Integrated Management Report, presented in March 2018, should be referenced.

[\[GRI 102-51\]](#) [\[GRI 102-52\]](#)

The report addresses ISA and its business units' management results: Energy Transmission, Information and Communications Technologies, Road Concessions, and Real-time Systems Management. It includes results of material issues that may affect the creation of value of the Energy Transmission business unit and, at the same time, it represents the Communication on Progress of the United Nations Global Compact (COP).

For the 2018 term, its coverage of the materiality analysis for all Energy Transmission companies is highlighted: ISA INTERCOLOMBIA, ISA REP, ISA CTEEP, ISA TRANSELCA, ISA INTERCHILE, and ISA BOLIVIA. Consolidated revenues of the aforementioned companies represent 76,8% of total revenues of the ISA businesses. Eight

material issues that are part of the environmental, social and economic dimensions are presented. For other businesses, main results of their management are included.

It is important to note that each of the affiliates has its respective management reports, which can be found on their websites.

Both the materiality process as the Integrated Management Report were created by the Chief Strategy Office and validated by the Corporate Committee to ensure that all material aspects will be addressed [\[GRI 102-32\]](#)

The Company hired Deloitte & Touche to conduct the verification of the Report according to guidelines of ISAE 3000 standard, in order to guarantee the reliability and accuracy of the information published. The scope and conclusions of the verification may be examined in the independent review report included in Annexes [\[GRI 102-56\]](#)

To facilitate the consultation of indicators reported, the table of GRI [\[GRI 102-55\]](#), indicators may be consulted in annexes, which also includes compliance with the Principles of the Global Compact.

To share suggestions, opinions or concerns regarding this Integrated Management Report, please contact: [\[GRI 102-53\]](#)

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



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CHAPTER 3

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## COMPANY PROFILE

ISA is a multi-Latin business group, well known by the excellence of its operations in the Energy, Roads and Communications businesses, which are guided by ethics and under corporate governance practices exemplary in the region. Thus, ISA and its companies help improve the quality of life of more than 170 million people in Colombia, Brazil, Chile, Peru, Bolivia, Argentina, and Central America, through the operation of 43 affiliates and subsidiaries. [\[GRI 102-4\]](#)

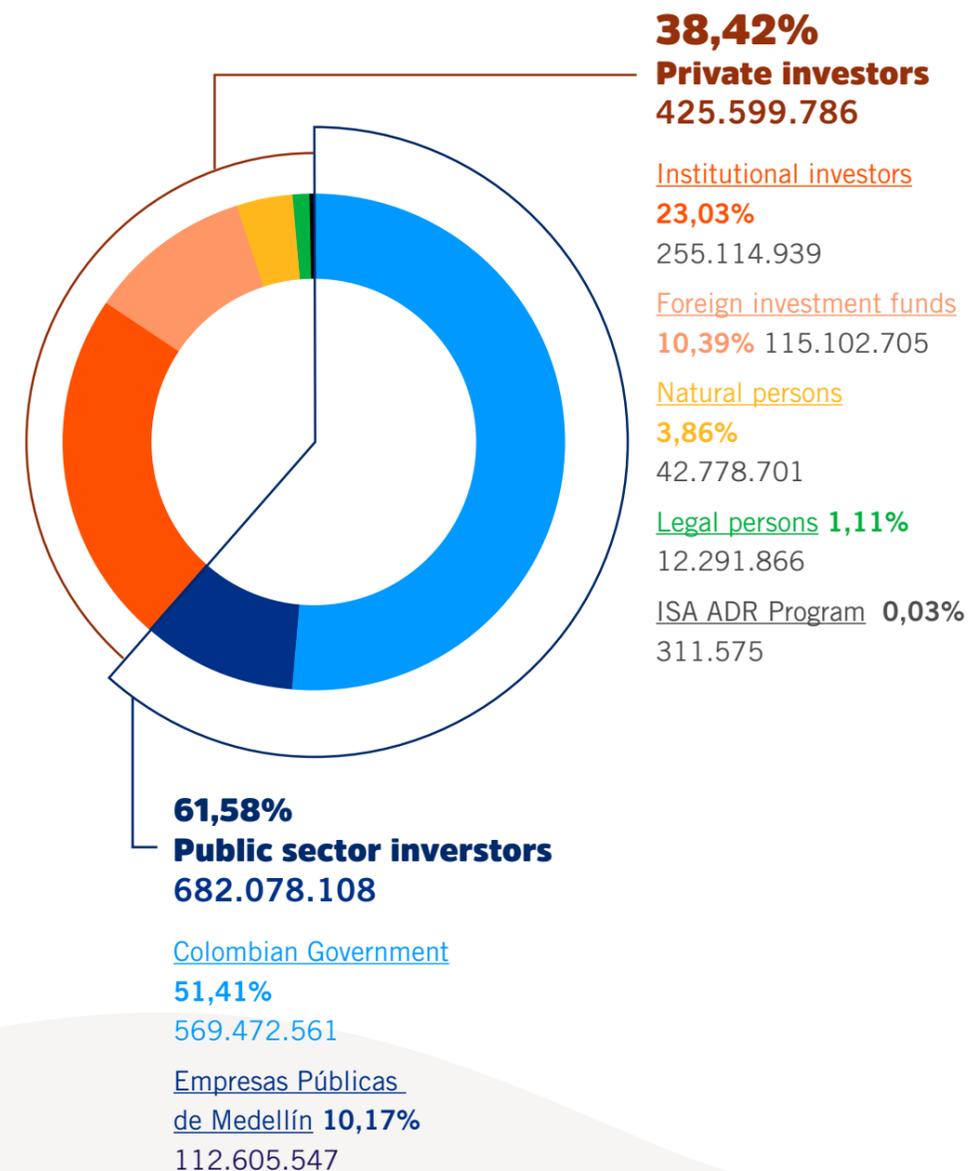
ISA's companies face the future leveraged by innovation, digital transformation, and ability to work with others. They are committed to protect the planet, mitigating and adapting to climate change, rational use of resources, developing programs that generate a positive impact on the environment, and to quality, reliability and availability of services provided.

As a group, ISA and its companies are prepared to compete in convergent scenarios among sectors, smart cities, open innovation, and emerging technologies. A distributed, digitalized, decarbonized, integrated, and inclusive industry, in a more participatory and informed society. ISA has transcended the physical action of connecting one point with another. ISA connects people, making each connection an inspiring action.

### SHAREHOLDER STRUCTURE [\[GRI 102-7\]](#)

Shareholder structure (Dec 31 - 2018)

## 1.107.677.894 S H A R E S



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

The Company has state and private investors. Its stocks and bonds are traded in Colombian Stock Exchange. Also, the Company includes Level I ADR negotiated in the U.S. Over the Counter (OTC) market. The company applies high standards of transparency, efficiency and corporate governance that provide protection and reliability to investors and allow the pace of its growth.

# FIGURES

[GRI 102-7]

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**45.142 km** and **90.821 MVA** transmission infrastructure in operation.

**7.249 km** and **19.860 MVA** transmission infrastructure under construction.



**907 km** roads in operation.  
**136 km** roads under construction.



**49.500 km** fiber optics in operation.



Coordination of the colombian electric system operation  
**69.121 GWh** of energy demand, **17.313 MW** of net effective capacity.

Mobility control in **Medellín** and **its 5 townships.**



**43**  
affiliates and subsidiaries



**3.862**  
EMPLOYEES

**25%**  
directors are women



MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

Member of the Dow Jones Sustainability Index for four consecutive years

**ROBECOSAM**  
We are Sustainability Investing.

ISA was included in **The Sustainability Yearbook of ROBECOSAM** for three consecutive years



Bolsa de Valores de Colombia

**Quality seal of the Colombian Stock Exchange** for its transparency, corporate governance and commitment to the stock market, for six consecutive years

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**RELEVANT FIGURES** [GRI 102-7]

**SERVICE**



**ENERGY TRANSMISSION BUSINESS UNIT**

**99,99%** Reliability **NO VARIATION**

**45.142 km** transmission infrastructure

**↑+2%** 62.038 km including affiliates, subsidiaries, and joint controlled investments.

**90.821 MVA** of installed capacity

**↑+4%** 108.285 including affiliates, subsidiaries, and joint controlled investments.

**Do you know what MVA means?**  
It is the abbreviation of Mega Volt Amp, a power measurement unit, which indicates the "size" of the installed transformers in our network

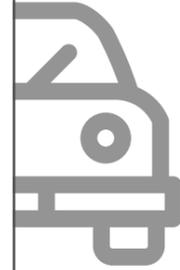


**INFORMATION AND TELECOMMUNICATION TECHNOLOGIES BUSINESS UNIT**

**97,64%** service level **↑ +3 PERCENTAGE POINTS**

**49.500 km** fiber optics **↑ +1%**

**851 clients** **↑ +3 PERCENTAGE POINTS**



**ROAD CONCESSIONS BUSINESS UNIT**

**92%** level of service favorability **↓ -1 PERCENTAGE POINT**

**907 km** interurban roads **NO VARIATION**

**148 million** transit of equivalent vehicles **↑ +5%**



**MANAGEMENT OF REAL - TIME SYSTEMS BUSINESS UNIT**

**69.121 GWh** energy demand **↑ +3,33%**

**17.313 MW** net effective capacity **↑ +3,18%**

**Do you know what GWh means?**  
It is the abbreviation of Gigawatts Hour, an energy measurement unit, equivalent to the energy generated or consumed in a period

**19 trillion COP** market transactions **↑ +19%**

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**RELEVANT FIGURES** [GRI 102-7]



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

**COP 49.993 million** invested in the environment  
-0,01%

**10.519-ton CO<sub>2</sub>e** offset  
+104%

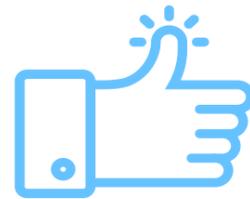
**35.358 kg** SF6 leaks  
+3.165%\*

**13** 13 habitats protected and restored  
+44%

**0** non-monetary sanctions and fines  
-100%

**0** monetary sanctions and fines  
-100%

\* It includes for the first time, the edition of 100% of ISA CTEEP's emissions



**GOOD GOVERNANCE** [GRI 102-18]

**9** members of the Board of Directors  
**NO VARIATION**

**COP 4.674.996** remuneration per meeting in the Board  
+42,47%

**78%** independent members of the Board of Directors  
**NO VARIATION**

**100%** complaints addressed by the Ethics Line  
**NO VARIATION**



**LABOR**  
[GRI 102-8] [GRI 102-41]

**3.862** employees  
+1,4%

**68%** employees in labor agreements and unions  
+3 PERCENTAGE POINTS

**46 hours** average training per employee  
-4,2%

**23% women**  
+1 PERCENTAGE POINT

**84%** group labor environment  
+2 PERCENTAGE POINT

**0** fatal accidents  
**NO VARIATION**

**0** Human Rights violation events  
**NO VARIATION**



**SOCIAL**

**COP 47.009 million** invested in communities  
-16%

**1.838** social organizations strengthened  
+22%

**91%** local purchases  
**NO VARIATION**

**11%** proveedores en fortalecimiento  
**NO VARIATION**

**100%** consultas atendidas de accionistas  
**NO VARIATION**

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## FINANCIAL FIGURES [GRI 102-7]

### CONSOLIDATED



### INDIVIDUALS



#### NOTAS

- Financial figures included in this report are expressed in Colombian pesos, unless otherwise specified in other currency.
  - Net income for the consolidated financial statement differs from individual income in the amortization of goodwill for COP 4.773 million.
- \* Growth excluding PERT and value adjustment of the RBSE in 2017 and change of financial asset to contractual asset of ISA CTEEP and TAESA would result in: operating revenues (+5,5%), net income (+31,9%) and EBITDA (+10,5%), individual net income (+31,7%).



- Energy Transmission
- Information and Telecommunication Technologies
- Road Concessions
- Management of Real-Time Systems

# ISA IN LATIN AMERICA

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- Parent Company of the Corporate Group
- Energy Transmission
- Road Concessions
- Information and Telecommunication Technologies
- Management of Real-Time Systems
- Investment Vehicle

**Colombia**

- ISA
- ISA INTERCOLOMBIA
- ISA TRANSELCA
- INTERVIAL Colombia
- INTERNEXA
- ATP
- XM
- Sistemas Inteligentes en Red
- Derivex

**Peru**

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

**Bolivia**

- ISA BOLIVIA

**Central America**

- EPR
- Interconexión Eléctrica Colombia - Panama
- REDCA

**Brazil**

- ISA CTEEP
- IEMG
- PINHEIROS
- SERRA DO JAPI
- EVRECY
- IENNE

**Chile**

- IE ITAPURA
- IE BIGUACÚ
- IE AGUAPÉÍ
- IE ITAQUERÉ
- IE ITAÚNAS
- IE TIBAGI
- IE MADEIRA
- IE GARANHUNS
- IE SUL
- IE AIMORÉS
- IE PARAGUAÇÚ
- IE IVAÍ
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- ISA Capital do Brasil
- INTERNEXA Participações
- ISA Investimentos e Participações

**Argentina**

- Internexa

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- ISA INTERVIAL
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- Ruta del Maule
- Ruta del Bosque
- Ruta de la Araucanía
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- Ruta del Loa
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- ISA Inversiones Maule
- ISA Inversiones Tolten

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# ENERGY TRANSMISSION

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

High-voltage energy infrastructure solutions contribute to countries reliability and ensure users high standards of quality and reliability.

**CONSOLIDATED DATA<sup>1</sup>**

**COP 5,6 trillion**  
Consolidated revenues

---

**COP 4 trillion**  
Consolidated EBITDA

---

**COP 35,6 trillion**  
Consolidated assets

---

 **2.699**  
employees

**99,99%**  
**RELIABILITY**

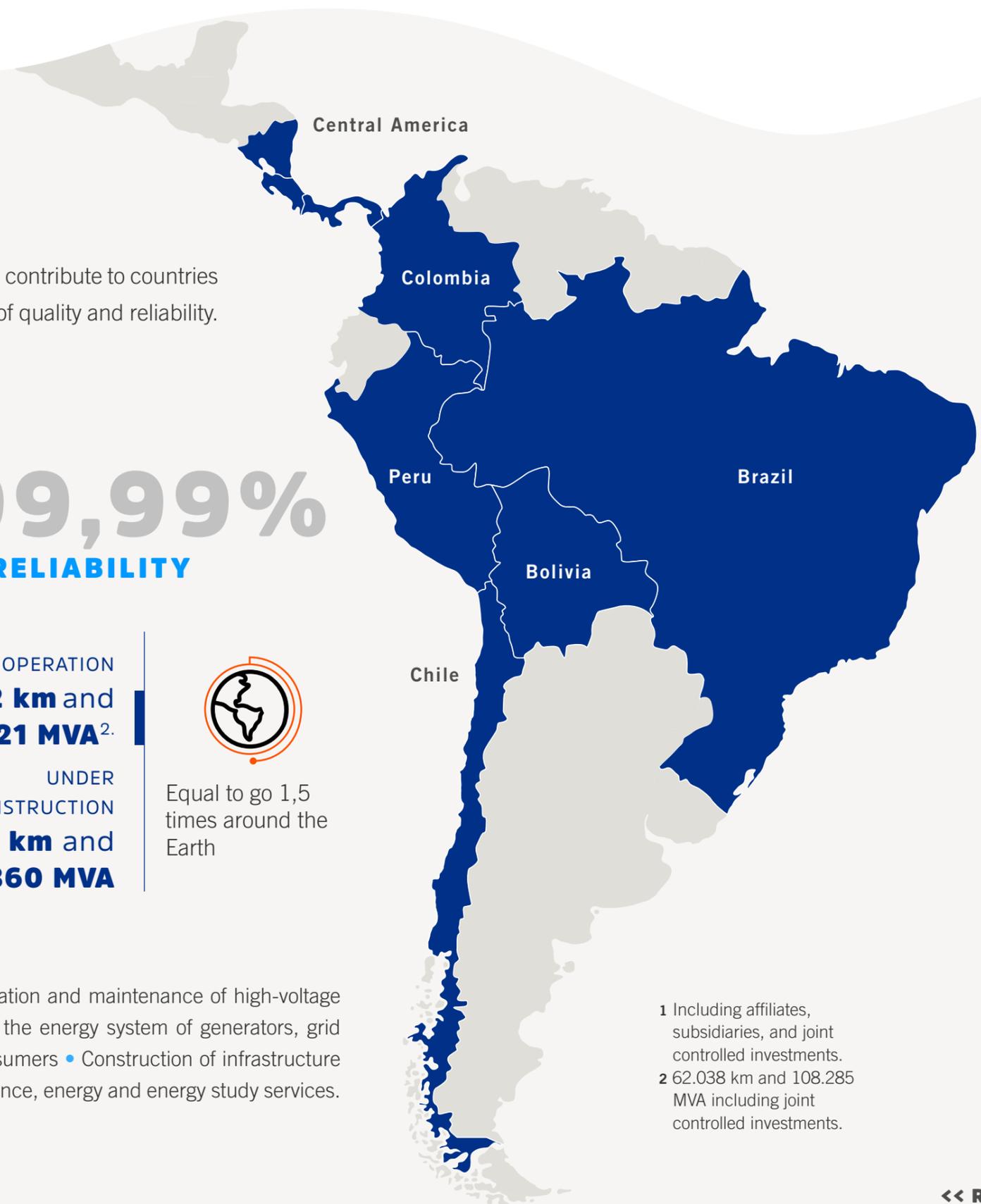
IN OPERATION  
**45.142 km and 90.821 MVA<sup>2</sup>**

UNDER CONSTRUCTION  
**7.249 km and 19.860 MVA**



Equal to go 1,5 times around the Earth

**Service portfolio** • Design, construction, operation and maintenance of high-voltage energy transmission systems • Connection to the energy system of generators, grid operators, regional transporters and large consumers • Construction of infrastructure projects for third parties • Associated maintenance, energy and energy study services.



**Colombia**

- ISA INTERCOLOMBIA
- ISA TRANSELCA

**Brazil**

- ISA CTEEP
- IEMG
- PINHEIROS
- SERRA DO JAPI
- EVRECY
- IENNE
- IE ITAPURA
- IE BIGUACÚ
- IE AGUAPEÍ
- IE ITAQUERÊ
- IE ITAÚNAS
- IE TIBAGI
- IE MADEIRA
- IE GARANHUNS
- IE SUL
- IE AIMORÉS
- IE PARAGUAÇÚ
- IE IVAÍ
- TAESA

**Peru**

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

**Chile**

- ISA INTERCHILE

**Bolivia**

- ISA BOLIVIA

**Central America**

- Interconexión Eléctrica Colombia - Panama
- EPR

<sup>1</sup> Including affiliates, subsidiaries, and joint controlled investments.  
<sup>2</sup> 62.038 km and 108.285 MVA including joint controlled investments.

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## ROAD CONCESSIONS

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

The road infrastructure contributes the countries competitiveness and assures high quality standards, safety and connectivity for users.

**92%** **CLIENT SERVICE FAVORABILITY**

### CONSOLIDATED DATA

**COP 1,2 trillion**  
Consolidated revenues

**COP 0,7 trillion**  
Consolidated EBITDA

**COP 8,2 trillion**  
Consolidated assets

**347**  
employees

INTERURBAN ROADS  
**907 km**

VEHICLES IN TRANSIT  
**148 millions\***

\* Traffic in equivalent vehicles.

**RUTA DEL LOA**  
**136 km**  
UNDER CONSTRUCTION

**USD 315 million**  
INVESTMENT

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



**83%**   
achieved in attention  
with ambulances

**93%**   
achieved in attention  
with cranes

**91%**   
achieved in attention  
with patrols

Road  
**SAFETY AWARD**

Due to accident rates  
and deceased people  
reductions

**Colombia**  
• INTERVIAL Colombia

**Chile**  
• ISA INTERVIAL  
• Ruta del Maipo  
• Ruta del Maule  
• Ruta del Bosque  
• Ruta de la Araucanía  
• Ruta de los Ríos  
• Ruta del Loa

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# INFORMATION AND TELECOMMUNICATION TECHNOLOGIES

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

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

**CONSOLIDATED DATA**

---

**COP 322 billion**  
Consolidated revenues

---

**COP 86 billion**  
Consolidated EBITDA

---

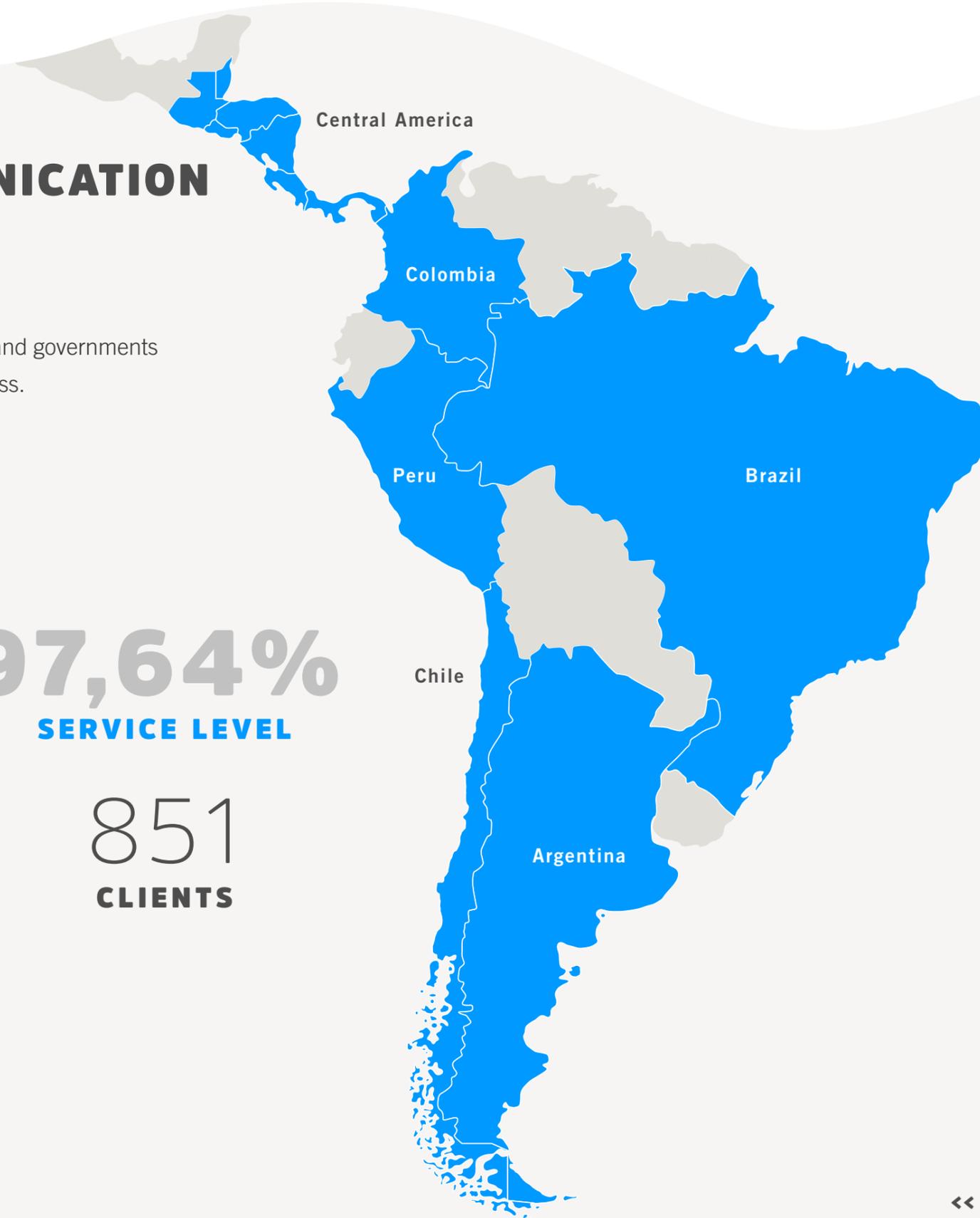
**COP 780 billion**  
Consolidated assets

---

 **331**  
employees

**97,64%**  
**SERVICE LEVEL**

**851**  
**CLIENTS**



**49.500**  
km fiber optics

**8.104**  
services

- Colombia**
  - INTERNEXA
  - ATP
- Brazil**
  - INTERNEXA
  - INTERNEXA Participações
- Peru**
  - INTERNEXA
  - ATP
- Chile**
  - INTERNEXA
  - ATP
- Argentina**
  - INTERNEXA
- Central America**
  - REDCA

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# MANAGEMENT OF REAL-TIME SYSTEMS

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

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

**100%**  
**COMPLIANCE WITH  
INDICATORS**

**CONSOLIDATED DATA**

**COP 145 billion**  
Consolidated revenues

**COP 49 billion**  
Consolidated EBITDA

**COP 167 billion**  
Consolidated assets



**276**  
employees

**69.121 GWh**  
energy demand

**17.313 MW**  
net effective capacity

- Colombia**
- XM
  - Derivex
  - Sistemas Inteligentes en Red



## COORDINATION OF THE COLOMBIAN ELECTRIC SYSTEM OPERATION

- 26.000** km lines
- 73** generators
- 16** transmitters
- 38** grid operators
- 26** communications links
- 206** generation plants
- 249** substations

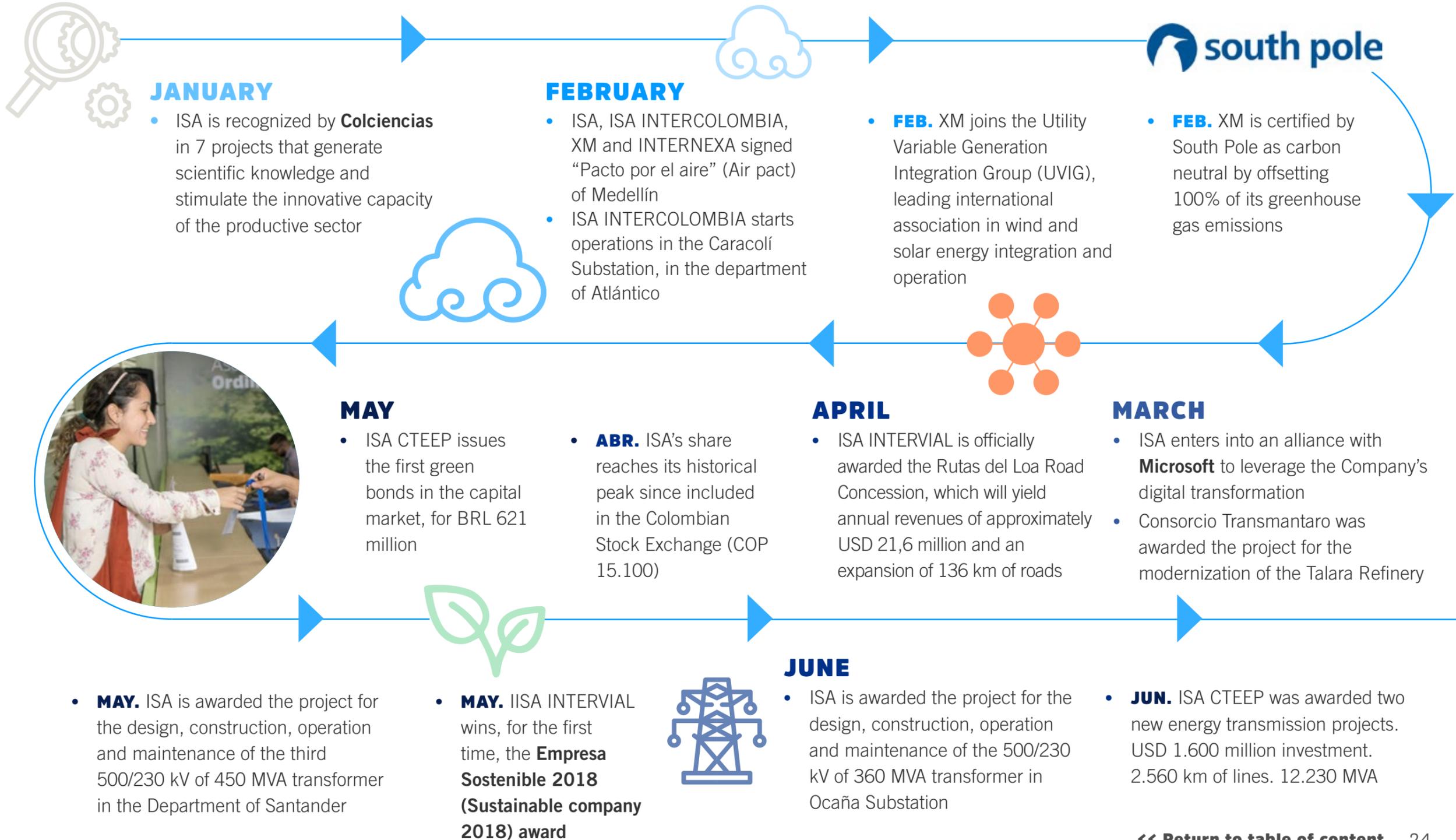


## COLOMBIAN ELECTRIC SYSTEM MONITORING

- 26.000** variables received each four seconds.
- + than 55.000** maneuvers per year

# RELEVANT MILESTONES FOR THE YEAR

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## JULIO

- XM inaugurates the new Control Center of the National Dispatch Center (CND)
- For the first time, ISA REP and the Peruvian Education Ministry inaugurated an important Works for Taxes project for USD 1,5 million

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

## SEPTEMBER

- ISA is included again in two of the most important sustainability indices of the world



- **SEP.** ISA celebrates 10 years of the Transformación Educativa para la Vida (Educational Transformation for Life) program, developed together with Antonio Restrepo Barco Foundation in Colombia



## DECEMBER

- ISA is awarded the Sabanalarga – Bolívar 500 kV transmission project



- **NOV.** Launching of the ISA2030 Strategy, Sustainable Value

- **NOV.** ISA, ISA INTERCOLOMBIA and XM recognized as companies with low corruption risk

## NOVEMBER

- ISA INTERVIAL begins executing complementary works in all its routes, after the publication of the respective supreme decrees. More than USD 500 millions investment

- **DEC.** ISA and Construcciones El Cóndor S.A. join to create the road concessions platform and participate in the colombian and peruvian market

- **DEC.** XM launches the Security Operations Center (SOC): correlation, intelligence and incident security management services. 24 hours, 365 days

- **DEC.** XM launches the E\*E (Energy for Education) Plan, a corporate volunteer program to support the best students of Electrical Engineering programs

- **DEC.** ISA INTERVIAL inaugurates La Serena park in Ruta del Maipo, more than 15.000 m2 of green areas

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## AWARDS

### ISA



Bernardo Vargas Gibsone included among the three best CEOs in the Energy & Other Utilities sector

### COLOMBIA



**ISA INTERCOLOMBIA** receives the best social environment award in the Andesco Congress.



**Colciencias** awards XM with the “Actores, un paso más hacia la excelencia” award.

### PERÚ



**ISA REP** receives the Socially Responsible Company distinction.



**ISA REP** is awarded for Good Labor Practices.



**ISA REP** is distinguished as “Aliado por la Educación” (Education Ally).

### BRASIL



**ISA CTEEP** was recognized as one of the best companies to work for in Brazil.



**ISA CTEEP** ranked second in the Top 50 Open Corps, for its commitment to supporting *startups*.



**ISA CTEEP** was recognized for financial and accounting transparency 2018.

### CHILE



**Ruta del Maipo** receives the Empresa Sostenible CChC 2018 award



**ISA INTERVIAL** Road Safety Award.



**ISA INTERVIAL** was recognized in Social Responsibility, Innovation and Security in Roads.

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## INTEGRATED MANAGEMENT SYSTEMS

Consistent with its purpose to apply international standards that help increase levels of competitiveness, ISA and its companies adopted the ISO and OHSAS standards, which comprehensively allow managing aspects of quality, occupational health and safety, environment and information security.

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

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## INSTITUTIONAL COMMITMENTS [GRI 102-12]



Since 2005, ISA is a signatory to the United Nations initiative, Global Compact. Its affiliates ISA INTERCOLOMBIA, ISA REP, and ISA CTEEP are also part of this initiative. In 2018, the following actions were carried out:

- ISA and ISA INTERCOLOMBIA, together with other Colombian companies, held the Global Compact Chair. About 37 chairs were held for 245 attendants. It was addressed to suppliers and covered labor, environmental, equity, inclusion, and climate finance topics, with the objective of including key issues of the UN 2030 Agenda in the companies.
- ISA, ISA INTERCOLOMBIA, ISA REP and XM offset 100% of their Greenhouse Gas emissions through the purchase of 10.209 Tons of CO<sub>2</sub>e. These companies were ratified by the South Pole Group as Carbon Neutral.
- ISA, XM, ISA INTERCOLOMBIA and ISA TRANSELCA participated in the Collective Action of the Energy Sector.



- ISA, as part of Reconciliación Colombia, supported initiatives that help build society in peace
- ISA participated in the third Macro-Round for Reconciliation (Putumayo), which sought to strengthen local entrepreneurial and social projects.



Red Prodepaz, together with Red de Pobladores, advanced towards the construction of a nation in peace based on local and regional dynamics and processes of development and peace. ISA, as a supporting entity, facilitated:

- The management of processes for the social construction of knowledge.
- The creation of networks and alliances to influence opinion and public policies.
- The strengthening and sustainability of the territorial processes for development and peace in Colombia.



- In 2015, ISA declared publicly in the General Assembly of the United Nations its commitment to work in meeting this global initiative.
- ISA, as a corporate representative, was part of the central board of “Localizing the Sustainable Development Goals”.
- With the declaration of the ISA2030 Strategy, goals associated with the Sustainable Development Goals (SDGs) and compliance potential through corporate action were reviewed, prioritizing the following:





isa

CHAPTER 4

**Strategy**

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- ISA early achieves the 2020 Strategy
- ISA's share reached its historic peak value
- ISA signed an alliance to enter the road market in Colombia and Peru.

ISA has declared the concept CONNECTIONS THAT INSPIRE its higher purpose. This concept allows reshaping the physical act of connecting into something transcendental, because when one point is connected to another, people are connected, making each connection an inspiring act.

CONNECTIONS THAT INSPIRE contains our corporate philosophy, goes beyond the limits of our business, and represents great challenges and commitments we undertake consistently.

The higher purpose and its maxims are the main declaration of the behavior, acting and beliefs of ISA companies. It is complemented with the [Code of Ethics and Conduct](#), the [Code of Good Corporate Governance](#) and [Commitments with Stakeholders](#). [\[GRI 102-16\]](#)

In the acting of the organization and during the normal development of operations, the commitments declared are systematically monitored and risks are managed, in order to ensure consistency in the implementation of the strategy and ensure business sustainability.

In this regard, ISA's commitment is to keep working on a responsible, transparent and ethical management of opportunities, impacts and economic, environmental and social risks to generate value to its stakeholders, to keep its competitive advantage, and to contribute to the development of the communities where it is present. [\[GRI 102-14\]](#)

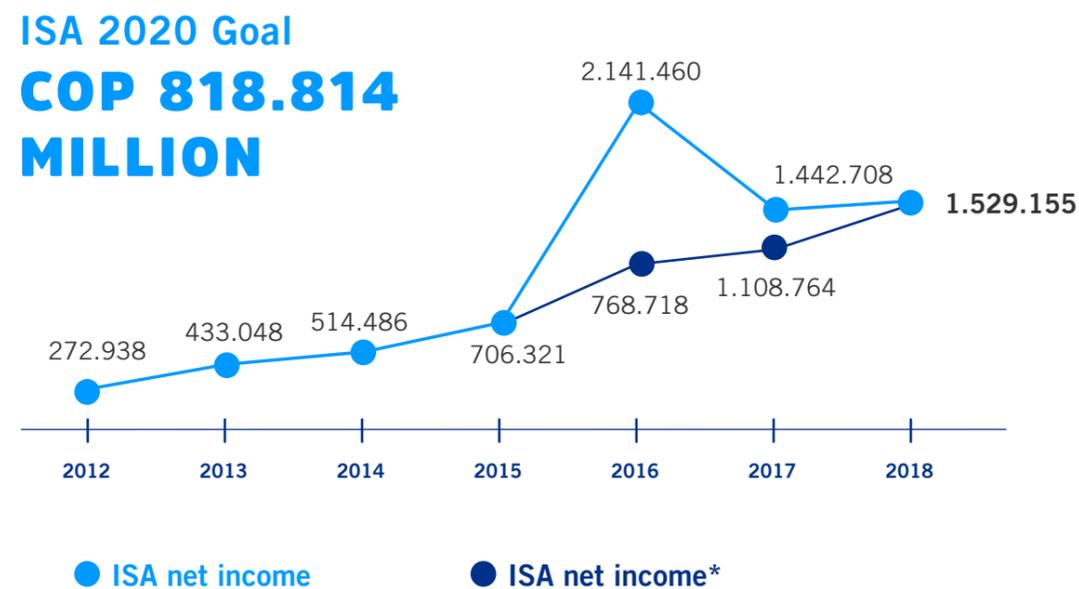
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## RESULTS OF PREVIOUS STRATEGY

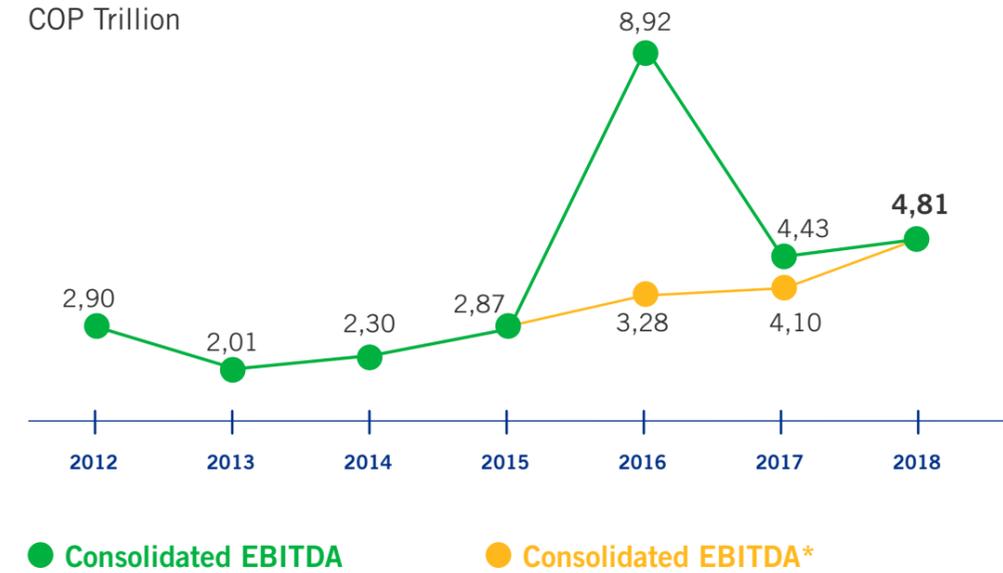
The ISA 2020 strategy allowed improving the profitability of operations by means of efficiency, risk management, innovation applied to business models, and seizing growth opportunities with higher profitability in the countries and business where the Company is present.

This plan deconstructed our highest aspirations and transformed them into objectives, initiatives and goals that are the instruments to mobilize, prioritize management, allocate resources, and monitor performance. Three years prior to our established deadline, financial goals were achieved. When comparing ISA's net income in 2018 with 2012, its value increased 5,6 times, surpassing the ISA 2020 goal of a 3x increase. 2018 was a year to consolidate results achieved and propose challenges for the new strategic cycle.

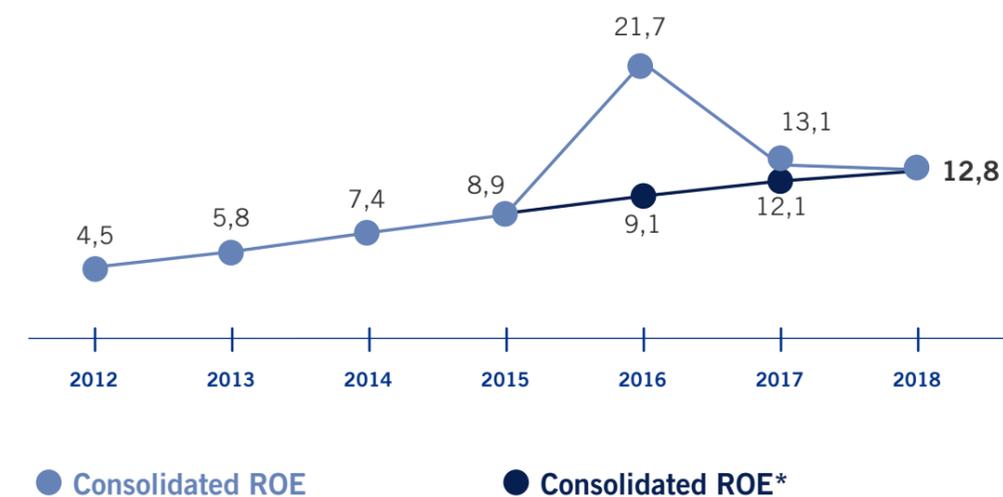
### ISA INDIVIDUAL NET INCOME COP million



### CONSOLIDATED EBITDA COP Trillion



### ROE CONSOLIDADO (Porcentaje %)



\* Excluding impacts of the RBSE value adjustment and the tax amnesty in Brazil

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## RESULTS 2018 - STRATEGIC GOALS



**INCREASE PROFITABILITY**

- COP 1,52 trillion ISA net income **+6%**
- 10,9% value of ISA share above COLCAP

**FINANCIAL**



**INCREASE EFFICIENCY IN OPERATIONS**

- USD 50 million per year in OPEX optimizations.
- USD 100 million in CAPEX optimizations.



**IMPROVE COMPETITIVENESS IN BUSINESS DEVELOPMENT**

- 1% below CAPEX approved.
- 103% compliance with physical progress of projects.



**INCREASE HUMAN, ORGANIZATIONAL AND TECHNOLOGICAL TALENT CAPACITIES**

- 84% organizational environment of the group **+2 PERCENTAGE POINTS**
- 85% group leadership index **+2 PERCENTAGE POINTS**
- 84% development of technical skills of the group
- 0 employees suffered fatal accidents **NO VARIATION**
- 2,1 accidents for every 500 employees in a year in the group **-49%**
- 2 contractors suffered fatal accidents **-50%**
- 489 total contractor accidents
- 17,3 accidents for every 500 contractors in a year for the group **+19%**
- 16 total company accidents

**LEARNING**



**PRODUCTIVITY**

**BUSINESS**

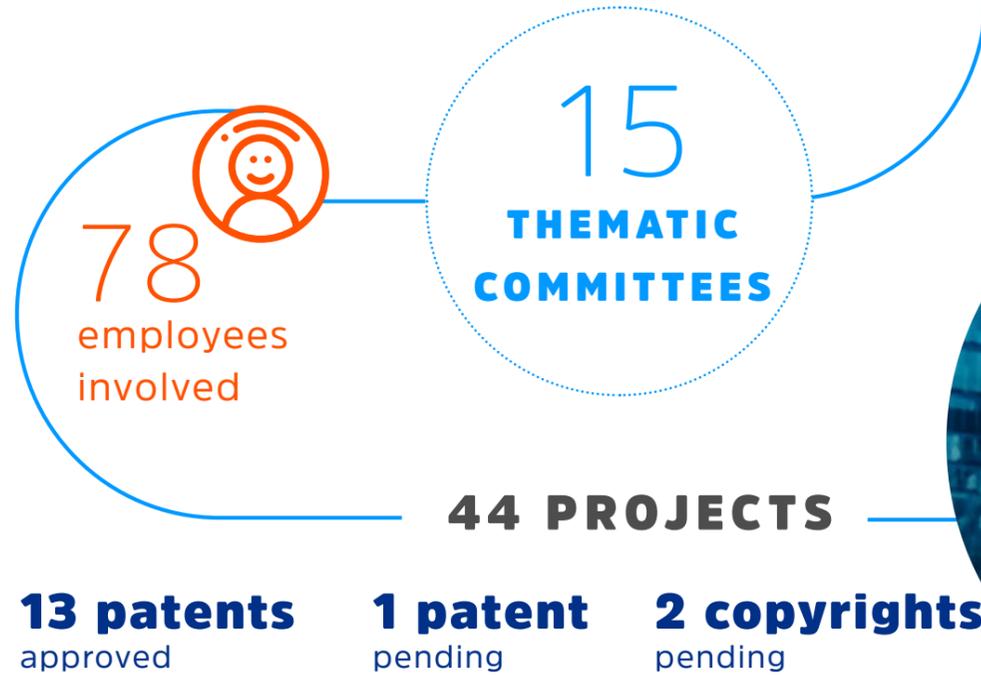
-  **GROW WITH PROFITABILITY**  
USD 650 million in new investments
-  **MULTI-LATIN LEADER IN TECHNICAL EXCELLENCE AND SUSTAINABILITY**  
ISA listed in the DJSI **NO VARIATION**  
99,99% reliability Energy Transmission Business unit  
**NO VARIATION**

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## INNOVATIONS

USD **4,6**  
MILLION INVESTED

**Innovation in ISA is conceived as a process that allows developing abilities to transform ideas and knowledge into value generation.**



## HECHOS RELEVANTES

- The “Programa Energética 2030” stands out in Colombia. Its objective is to develop a comprehensive strategy to transform the Colombian energy sector. A scientific ecosystem has been created around it, through an alliance with eight national universities, 11 international allies, and the participation of ISA and some of its affiliates.
- XM developed a tool that uses Artificial Intelligence (MAIA) to analyze the current regulations applicable to the Wholesale Energy Market and the operation of the Colombian National Inter-connected System.
- ISA REP developed AMARU, an insulator cleaning equipment for chain suspensions of high voltage lines. It is 500% faster, 25% lighter than traditional ones and, due to its design, intuitive for handling and using. It can be installed in less than 2 minutes.
- ISA CTEEP was recognized as one of the “100 Open Startups” for its support to the **open innovation** in Brazil. The Company held the first drone operation event in the Brazilian energy sector, which made it a reference in the application of this technology for the maintenance of transmission lines.



12\* PROJECTS  
RECOGNIZED  
BY COLCIENCIAS



### Alliances

- Massachusetts Institute of Technology (MIT), EAFIT, UPB
- Ruta N
- Microsoft
- The Woodhouse Partnership Limited (TWPL)

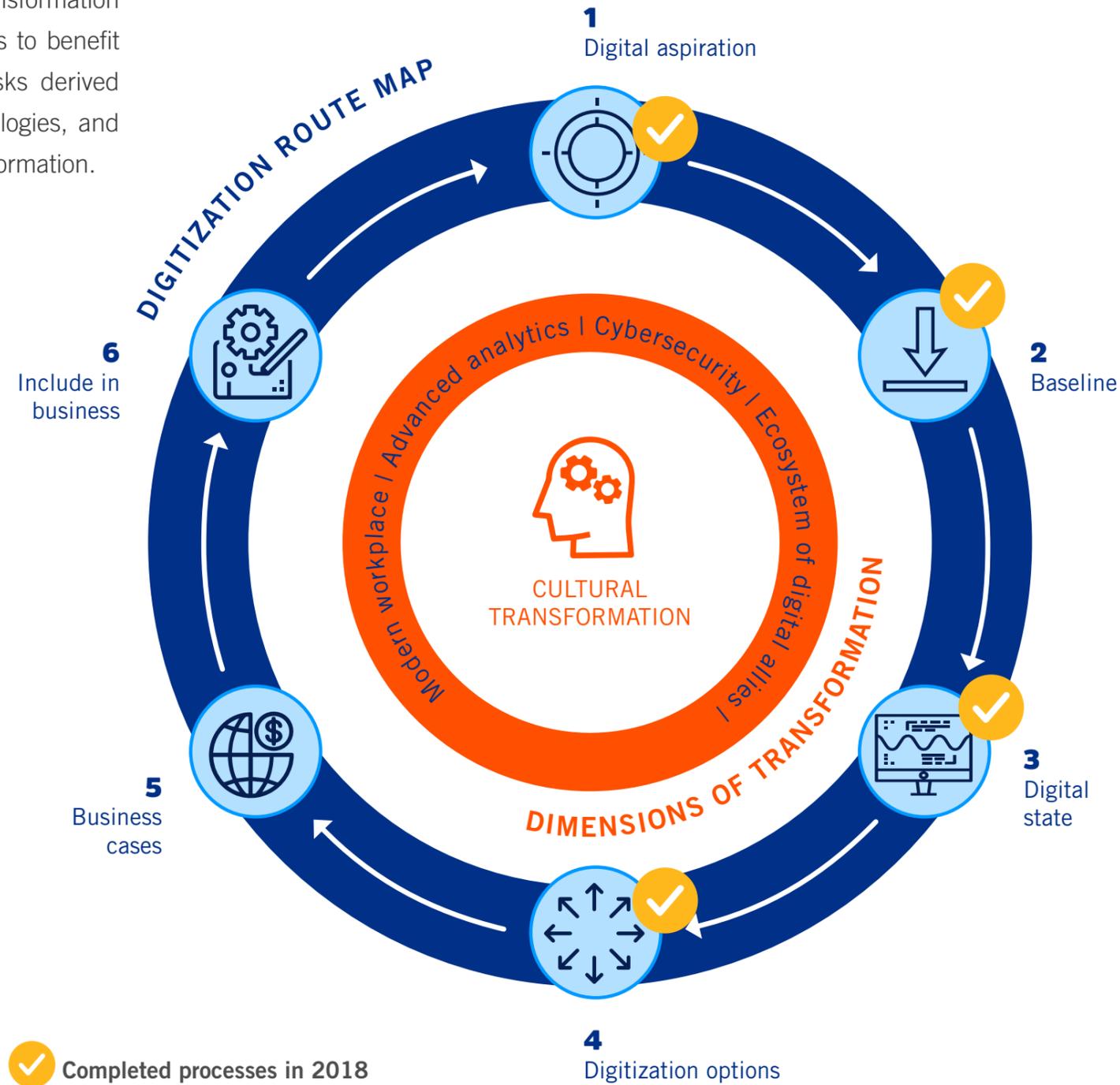
\*7 in 2018, 5 active since 2017.

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## DIGITAL TRANSFORMATION

ISA Group understands digital transformation as the path the organization takes to benefit from opportunities or mitigate risks derived from the adoption of new technologies, and which focal point is cultural transformation.

**29** processes out of a total of 90 concentrate the highest costs and impacts on client experience, useful life of assets, and generation of income.



Digital aspiration defined for each business unit

Definition of digitization levels in processes

Identification of improvement options

**70** digital transformation agents

Workshop with strategic partners looking for digitalization options

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## COMPREHENSIVE RISK MANAGEMENT

ISA and its companies' Comprehensive Risk Management seeks to preserve the integrity of corporate resources, continuity, and sustainability of business units. For this, ISA and its companies systematically perform the identification, analysis, evaluation, monitoring and communication of risks to which companies are exposed, in order to minimize impacts on the financial resources and reputation resources, and benefit from opportunities that can come from them.

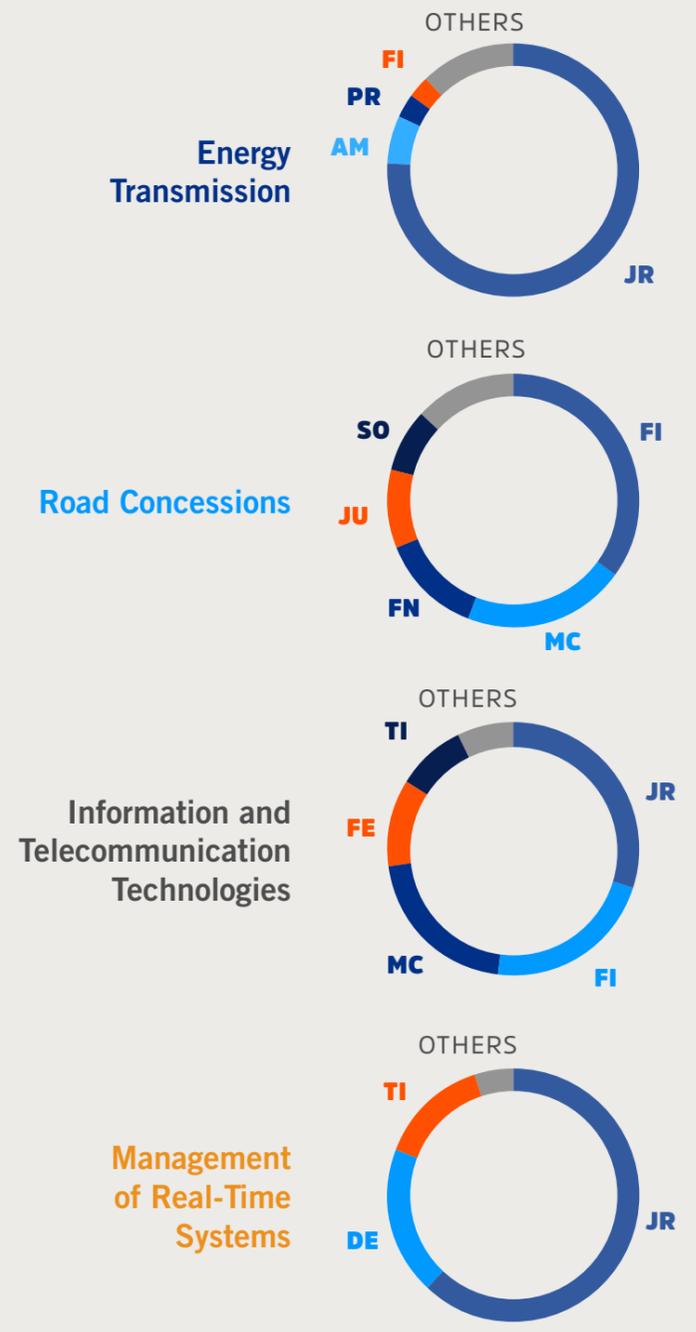
Each company implements the risk cycle and has a map that includes its identification, assessment, and administration measures. This information is updated and consolidated on a quarterly basis. At the end of the period, the consolidated risk map for ISA and its companies showed the following picture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



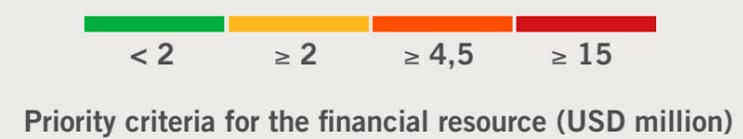
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### RELEVANT RISKS PER BUSINESS UNIT

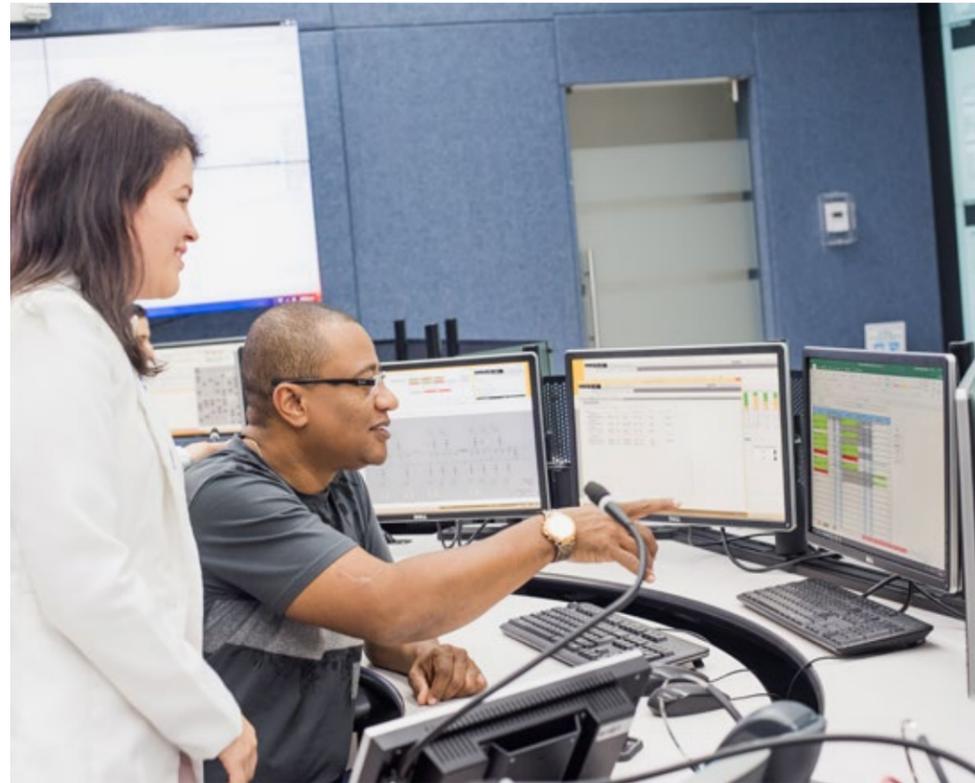
- JR** Legal and regulatory
- AM** Environment
- PR** Propert
- FI** Market, liquidity and credit
- FE** Failure of equipment, spare parts, and materials
- SO** Social
- IP** Suppliers
- MC** Market, competition, mergers and acquisitions
- DE** System or energy market deficiencies
- EO** Errors and omissions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



### RELEVANT RISKS PER COUNTRY



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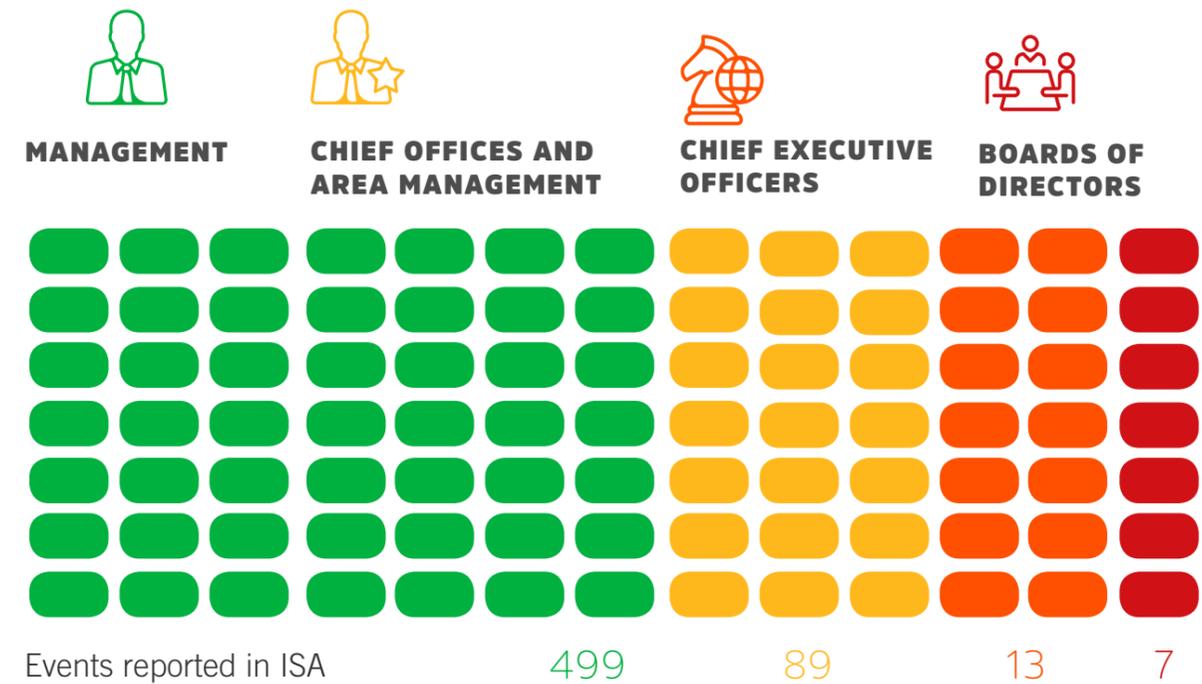


**7** Risk events, out of a total of 608 reported and analyzed, were addressed by the Board due to their probability and possible financial impact.

## RISK MANAGEMENT MONITORING AND REVIEW

Risk management is based on processes and on identifying and managing uncertain events that could affect the company's results. Therefore, each person responsible for the process, project, asset, contract, among others, is directly involved in its proper identification, assessment, prevention and mitigation. The monitoring of risks is associated with the levels of responsibility along the structure of the organization, going through the processes layer, until reaching the highest levels of the companies, including their Boards of Directors. Additionally, the audit areas role of companies supports their actions in the analysis of business risks.

### Risk report to higher instances



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**Priority risks management**

Category	Country	Risk	Actions performed
 <b>Legal and regulatory</b>	 <b>BRAZIL</b>	<ul style="list-style-type: none"> <li>Uncertainty about receiving the total or partial value of the remuneration from the Basic Network of the Existing System (RBSE) of ISA CTEEP</li> </ul>	Permanent management with the Ministry of Mines and Energy, Ministerio da Fazenda, the National Energy Agency (ANEEL), Tribunal de Contas da União (TCU). Presentation of proposals and judicial management through Associação Brasileira das Empresas de Transmissão de Energia (ABRATE), in collective and individual actions. Acting together with the responsible entities, providing technical-legal arguments
		<ul style="list-style-type: none"> <li>Tax events and pension liability in ISA CTEEP</li> </ul>	Presentación de recursos pertinentes ante las autoridades reguladoras; aporte de la documentación y soportes; gestión gremial; actuaciones judiciales y extrajudiciales; gestión de cobranza y seguimiento continuo de la evolución de los procesos; disposición de un equipo legal específico dedicado y dictámenes de juristas favorables
		<ul style="list-style-type: none"> <li>Impacts of the regular tariff revision for energy transmission</li> </ul>	Management in public hearings of ANEEL, hiring of experts, direct management with ANEEL and joint action with ABRATE on common issues; technical contribution based on legal-technical opinions
 <b>Legal and regulatory</b>	 <b>COLOMBIA</b>	<ul style="list-style-type: none"> <li>Change of the remuneration scheme of energy transmission</li> </ul>	Direct management and work through associations with the regulatory authority, the Ministry of Mines and Energy and the Ministry of Finance and comprehensive technical, regulatory, legal and financial analyzes of the regulator's proposals
		<ul style="list-style-type: none"> <li>Problems in the development of the Cardones – Polpaico project due to difficulties in environmental procedures, authorizations or audits</li> </ul>	Management with the Ministry of Energy and environmental authorities to give a satisfactory response to the comments received. Request to extend the term of the commissioning
 <b>Environmental</b>	 <b>CHILE</b>	<ul style="list-style-type: none"> <li>Problems in the development of projects due to difficulties in procedures and increase in environmental compensation</li> </ul>	Management before the Ministry of Mines and Energy, the authorities, and society involved to overcome social, property, environmental, forestry and archaeological conflicts. Minimization, in the design, of the impact of the clearing of coverages for environmental compensations. Regional optimization of compensations
 <b>Environmental</b>	 <b>COLOMBIA</b>	<ul style="list-style-type: none"> <li>Problems in the development of projects due to difficulties in procedures and increase in environmental compensation</li> </ul>	Management before the Ministry of Mines and Energy, the authorities, and society involved to overcome social, property, environmental, forestry and archaeological conflicts. Minimization, in the design, of the impact of the clearing of coverages for environmental compensations. Regional optimization of compensations

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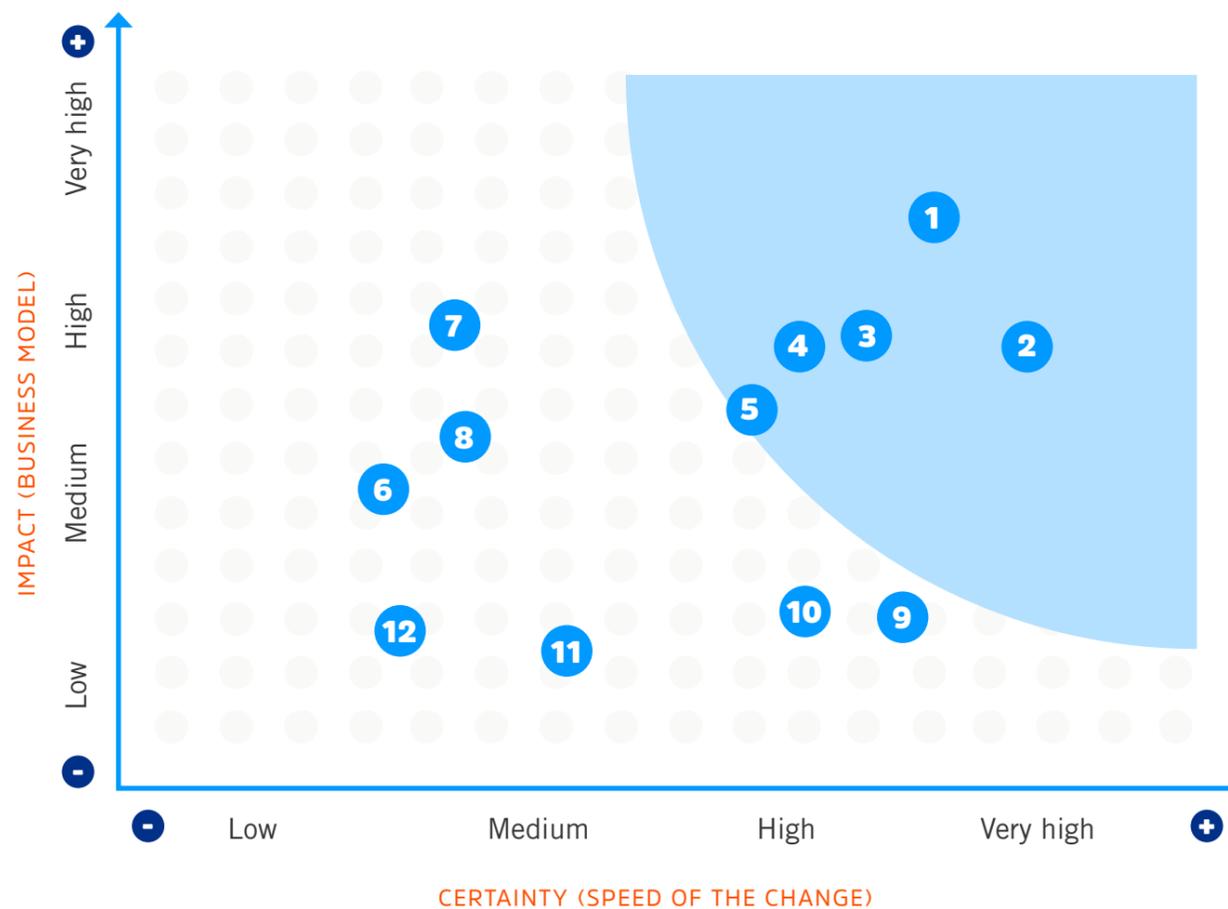
### MATERIALIZED RISKS

- Claims of suppliers in Chile for unpaid contractors in the Cardones - Polpaico project.
- Fatal accident suffered by two employees from contracting firms in transmission projects in Peru and Chile.
- Grounding malfunctions in the Porto Velho substation of the Madeira transmission project in Brazil.
- Impairment of INTERNEXA Brasil in the Communications business unit.
- Impact on financial results in INTERNEXA affiliates in the region due to exchange volatility.

### EMERGING RISKS

In addition to the quarterly assessment of risks, described above, that could hinder the achievement of the strategy, ISA makes a complementary analysis of uncertain events, which are usually external, and complex that may affect, rather than the current strategy, future business models.

In this analysis, trends are identified and the trajectory of the main variables that could amplify them or affect the relation between them is evaluated in order to reformulate the business models, reorient the strategy to anticipate negative impacts, or turn them into new opportunities.



- 1 Emergence of new business models in the sector, given the deep transition of the energy industry.
- 2 Amergence of new competitors, given the reconfiguration of the sector's value chain.
- 3 Establishment of new regulatory frameworks, due to the transformation of the sector.
- 4 Cyber security.
- 5 Digitalization of business.
- 6 Development of new materials.
- 7 Wireless solutions.
- 8 Changes in user preferences or technologies that affect the use of road infrastructure.
- 9 Extreme weather events and catastrophes.
- 10 Biodiversity loss.
- 11 Deep social instability in countries of interest.
- 12 Instability in governments, economies or institutions.

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A summary of the main emerging risks identified and analyzed, their possible impacts on ISA companies and the actions undertaken to address them, are detailed below:

Emerging risks	Impact on the organization	Actions
<ol style="list-style-type: none"> <li>1. Emergence of new business models in the sector, given the deep transition of the energy industry.</li> <li>2. Emergence of new competitors, given the reconfiguration of the sector's value chain.</li> <li>3. Establishment of new regulatory frameworks, due to the sector transformation.</li> </ol>	<ul style="list-style-type: none"> <li>• Business obsolescence.</li> <li>• New opportunities for investment and growth.</li> <li>• Economic impact on participation, competitiveness and revenues.</li> </ul>	<ul style="list-style-type: none"> <li>• Definition of new strategic choices:                             <ul style="list-style-type: none"> <li>• New energy businesses (storage and distributed energy services).</li> <li>• New early-stage business models.</li> </ul> </li> <li>• Preparation of human resources.</li> <li>• Proactive regulatory management.</li> </ul>
<ol style="list-style-type: none"> <li>4. Cyber security.</li> <li>5. Digitalization of business.</li> </ol>	<ul style="list-style-type: none"> <li>• Unavailability of services.</li> <li>• Loss of information.</li> <li>• Economic impact on participation, competitiveness and revenues.</li> </ul>	<ul style="list-style-type: none"> <li>• Protection mechanisms, processes that promote the cybersecurity culture, and recovery plans.</li> <li>• Permanent monitoring of risk evolution and adoption of better practices and technologies according to security challenges inherent to digital transformation.</li> </ul>
<ol style="list-style-type: none"> <li>6. Development of new materials.</li> <li>7. Wireless solutions.</li> <li>8. Changes in user preferences or technologies that affect the use of road infrastructure.</li> </ol>	<ul style="list-style-type: none"> <li>• Less need for transmission services (transformation and transport).</li> <li>• Decrease in road traffic.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic choices:                             <ul style="list-style-type: none"> <li>• New energy businesses (storage and distributed energy services).</li> <li>• New early stage business models.</li> </ul> </li> <li>• Innovation system.</li> </ul>
<ol style="list-style-type: none"> <li>9. Extreme weather events and catastrophes.</li> <li>10. Biodiversity loss.</li> <li>11. Deep social instability in countries of interest.</li> </ol>	<ul style="list-style-type: none"> <li>• Damage to property and infrastructure.</li> <li>• Overruns costs in the investment and operation.</li> <li>• More restrictions to business development.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of carbon emissions through the Conexión Jaguar Program.</li> <li>• Portfolio of forest offsets.</li> </ul>
<ol style="list-style-type: none"> <li>12. Instability in governments, economies or institutions.</li> </ol>	<ul style="list-style-type: none"> <li>• More restrictions to business development.</li> <li>• Volatile macroeconomic variables.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of the political, economic, social, technological and environmental environment of the countries of interest.</li> <li>• Diversification in business and markets (geographies)</li> <li>• Financial hedges</li> </ul>

**Challenges and signs of the environment [GRI 102-15]**



**POLITICAL**



**ECONOMIC**



**SOCIAL**



**TECHNOLOGICAL**



**LEGAL**



**ENVIRONMENTAL**

**SHORT-TERM**

- Consolidation of the newly elected governments of Latin America
- Institutional crisis associated with corruption scandals

- Latin America's economic growth in 2019 will be moderate. Brazil, Chile and Peru leverage the region growth.

- Greater guarantees for citizen participation in decisions made for planning and executing infrastructure projects

- Integration of digitalization of operations affects the development of better and new value offers.
- Non-conventional renewable energies and large-scale storage modify the energy value chain.

- New environmental control mechanisms such as carbon tax, sectoral targets for reduction of emissions and environmental zoning

- Commitments derived from global decarbonization goals will leverage the energy generation boom with non-conventional renewable energy, energy efficiency and transport electrification

**LONG-TERM**

- Inclusion of sustainability and demographic trends in the public policy agenda of the nations, specifically urban and infrastructure planning

- Emerging markets (Emerging 7, N11 countries, CIVETS) will dominate the generation of GDP worldwide, especially with the leadership of China, India, Indonesia, Brazil and Mexico

- Prosumers that prefer shared economy schemes
- Compliance with SDGs by 2030 will require actions of greater impact and better institutional articulation

- New vehicular technologies, energy resources distributed, and massification of data require the adaptation of the market and the electric, road and communications infrastructure

- Adaptation of regulatory frameworks to incorporate major transformations of the sectors

- Climate change will condition the main actions of citizens, governments and businesses
- The development of disruptive technologies will be essential for adaptation and mitigation

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## Our future is inspired by Sustainable Value

### ISA welcomes the ISA2030

**strategy**, a milestone that will allow us face challenges imposed by the future, transcend, move away from obsolescence, and leave a legacy that inspires new generations.

The first step of this renewal cycle took place in 2017 with the definition of the higher purpose -CONNECTIONS THAT INSPIRE-, which was an invitation for the Company to transcend and renew its commitment to face the challenges of the future.

In a second methodological moment, a rigorous and comprehensive **strategic review** exercise took place. It started from realizing what it had been achieved. International experts were consulted for the different industries in which ISA companies are engaged, to identify trends and interpret the main implications for the business. Likewise, the largest companies worldwide served as a reference.

### THE ISA2030 STRATEGY

PROPOSES CONCRETE INITIATIVES AND INVESTMENT GOALS IN DISRUPTIVE INNOVATION, NEW ENERGY BUSINESSES AND ENTREPRENEURSHIP.

ISA EVOLVES,  
**renews itself,**  
defines new goals  
and choices.



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## TRENDS OF BIGGER IMPACT BY 2030

- Optimization of energy resources**
- Regional energy integration
  - Energy efficiency

- Digital transformation**
- Network automation
  - Big Data and automatic control
  - Intelligent transport systems
  - Autonomous cars

- Automation**
- Autonomous activities
  - Decisions based on data
  - Virtualization

- More active social participation**
- More active consumers and society
  - Behavior and response to demand

- Hyper connectivity**
- IoT
  - 5G
  - Cyber attacks

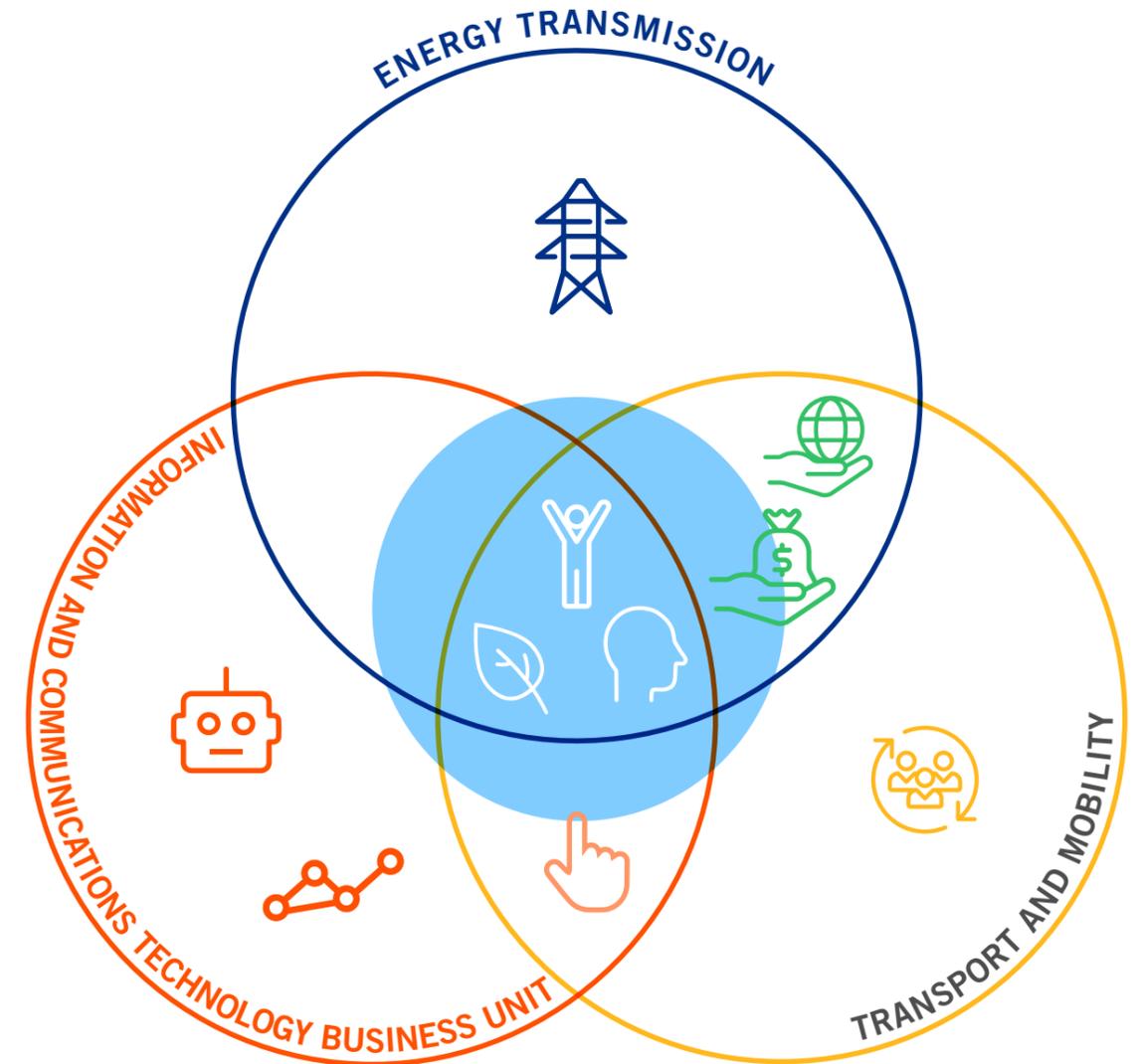
- Ethics and Transparency**
- Reputational crisis

- Personalization**
- Decarbonization and renewables
  - Storage and distributed services
  - Transport electrification

- Decarbonization**
- Decarbonization and renewables
  - Storage and distributed services
  - Transport electrification

- Demographic transformation**
- Urban and suburban densification

- Market adaptation**
- Regulation by incentives
  - Incentives for traffic regulation



The next step was to define the strategic choices that were consistent with the higher purpose considering trends. This is how the ISA2030 Strategy was set. The strategy is the path ISA believes will ensure permanence and competitiveness, and it will be included in the conversations that are transforming the industry.

### STRATEGIC RENEWAL CYCLE

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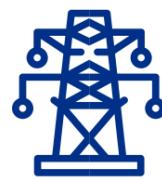


#### PURPOSE

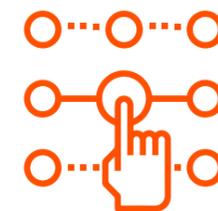
Why?  
How?  
What?



#### TRENDS, SCENARIOS & IMPLICATIONS



#### CHOICES



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## THE ISA2030 STRATEGY TRANSCENDS FROM PROFITABLE GROWTH TO SUSTAINABLE VALUE



### GROWTH WITH SUSTAINABLE VALUE

The bet for the future is to generate value over time, not only for shareholders but for society and the planet and ensure ISA's continuity or longevity.

### BALANCED PORTFOLIO



The selection of the portfolio is aimed at the creation of Sustainable Value. As a result, investment decisions will reflect the balance between businesses and geographies; profitability and risk criteria; adjacency and vision; diversification and concentration.

### TRANSVERSAL PILLARS

- V Verde (Ecofriendly)**
- I Innovation**
- D Development**
- A Articulation**

All the above is supported on the four transversal pillars whose initials make up the acronym VIDA (LIFE).

**CURRENT BUSINESS AND NEW GEOGRAPHIES**

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**Energy transmission business unit**

**Transmission**

- Main business
- Win profitable projects
- Capex and Opex excellence
- New geographies
- Key role in the transformation of the sector

**New business**

- Sub transmission
- Large-scale storage of energy
- Distributed energy solutions



**Road business unit**

**Platform development**

- Alliances for growth
- Strengthen existing capacities in ISA
- Win profitable projects
- Growth in new geographies

**Excellence in**

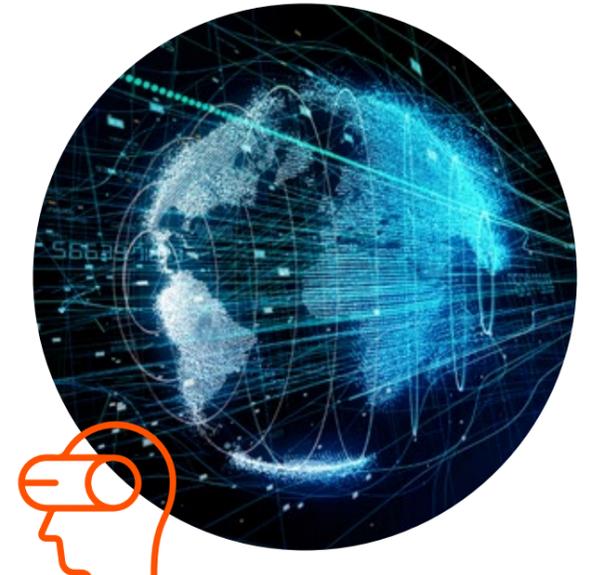
- Structuring, construction, O&M



**Communications and ICT business unit**

**Profitability**

- Strategic alliances
- Internexa and ATP synergies
- Synergies in future business



**Future business**

**Focus**

- Beyond our CORE business
- Transformational innovation
- Enhance current skills

**Vehicles**

- Open Innovation Ecosystem
- Corporate Entrepreneurship (CVC)

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## ENERGY

Energy transmission continues to be the main business of the group. ISA will grow in the countries where it is present, will venture into new geographies in Latin America and the United States, and will expand the portfolio with new energy businesses adjacent to transmission.

To maintain its privileged position in the countries where it is present, ISA will continue to develop profitable projects ensuring excellence in construction, operation and maintenance, and will be prepared to face an increasingly stronger competition, which takes greater risks and is more quickly anticipated at changes in the environment. It will also develop and escalate new energy businesses; among them, large-scale storage and distributed energy solutions. It will also take advantage of new opportunities arising from the transformation of the sector.

## ROADS

It is the business source of portfolio diversification. ISA will continue to develop and leverage the acquired capabilities.

- It will develop a platform for the future growth of the business to compete in greenfield projects and continue evaluating growth opportunities in brownfield projects.
- Colombia, Peru and Chile will be the target geographies for this business, since all of them have an attractive competitive scenario and will bring diversification to ISA's portfolio.
- Strategic alliances will be developed to ensure a fast and sustainable development of the platform and the capabilities required.



- Competitiveness will be ensured through excellence in key factors of success, such as the structuring of bids and projects, construction, operation, and maintenance.

## TELECOMMUNICATIONS AND ICT

- The current business will be optimized and the synergies existing between the companies in the group will be further exploited.
- Alliances with strategic partners will be sought to develop new capabilities to boost the business.
- Businesses that arise from the evolution of the industry will be developed.

## FUTURE BUSINESS

- ISA will seek innovation beyond the main business, focusing resources on transformational innovation.
- External vehicles such as Corporate Venture Capital will be developed to monitor and take advantage of new transformation solutions and business models.

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## TRANSVERSAL PILLARS

The ISA2030 Strategy oriented to the creation of Sustainable Value, will be executed in a special way that will influence all the actions and decisions in our everyday as well as the way ISA will relate internally and with the world.

### Verde (Ecofriendly)

- Minimization of environmental impacts on operations.
- Promotion of initiatives that generate positive environmental impact.



### Innovation

- Digitization brought to operations and assets, development of new value proposition.
- Taking advantage of business opportunities derived from technological evolution and trends.



### Development

- Relevant player in the entrepreneurship ecosystem.
- Management of external and internal resources to develop initiatives that have a positive impact.
- Development of leaders who face adaptive and technical challenges.



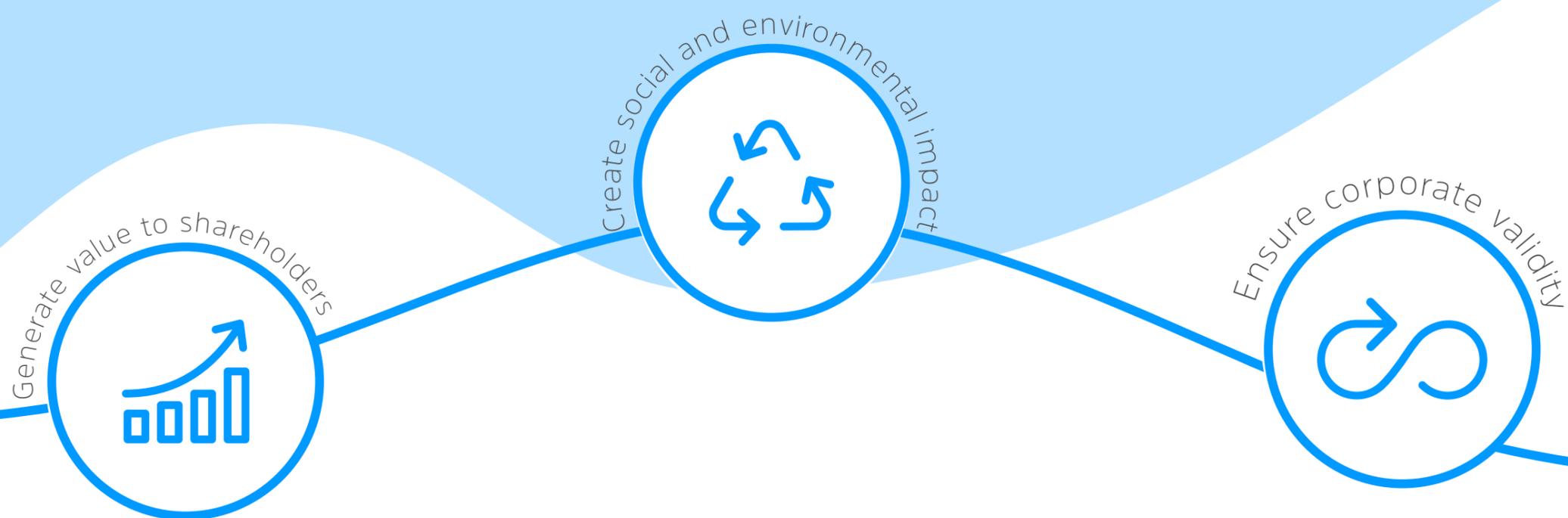
### Articulation

- Seal of strategic alliances to meet objectives.
- Articulation of business in a balanced portfolio.



## OUR FUTURE INSPIRED BY SUSTAINABLE VALUE

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- Achieve an increase of at least **70% in EBITDA.**
- Invest **USD 10.500 million** in business and current geographies and in new geographies.

- Reduce **11 million** tons of CO<sub>2</sub>e.

- Invest **USD 2.000 million** in new energy businesses.
- Invest **USD 150 million** in entrepreneurship.

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# CONEXIÓN JAGUAR | isa

Conexión Jaguar is the sustainability program of ISA and its companies to contribute to biodiversity conservation and climate change mitigation in corridors of the jaguar, in areas where the company is present in Latin America.



**Countries with projects in 2018**

Colombia

**ISA's presence**

**Jaguar corridor**

Peru

**Technical allies**



### Arhuaco Project

Formulation of sustainable productive projects.



### First international project

REDD Project+ Concession for the conservation of Alto Huayabamba – Peru, led by Amazónicos por la Amazonía (AMPA).



**Protection of 144,328 hectares of forest** and water births.

**3,850 hectares** undergoing recovery.

**More than 60 fauna species protected.**

**1,600 people** educated and aware of the loss of biodiversity in Colombia and Peru.

**Design of biological cultural corridor** on the western side of Sierra Nevada de Santa Marta.

### Human-Feline Coexistence

First pilot in Simacota, Santander – area of influence of Interconexión Noroccidental 230/500 kV Line. Diagnosis, training, awareness, education and implementation of antipredatory strategies.

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## SPECIES THAT LIVE IN THE JAGUAR CORRIDOR, IN THE PROGRAM PROJECTS

To protect the jaguar is to protect the ecosystem where it lives



**Pink Poui**  
*(Tabebuia rosea)*



**Santa Cecilia Cochran Frog**  
*(Teratohylas midas)*



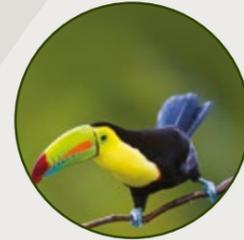
**Abarco**  
*(Cariniana pyriformis)*



**Red-footed tortoise**  
*(Chelonoidis carbonaria)*



**Magnolia**  
*(Magnolia grandiflora)*



**Toucan**  
*(Ramphastos sulfuratus)*



**Queen palm**  
*(Syagrus romanzoffiana)*



**Capybara**  
*(Hydrochoerus hydrochaeris)*

### Results of camera traps | Felines



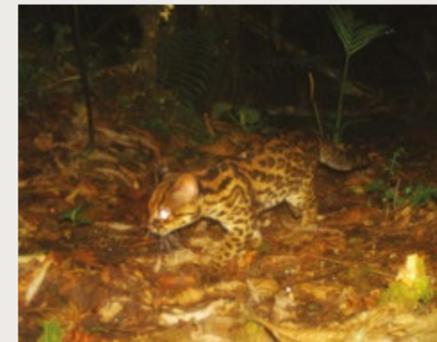
**Puma** (*Puma concolor*)



**Yaguarundi**  
*(Herpailurus yagouaroundi)*



**Margay** (*Leopardus wiedii*)



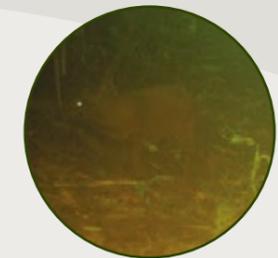
**Tiger cat/oncilla** (*Leopardus tigrinus*)



**Ocelot** (*Leopardus pardalis*)

### Other species

PERU



**Ciervo enano (Dwarf Deer)**  
*(Pudu mephistophiles)*



**Andean Coatí** (*Nasua nasua*)

COLOMBIA



**Collared peccary** (*Pecari tajacu*)



**Tayra/urama** (*Eira barbara*)

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# CONEXIÓN JAGUAR | isa

## A self-sustaining program

By 2030, Conexión Jaguar set a goal to support the best 20 forest recovery and preservation projects in Latin America, in the countries where ISA is present. With its development, it is expected to contribute to reducing 9,000,000 tons of CO<sub>2</sub>.



- Projects**
- 109** Colombia
  - 67** Peru
  - 9** Brazil
  - 10** Chile
  - 5** Bolivia





# isa

CHAPTER 5

**Stakeholders**

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Stakeholders are the group of people, organizations and institutions with whom ISA and its companies build and share common interests. They are selected based on criteria of visibility and legitimacy and have the ability to significantly impact the society and the company [\[GRI 102-42\]](#).

ISA respects, recognizes and values its stakeholders and incorporates them into its management model by formulating commitments to each of them, in order to generate value.

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

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

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	COMMITMENT	MATERIAL INTEREST	STRATEGIC RESPONSE	STRATEGIC INDICATORS	RELATIONS MECHANISM
<p><b>EMPLOYEES</b></p>	<ul style="list-style-type: none"> <li>To attract, develop and retain human talent, within a framework of clear, respectful, equitable, and fair relationships that create a working environment based on trust and comprehensive development.</li> </ul>	<ul style="list-style-type: none"> <li>Training and development</li> <li>Well-being, satisfaction and recognition</li> <li>Occupational Health and Safety (SST) and work conditions</li> <li>Benefits for employees and their families</li> </ul>	<ul style="list-style-type: none"> <li>Training programs</li> <li>Health plans</li> <li>Leadership program</li> <li>Competitive labor conditions</li> </ul>	<ul style="list-style-type: none"> <li>Organizational climate</li> <li>Leadership Index</li> <li>Accident frequency index</li> </ul>	<p>Labor environment survey and leadership measurement. Psychosocial risk measuring survey. Performance management. Intranet, Newsletters, billboards, email and suggestion boxes. Coffee with the CEO. Virtual communities. Joint occupational health committees and coexistence committees. Primary committees and groups. Claims mechanisms: Ethical Line and email. Collective negotiation processes.</p>
<p><b>STATE</b></p>	<ul style="list-style-type: none"> <li>To respect and promote the Rule of Law and contribute to create an enabling environment for the provision of services by fostering transparency and setting clear rules.</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory management*</li> <li>Management of permits and environmental licenses</li> <li>Compliance/transparency</li> <li>Tax payments</li> <li>Provision of utilities</li> </ul>	<ul style="list-style-type: none"> <li>Promotion and provision of high-quality utilities</li> <li>Ethical management and anti-corruption practices</li> <li>Promotion of SDG (7 Access to energy, 13 Climate change, 15 Ecosystems).</li> <li>Conexión Jaguar Program</li> </ul>	<ul style="list-style-type: none"> <li>Net income</li> <li>EBITDA</li> </ul>	<ul style="list-style-type: none"> <li>Participation spaces to promote public policies</li> <li>Spaces for union participation</li> <li>Consultations</li> <li>Dialogues</li> </ul>
<p><b>SHAREHOLDERS AND INVESTORS</b></p>	<ul style="list-style-type: none"> <li>To grow with profitability, maintain good governance practices and ensure corporate sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Economic impact*</li> <li>Profitable and sustainable growth</li> <li>Value generation</li> <li>Relevant, timely and transparent information</li> <li>Corporate governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors Leadership and commitment</li> <li>Good governance practices</li> <li>Payment of dividends</li> </ul>	<ul style="list-style-type: none"> <li>Net income</li> <li>EBITDA</li> <li>Valuation of the share with respect to the market</li> <li>Inclusion in Dow Jones Sustainability Index</li> </ul>	<ul style="list-style-type: none"> <li>General Shareholders' Meeting</li> <li>Contact center</li> <li>Webcast</li> <li>Newsletters</li> <li>Quarterly reports</li> <li>Meetings and visits</li> <li>Support hotline</li> <li>Email</li> <li>Social networks</li> <li>Chat</li> </ul>

\* Material issue for the Energy Transmission Business

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	COMMITMENT	MATERIAL INTEREST	STRATEGIC RESPONSE	STRATEGIC INDICATORS	RELATIONS MECHANISM
<p><b>SUPPLIERS</b></p>	<ul style="list-style-type: none"> <li>Give a transparent and equal treatment, based on criteria of efficiency and competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Supplier management*</li> <li>Sustainable contractual relationships</li> <li>Opportunity for growth and development</li> <li>Timely payments</li> <li>Promotion and demand of HSE practices</li> </ul>	<ul style="list-style-type: none"> <li>Responsible provisioning practices</li> <li>Management of ethics and Human Rights</li> <li>Local purchases</li> <li>Development programs</li> <li>Commitment and permanent training in SST</li> </ul>	<ul style="list-style-type: none"> <li>Accident frequency index - Contractors</li> </ul>	<ul style="list-style-type: none"> <li>Annual meeting</li> <li>Website</li> <li>Supplier hotline</li> <li>Performance evaluation</li> <li>Field and plant visits</li> <li>Mailbox</li> </ul>
<p><b>CLIENTS</b></p>	<ul style="list-style-type: none"> <li>To provide services with quality, in a timely manner and at competitive prices, aimed at meeting their needs and building long-term relationships.</li> </ul>	<ul style="list-style-type: none"> <li>Reliable service</li> <li>Availability</li> <li>Security</li> </ul>	<ul style="list-style-type: none"> <li>Permanent communication</li> <li>Enabling programs for the provision of service</li> <li>Client/user satisfaction</li> <li>Reliability and availability of the grid</li> <li>Road safety</li> </ul>	<ul style="list-style-type: none"> <li>Unscheduled energy not supplied</li> <li>Road concession user satisfaction index</li> <li>Road safety index</li> <li>Compliance with TELCO service levels</li> <li>CREG indicators</li> </ul>	<p><b>In affiliates:</b></p> <ul style="list-style-type: none"> <li>Annual meeting</li> <li>Newsletters</li> <li>Visits</li> <li>Satisfaction evaluation</li> <li>Client mailbox</li> </ul>
<p><b>SOCIETY</b></p>	<ul style="list-style-type: none"> <li>To conduct a comprehensive social management and be linked as a major stakeholder in creating a favorable environment for development</li> </ul>	<ul style="list-style-type: none"> <li>Social management*</li> <li>Promotion of biodiversity*</li> <li>Investments in infrastructure</li> <li>Management for development</li> <li>Improvement of education</li> <li>Local empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to development</li> <li>Investment in critical business areas</li> <li>Communication and consultation with the community and its representatives</li> <li>Conexión Jaguar Program</li> </ul>	<ul style="list-style-type: none"> <li>Weighted compliance of physical progress of TE projects</li> <li>Compliance with physical progress of roads</li> </ul>	<ul style="list-style-type: none"> <li>Training workshops</li> <li>Information and awareness meetings</li> <li>Relationship rounds</li> <li>Radio program</li> <li>Agreement closing survey</li> <li>Meeting with the community</li> </ul>

\* Material issue for the Energy Transmission Business Unit

- STAKEHOLDERS DIALOGUES
- REPUTATION RESEARCH

**Website:** [www.isa.co](http://www.isa.co)  
**ISA's Mailbox:** [isa@isa.com.co](mailto:isa@isa.com.co)



**Ethics Line (toll-free) 01 8000 941341**  
[lineaetica@isa.com.co](mailto:lineaetica@isa.com.co)

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Dialogues with ISA stakeholders

**ACCOUNTABILITY AND DIALOGUES**

ISA and its companies create spaces for dialogue with their stakeholders to share the most relevant facts of the management, with the aim of receiving feedback and measuring the perception they have of the company's performance, as well as compliance with the commitments defined.

The management of good practices in all areas of the company allows building constructive relationships with all stakeholders, to create value and validate co-responsibility agreements and enhance contributions to the sustainability of the environments where the company is present.

In these meetings, stakeholders also express their expectations regarding the company within the context of their relationship. The company prioritizes and aligns these expectations with the compliance of its corporate purpose, with regulations and with obligations arising from shared ethical values.

During the year, the new strategy ISA2030 was shared different times. These conversations were in effect from the dialogues of 2017 and will end in 2019.

[This information can be detailed at www.isa.co](http://www.isa.co)

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### ETHICS AND COMPLIANCE

In ISA and its companies, ethics defines the nature and seal of the actions of all members of the Organization. Ethics allows them to act consistently with company codes and to strengthen trust relationships with stakeholders. Ethics is known as "the value of values"



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During 2018, different actions were carried out aimed at strengthening the ethical culture of ISA companies:

- New anti-corruption regulations and standards applicable to the Group were incorporated, gaps identified were closed and the Compliance System was updated.
- The Compliance function was consolidated for the ISA group. Its scope is the management of risks regarding corruption, bribery, fraud, money laundering and terrorism financing.
- The Ethics Code and Conduct was updated. It guides the behavior of employees, stakeholders and third parties related to the Organization.
- The appropriate treatment of topics such as: gifts, relationship with public officials, social management and donations, participation in external events, due diligence in new business, conflicts of interest, undue payments for facilitation of procedures and sponsorships -including not only its connotation, but also the criteria for its treatment-, was explicitly included.
- An app was developed to offer a new channel for the Ethics Line of the companies.

### ETHOS STORE

**94%** successful management of money in the store

**16 SUPPLIERS**  
most of them were entrepreneurs of the Company or their families

**35 BUSINESS DAYS**  
in operation

SUPPORT FOR SMALL PRODUCERS OF THE DEVELOPMENT AND PEACE PROGRAM, (PRODEPAZ) FROM THE EAST OF ANTIOQUIA.

Application of fair and sustainable trade practices



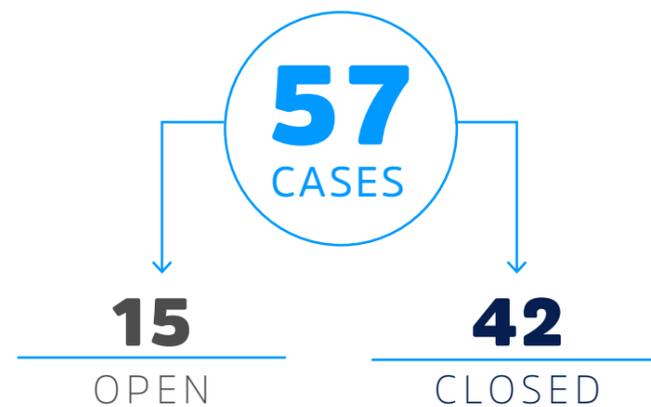
- The contribution of voluntary initiatives such as the Collective Action of the Energy Sector and the execution of the sixth Ethics Forum were continued.
- A communication and training campaign called ETHOS was defined and implemented. This campaign included activities such as talks addressed to managers and base teams of ISA companies in Colombia and were led by renowned experts in the field.
- To continue this strategy, -Ethics from the point of view of experiences-, a social experiment called "Ethos Store" based on the extensive self-service for collections and payments, was carried out in the Medellín headquarters for ISA, XM, ISA INTERCOLOMBIA and INTERNEXA.

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### Ethics Line management indicators [GRI 102-17]



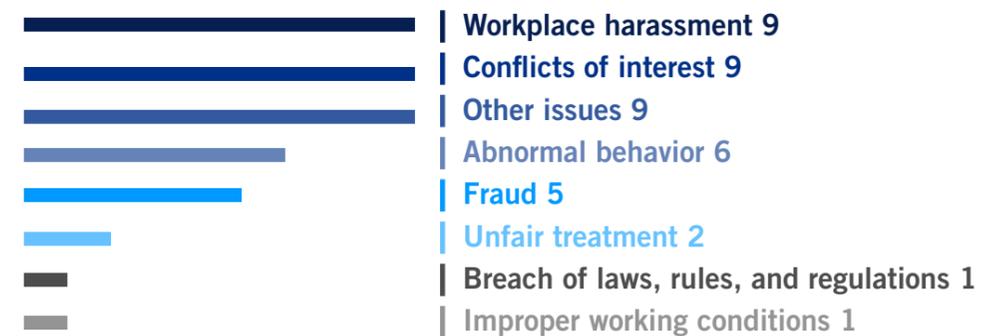
#### Number of reports received and processed by the Ethical Line



ISA, XM and ISA INTERCOLOMBIA were part of the outstanding practices of Transparencia por Colombia, where they obtained “low corruption risk” rating, demonstrating their active commitment to transparent management. The certification for the second year of the corporate integrity model of ISA INTERVIAL in Chile stands out. It is applied to comply with Law 20.393 and is aligned with corporate practices.



#### Ethics Line cases and reports processed consolidation





*isa*

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### ISA BOARD OF DIRECTORS

**15 MEETINGS HELD IN THE YEAR**

**78% INDEPENDENT MEMBERS**

**COP 4,674,996**  
Remuneration per meeting of the Board attended<sup>a</sup>

**99% average attendance to meetings**  
80% minimum attendance rate goal

- Board and Corporate Governance
- President of the Board and Corporate Governance Committee
- Business Committee
- President of the Business Committee
- Corporate Audit
- President of the Corporate Audit Committee
- Independent members



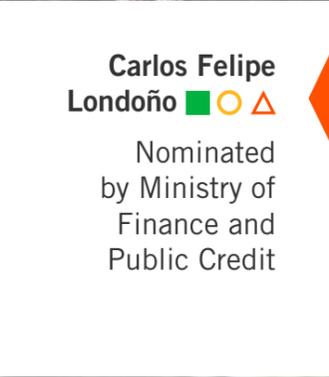
**Santiago Montenegro Trujillo** ■ ○ □  
President of the Board of Directors Nominated by Pension and Severance Funds



**Carlos Mario Giraldo Moreno** ■ ○  
Nominated by Ministry of Finance and Public Credit



**Jesús Aristizábal Guevara** ■ ▲  
Nominated by Empresas Públicas de Medellín



**Carlos Felipe Londoño** ■ ○ ▲  
Nominated by Ministry of Finance and Public Credit



**Henry Medina González** ■ □  
Nominated by Pensions and Severance Funds



**Camilo Zea Gómez** ■ ▲  
Nominated by Pensions and Severance Funds



**César Augusto Arias\*** ○ □  
From November 30, 2018. DIRECTOR OF PUBLIC CREDIT  
Nominated by Ministry of Finance and Public Credit



**Carlos Eduardo Caballero Argáez** ■ □  
Nominated by Ministry of Finance and Public Credit



**Andrés Pardo Amézquita\*\*** ○ □  
From August 23, 2018 to January 25, 2019. GENERAL DEPUTY MINISTER OF FINANCE AND PUBLIC CREDIT  
Nominated by Ministry of Finance and Public Credit



\*BEFORE: Luis Eduardo Arango: from November 24, 2017 to August 24, 2018.  
Francisco Manuel Lucero Campaña: from September 28, 2018 to October 31, 2018.  
\*\*BEFORE: Paula Ximena Acosta: from November 24, 2017 to July 27, 2018.  
AFTER: Juan Alberto Londoño Martínez: from February 1, 2019.

**See Report of Corporate Governance. See structure and interest of the companies.** Complying with article 47 of Law 964 of 2005, the results of the evaluation to internal control systems on financial information control and disclosure procedures were presented to the Audit Committee and to the Board of Directors and are explained in the Report of Corporate Governance attached.

SENIOR MANAGEMENT



**Bernardo Vargas Gibsone**  
CEO



**Olga Patricia Castaño Díaz**  
Chief Strategy Officer



**César Augusto Ramírez Rojas**  
Chief Energy Transmission Officer



**Carolina Botero Londoño**  
Chief Corporate Finance Officer\*



**Carlos Humberto Delgado Galeano**  
Chief Organizational Talent Officer



**Daniel Isaza Bonnet**  
Chief Growth and Business Development Officer



**Olga Lucía López Marín**  
Chief Technology and Information Officer



**Carlos Ignacio Mesa Medina**  
Chief Corporate Audit Officer



**Sonia Margarita Abuchar Alemán**  
Chief Legal Officer



**Jorge Iván López Betancur**  
Road Concessions Corporate Manager



**Guillermo González Rodríguez**  
Chief Institutional Relations Officer

\* Position held by Carlos Alberto Rodríguez until August 15, 2018, date on which he left the company. As of January 15, 2019, Carolina Botero Londoño joined ISA.

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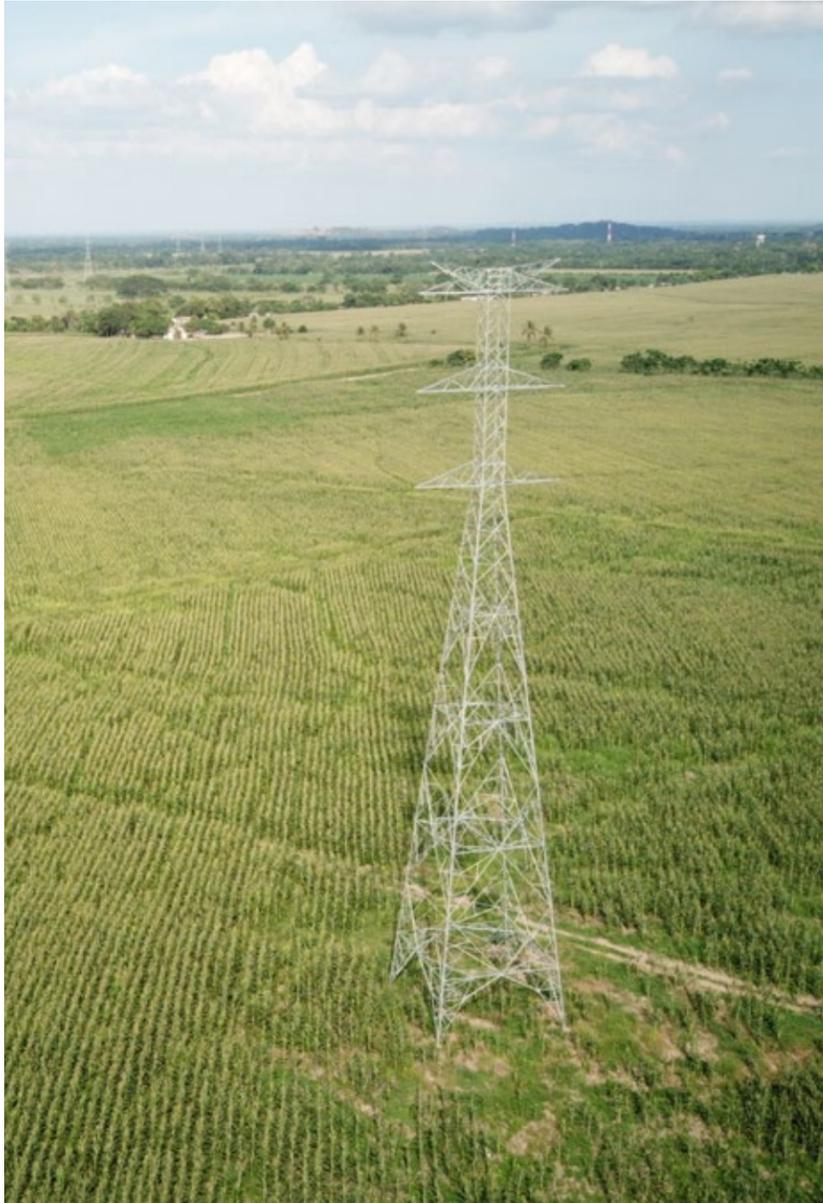


*isa*

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In 2018, after the commissioning of projects that represented investments for USD 800 million, we surpassed 45.000 km of high-voltage networks that transmitted more than 400.000 GWh for 160 million people in Colombia, Peru, Brazil, Bolivia and Chile. These service rates meet international standards and reflect maturity when implementing good asset management practices in our companies. Additionally, we managed investments for more than USD 3.800 million that will reinforce our transmission infrastructure with more than 7.000 km of lines in the coming years. Also, it was a year to accept new challenges that will prepare us for the great challenges of the future in a constantly evolving market, and that will allow energy to remain ISA's most representative business by 2030. The foregoing contributes to the Sustainable Value of the Group's operations and improves life quality for millions of people.

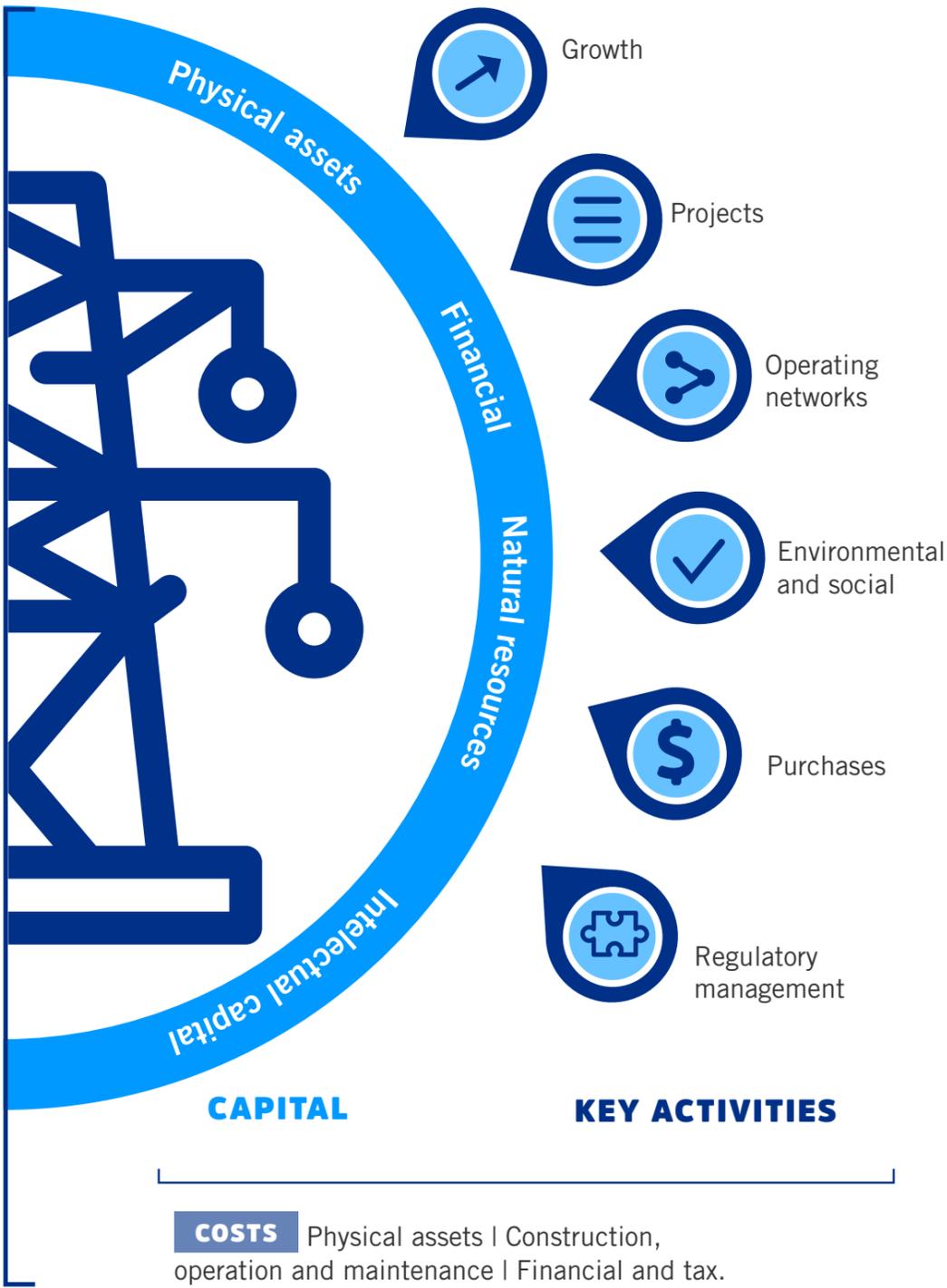
**CÉSAR AUGUSTO RAMÍREZ ROJAS**

Chief Energy Transmission Officer

- Energy transmission is fundamental for having an energy market. It is the meeting point between generation and demand and is the way to perform energy exchanges.
- ISA is the largest international energy transporter in Latin America. Energy Transmission companies of the Business Group expand, operate and maintain a high-voltage transmission network in Colombia, Peru, Bolivia, Brazil and Chile, as well as the international interconnections that operate between Colombia-Ecuador and Ecuador-Peru. In Central America, the Company has a share in Empresa Propietaria de la Red (EPR), which operates the Energy Interconnection System for the Countries of Central America (SIEPAC).
- In countries where ISA is present, energy transmission (since it is a natural monopoly) is an activity regulated within the productive chain of the energy sector, whose expansion is awarded to private investors through bidding processes generated from the political will of governments. Therefore, legal and regulatory stability conditions in the countries directly affect business management.
- Revenues associated with the provision of the Energy Transmission service are regulated and indexed to macroeconomic variables such as the Peso – US Dollar exchange rate, the Producer Price Index (PPI), the Consumer Price Index (CPI), or the corresponding indexes in the different countries.

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**BUSINESS MODEL**



-  **CLIENTS**  
Provide a reliable, always available, and safe energy transmission service
  -  **STATE**  
Provide an efficient public service within a framework of healthy competition
  -  **SHAREHOLDERS AND INVESTORS**  
Grow with profitability, good governance, and sustainability
  -  **EMPLOYEES**  
Attract, develop, and retain human talent
  -  **SUPPLIERS**  
Give a transparent and equal treatment
  -  **SOCIETY**  
Perform comprehensive social management
- STAKEHOLDERS AND VALUE PROPOSALS**

**REVENUES** Compensation for the management of assets during the life cycle.



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### ENERGY TRANSMISSION INFRASTRUCTURE

99,99% **RELIABILITY**      99,87% **AVAILABILITY**

**COLOMBIA**  
 99,99% reliability  
 99,92% availability  
 7.932 MWh unscheduled energy not supplied  
 12.269 km, 20.402 MVA

**PERU**  
 99,99% reliability  
 99,55% availability  
 3.057 MWh unscheduled energy not supplied  
 10.955 km, 12.244 MVA

**BOLIVIA**  
 99,99% reliability  
 99,95% availability  
 13 MWh unscheduled energy not supplied  
 587 km, 19.439 MVA

**BRAZIL**  
 99,99% reliability  
 99,99% availability  
 420 MWh unscheduled energy not supplied  
 20.200 km, 55.455 MVA  
 16.895 km, 17.464 MVA (investments with joint control)

**CHILE**  
 100% reliability  
 99,90% availability  
 0 MWh unscheduled energy not supplied  
 11.132 km, 2.250 MVA

**45.142 km**  
**90.821 MVA.**

**62.038 km and 108.285 MVA** including affiliates, subsidiaries and investments with joint control.

**11.422 MWh** unscheduled energy not supplied.

- Transmission lines operating
- Transmission lines under construction
- International interconnection
- Transmission lines with joint control

**PROJECT MANAGEMENT**



**COLOMBIA**

4 projects  
150 MVA  
USD 9 million

5 projects  
1.566 km  
1.800 MVA  
USD 853 million

3 projects  
65 km  
1.260 MVA  
USD 79 million

Northwest  
USD 400 millones.

Copey – Cuestecitas  
USD 170 million.

Costa Caribe  
USD 159 million.

Chinú – Montería – Urabá  
USD 75 million.



**PERÚ**

4 projects  
118 km  
650 MVA  
USD 124 million

3 projects  
600 km  
5.900 MVA  
USD 520 million

3 projects  
107 km  
550 MVA  
USD 82 million

Nueva Yanango and associates  
USD 502 million.

Talara  
USD 31 million.

Quellaveco  
USD 29 million.



**BRASIL**

21 projects  
USD 64 million

32 projects  
3.287 km  
6.600 MVA  
USD 1.244 million

2 projects  
61 km  
1.500 MVA  
USD 151 million

Ivaí  
USD 577 million.

Paraguacu  
USD 171 million.

Biguacú  
USD 126 million.

Aguapeí  
USD 113 million.



**CHILE**

1 project  
2.250 MVA  
USD 36 million

4 projects  
1.562 km  
2.250 MVA  
USD 937 million

Cardones – Polpaico  
USD 813 million

New transformers bank  
USD 57 million

Compensación reactiva  
USD 56 million

**PROJECTS COMMISSIONED IN 2018**

118 km  
3.050 MVA  
USD 234\* million

**PROJECTS UNDER EXECUTION\*\***

7.249 km  
19.860 MVA  
USD 3.868 million

\* USD 800 million, and 1,541 km circuit, including the entry into operation of two tranches of ISA INTERCHILE.

\*\* Awarded in 2018 and previous terms. The value of the investment corresponds to the entire project and is in approximate figures.

▶ Projects commissioned in 2018.

▶ Projects under execution and awarded in years before 2017.

▶ Projects under execution and awarded in 2018.

▶ Relevant projects and investment in them.

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## Interconexión Eléctrica Colombia – Panamá

Interconexión Eléctrica Colombia - Panamá is a fundamental project for the consolidation of the regional energy market; its objective is to integrate the Andean Community with Mesoamerica, complemented by the network of the Central American Electrical Interconnection System (SIEPAC).

The Government of Panama prioritized, as a solution for the project, an environmental corridor through the Kuna Wargandí and Guna Yala regions, entering the country through a marine cable. Crossing through those regions made it necessary to wait for the approval of their highest authorities, before whom information and authorization processes were developed, within the framework of their legislation. Although the Kuna Wargandí General Congress had already authorized the execution of studies (November 2015 and March 2016), the process led by the Ministry of Government of Panama to receive the same approval by the Guna Yala region was interrupted in 2016, due to difficulties arisen between the parties, for issues unrelated to interconnection.

Based on a planned strategy, coordinated with the government authorities, and supported by the IDB, work is being done to create the conditions required to achieve the necessary authorizations. As a result of this work, in October 2018 the technical and environmental studies in the Guna Yala territory were approved and the modification of the previous rejection stance towards the project was accepted. This authorization allowed reactivating the expected study plan, now being a priority to initiate the Environmental and Social Impact Study activities in the indigenous territories in 2019.

On the other hand, taking into account that the market and systems conditions have changed significantly compared to the conditions of the moment in which the regulatory framework for energy exchanges was defined, with the support of the IDB and the commitment of the governments, the Colombia-Panama regulatory alignment study has been updated.

## Best practices

ISA and its companies are developing strategic projects to boost the efficiency of their operations and maintain their place as a multi-Latin leader in technical excellence and sustainability. During 2018, the management of the following was emphasized:

**Closing of asset management gaps, according to PAS 55 specification and ISO 55001 standard:** the 4th year of implementation of good asset management practices for the Energy Transmission business unit in Colombia was completed; the 3rd year for Peru; and the 2nd year for Brazil and Bolivia. For companies in charge of the network operations in Colombia, Peru and Bolivia, the implementation of the practices ended in 2018.

In the period, the decision making for assets considered to bring great impact for the business was consolidated, optimizing the cost, risk and performance with a long-term approach. The companies strengthened risk management in core business processes, management of personnel competencies, control of outsourced activities, contingency response planning, failure and incident investigation, and continuous improvement.

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### MATERIALITY ANALYSIS

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

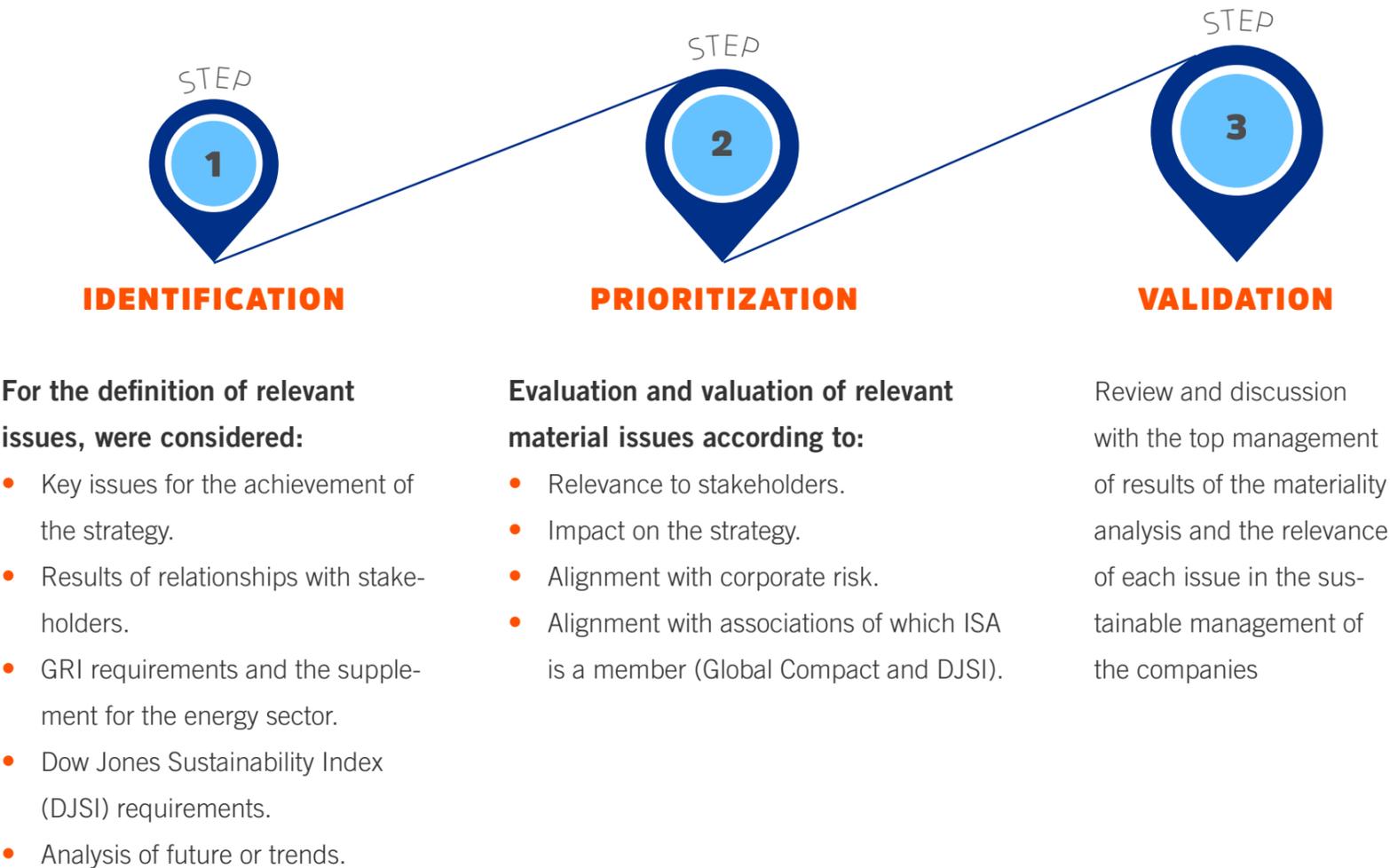
This report includes those issues important for the Energy Transmission Business Unit, the fulfillment of the strategy, and relevant considerations of stakeholders to comply with the commitments declared.

The scope of this analysis included those companies that, due to their size, represent a total of 76,8% of the Group's revenues (ISA, ISA INTERCOLOMBIA, ISA REP, ISA CTEEP, ISA TRANSELCA, ISA BOLIVIA, and ISA INTERCHILE).

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

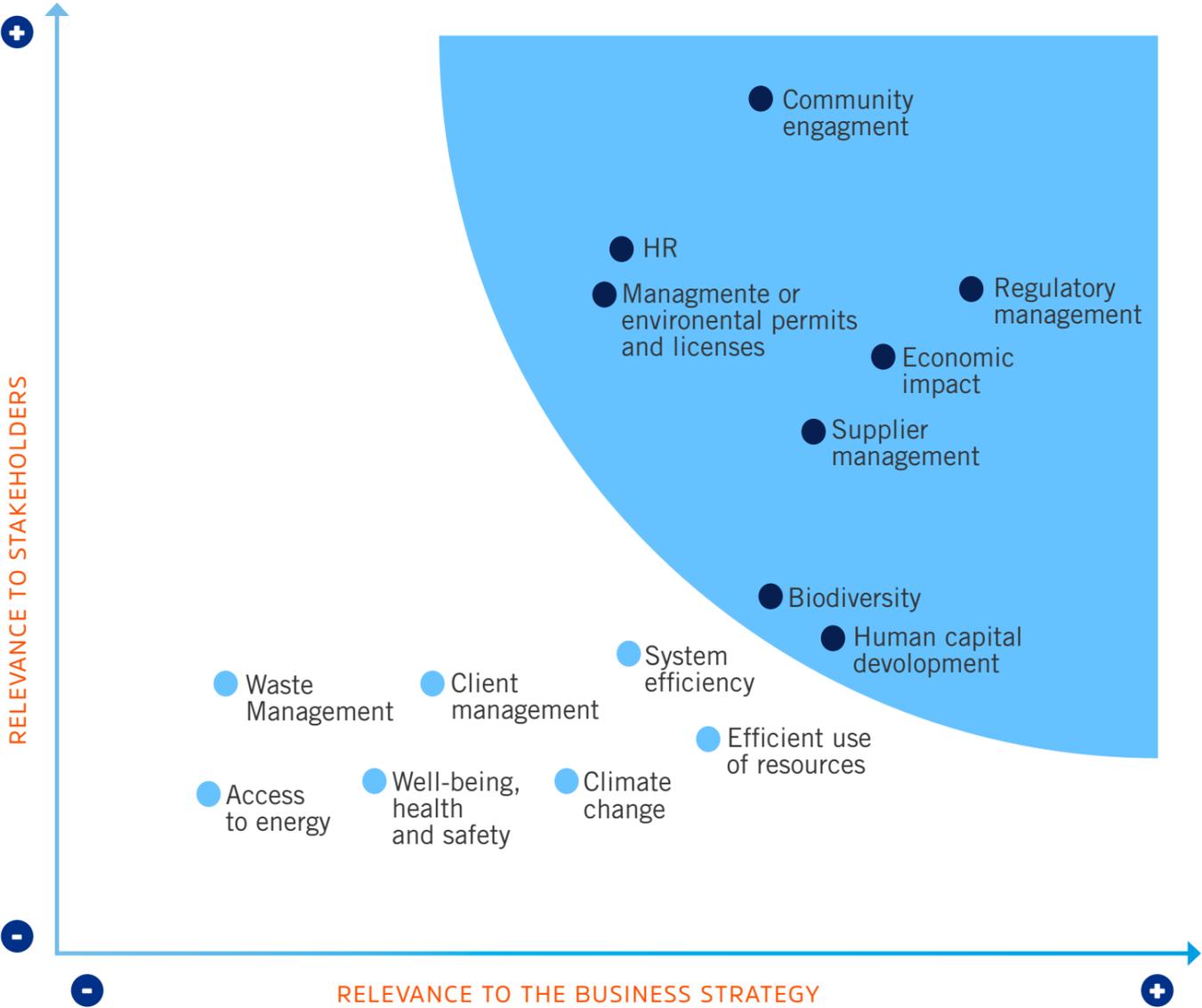
This review and updating process was carried out according to the Global Reporting Initiative (GRI) new standard, and included the participation of an independent consulting firm, which, for the year of the term, was Deloitte & Touche. [\[GRI 102-56\]](#)

The steps taken for the definition of business materiality were:



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**MATERIAL ISSUES OF THE BUSINESS [GRI102-47]**



- **Regulatory management:** Actions aimed at generating the most appropriate conditions for business operation and promoting business growth through effective relationships with governments.
- **Community engagement:** Comprised of planning, formulation, execution, and evaluation of programs undertaken by the company with stakeholders or the society.
- **Economic impact:** It is the performance of the business in terms of revenues and remuneration to its stakeholders.
- **Management of suppliers:** Actions aimed at improving procurement and outsourcing processes including evaluation and follow-up stages, risk management, and suppliers' compliance with good practices.
- **Human Rights:** Inclusion of Human Rights respect and promotion practices and rejection to violations or complicit among stakeholders that are part of the value chain (employees, suppliers, clients, shareholders, the society, and the Nation).
- **Management of environmental permits and licenses:** It includes actions designed to comply with environmental requirements necessary for timely obtaining the environmental license of projects.
- **Human capital development:** Practices and activities aimed at strengthening knowledge and acquiring new skills and competencies to improve the performance of employees and achieve the strategy.
- **Management of impacts on biodiversity:** It is comprised of the actions to manage impacts generated by companies on the biodiversity, in order to protect ecosystems (flora and fauna).

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



Material issue	Internal limit	External limit
Regulatory management		
Human Rights		
Social management	ISA ISA INTERCOLOMBIA	
Supplier management	ISA REP ISA CTEEP	
Training and development of human talent	ISA TRANSELCA ISA INTERCHILE	
Management of environmental permits and licenses	ISA BOLIVIA	
Management of impacts on biodiversity		
Economic impact		



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## REGULATORY MANAGEMENT

Within the regulatory framework defined for ISA and its companies, a coordinated and articulated communication is kept with government institutions and some unions of the energy sector, seeking that the issuance of regulations includes processes for consultation and analysis of impacts for the sector, each time complete and more rigorous.

This relationship allows that issues such as security, reliability and access are guaranteed within the regulatory frameworks, as well as the inclusion of topics related to the sustainability of the environment and the business. Due to the relationship with and involvement in different sectorial committees, which can be technical committees or trade associations, spaces were created to analyze and manage new proposals on regulations that support the development of energy transmission in the countries where ISA is present.

## COLOMBIA

In 2018, the promotion of meetings between ISA, ISA INTERCOLOMBIA, the Energy and Gas Regulatory Commission (CREG), and the Ministry of Mines and Energy was maintained. These successful rapprochements allowed addressing the analysis of the regulatory proposal for the remuneration scheme for the transmission activity and other related relevant issues that support its sustainability.

A technical management with the regulator was carried out for the revision of the transitory update of the Network Code in Colombia, covering aspects related to the connection and operation of photovoltaic and wind solar plants in the National Interconnected System (SIN), as well as aspects that need to be modified or updated at the level of planning, connection, and operation of the energy system.

Likewise, the evaluation of the regulatory proposal issued by CREG was carried out. It covers mechanisms to incorporate battery energy storage sys-

tems in the SIN, which is an important step for the development of the Colombian energy market. It is expected that it leads to improvements in economic efficiency, an increase in supply reliability, and a decrease in service costs.

An approximation was made to operating principles of the Normative Impact Analysis (AIN) methodology, promulgated by the National Planning Department (DNP) in response to Colombia's inclusion in the Organization for Economic Cooperation and Development (OECD). As a result, the alignment of the regulatory management carried out by the Company with these principles was ratified, allowing the regulator to focus on the analysis of impact issues for energy transmission.

## BRAZIL

Regarding to Basic Network of the Existing System (RBSE), ISA CTEEP met with the Ministry of Mines and Energy and with parliamentarians, seeking to amend the text of the draft legislation so that it includes the payment of the financial component in eight years, and also including the remuneration throughout the 2013-2017 period. Initially, the projects contemplated a solution for the RBSE that would impact the companies of the Eletrobras group only. However, after the various diligences led by ISA CTEEP, the project's rapporteur adhered to the suggestion made to include the Company and maintain the eight-year term initially established to pay for the economic component. In addition, the Company has also worked with the Contas da União Tribunal in order to demonstrate the need for the remuneration. All these actions are supported and represented by the Brazilian Association of Energy Transmission Companies (ABRATE).

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**Monetary value of significant fines due to noncompliance with regulations concerning the provision and use of products and services [GRI 419-1]:**

Company	Monetary value		Description for the period of validity
	2017 (USD)	2018 (USD)	
ISA	0	0	<b>The companies had no fines associated with any alleged breach of energy transmission regulations</b>
ISA INTERCOLOMBIA	0	0	
ISA CTEEP	54.753	0	
ISA REP	149.276	0	
ISA TRANSELCA	0	0	
ISA BOLIVIA	0	0	
ISA INTERCHILE	0	0	
<b>Total</b>	<b>204.029</b>	<b>0</b>	

Challenges related to the regulatory management in Colombia are focused on the review of remuneration and quality schemes for the transmission activity, which is part of the regulator's agenda. The scheme to be defined is expected to continue ensuring an efficient service provision, with high quality standards that have been met to date, for which, among other aspects, a proper remuneration of investments in new networks is required, as well as in the renewal and/or replacement of the existing network.

In 2019, the diligences in search of inter-institutional harmonization and coordination to solve the problems that still arise in the development of transmission projects will continue.

The main objective is that projects are available on the required dates and that new sources of non-conventional renewable energy generation have an effective access to the system, to guarantee an energy service with higher standards of quality and cost-effectiveness.

Finally, as a result of the operational advantages of the integration of battery energy storage systems in the Colombian energy system, the regulatory management will continue to promote that the scheme adopted by the regulator for the final stage of application, protected under the principles of economic efficiency and free competition, allows free participation in the construction of these systems.

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

Company	Name of the entity	2018 Figures in USD	2017 Figures in USD	2016 Figures in USD
ISA	Asociación de Empresas de Servicios Públicos (ANDESCO)	26.435	5.529,49	25.700,00
	Asociación Nacional de Empresarios de Colombia (ANDI)	57.683	67.758,71	
	Cámara Colombiana de Infraestructura (CCI)	13.076	-	
	Corporación Reconciliación Colombia	5.231	-	
	Comité Colombiano de la Comisión de Integración Energética Regional (COCIER)	-	29.561,60	
	Consejo Mundial de Energía Colombia (WEC)	4.863	-	
	Fundación para el Progreso de Antioquia (PROANTIOQUIA)	10.462	-	
	Red Local del Pacto Global Colombia	4.616	6.702,41	
	Pacto Global de las Naciones Unidas	8.001	-	
	Red de Líderes Empresariales Contra el Cambio Climático (LECCC)	1.846	-	
	Comité Nacional CIGRÉ Colombia	1.231	-	
	Institute of Electrical and Electronics Engineers (IEEE)	52.249	-	
	Corporación Centro de Investigación y Desarrollo del Sector Eléctrico (CIDET)	22.701	3.696,29	
	Clúster Energía Sostenible	-	-	
Comisión de Integración Energética Regional (CIER)	-	10.053,62		
ISA TRANSELCA	Asociación de Empresas de Servicios Públicos (ANDESCO)	13.089	14.813,65	
	Comité Colombiano de la Comisión de Integración Energética Regional (COCIER)	4.423	4.983,91	
	Consejo Colombiano de Seguridad	668	-	
	Consejo Internacional de Grandes Sistemas Eléctricos Colombia (CIGRE)	1.231	-	
	Corporación Centro de Investigación y Desarrollo del Sector Eléctrico (CIDET)	2.582	-	
ISA INTERCOLOMBIA	Asociación Nacional de Empresas de Servicios Públicos (ANDESCO)	5.077	-	
	Comité Colombiano de la Comisión de Integración Energética Regional (COCIER)	8.308	9.048,26	
	Red Local del Pacto Global Colombia	-	-	
	Pacto Global de las Naciones Unidas	4.770	-	
	Comité Nacional CIGRÉ Colombia	1.231	-	
	Comité Minero Energético de seguridad y DDHH	14.934	42.895,44	

	Company	Name of the entity	2018 Figures in USD	2017 Figures in USD	2016 Figures in USD
Message from ISA's CEO	<b>ISA BOLIVIA</b>	Comité Boliviano de la Comisión de Integración Energética Regional	5.000	5.460	
Report Profile		Associação Brasileira Dos Concessionários de Energia (ABCE)	7.859	8.814	230.000
Company profile		Associação Brasileira de Infraestrutura (ABDIB)	30.318	33.931	
		Associação Brasileira Das Companhias Abertas (ABRASCA)	5.509	6.467	
Strategy	<b>ISA CTEEP</b>	Associação Brasileira Das Empresas de Transmissão de Energia (ABRATE)	57.856	104.261	30.000
		Instituto Acende Brasil	66.816	78.441	
Stakeholders		Centro de Pesquisas de Energia Elétrica (CEPEL)	39.217	30.228	
		Comité Brasileño de la Comisión de Integración Energética Regional (BRACIER)	6.694	7.858	
Corporate Government		Comité Nacional Brasileiro de Produção e Transmissão de Energia Elétrica (CIGRE)	994	1.166	
		GRI-CLUB	5.271	-	
<b>Energy Transmission</b>		Global Compact of the United Nations	5.150	-	
		Patronato Perú 2021	16.600	5.547	
Road Concessions	<b>ISA REP</b>	Sociedad Nacional de Minería, Petróleo y Energía	92.000	30.883	30.000,00
		Comité Peruano de la CIER	14.700	4.912	
Information and Telecommunication Technologies	<b>ISA REP</b>	Alianza de empresas que promueven y financian Obras por Impuestos (ALOXI)	11.000	3.698	
		Consejo Empresarial Colombiano	6.600	2.211	
Real-Time Systems Management		Comité CIGRE	3.960	-	
		Club de la Energía	5.000	-	
Financial results	<b>ISA INTERCHILE</b>	Empresas Electricas A.G.	74.963	21.000	
		Asociación Empresas Energías Renovables (ACERA A.G.)	37.481	-	
Annexes		Asociación Industria Eléctrica y Electrónica (AIE)	17.991	-	
		Camara de Comercio Chileno - Colombiana	-	-	
		Pacto Global Chile	22.489	-	
		Accion RSE Chile	26.987	-	
		Capítulo Chileno de CIGRE	14.993	-	
		<b>Total</b>	<b>840.152</b>	<b>539.921,93</b>	<b>315.700,00</b>

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### COMMUNITY ENGAGEMENT

ISA proposes a sustainable value approach that seeks, among other things, to place it as a legitimate stakeholder in the territory and to strengthen the bonds of trust with communities in the areas of influence of its projects or networks in operation.

In the countries where ISA's Energy Transmission business unit is present, there are socio-political complexities and social and environmental conflicts, possibly generated by the rural conditions of the territories, social gaps, and historical poverty. Risks derived from the foregoing limit the Company's creation of value, due to delays in obtaining environmental licenses and project commissioning, among other things.

The "Transformación Educativa para la vida" program **is a great pillar for the development of learning and innovation projects** and improves the pedagogical experience significantly. **It provides effective and necessary accompaniment in official educational processes**", states Wbeimar Arbeláez Agudelo, director of Centro Educativo Rural La Gurría, one of the institutions who benefit in Amalfi, Antioquia.

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### COMMUNITY ENGAGEMENT RESULTS [GRI 413-1]

Data in USD

#### Colombia

**9.535.564** USD invested  
**378.267** people benefited  
**1.179** organizations strengthened

#### Peru

**223.295** USD invested  
**131.724** people benefited  
**450** organizations strengthened

#### Chile

**212.044** USD invested  
**2.457** people benefited  
**28** organizations strengthened



**USD14.465.305**  
 INVESTED

#### Brazil

**4.082.301** USD invested  
**8.094** people benefited  
**105** organizations strengthened

#### Bolivia

**412.101** USD invested  
**5.000** people benefited  
**76** organizations strengthened



**1.838** ORGANIZATIONS  
 STRENGTHENED

**525.542**  
 people benefited

### INVESTMENT LINES



Development and strengthening of organizations



Education and coexistence



Community infrastructure



Social promotion actions



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### COMMUNITY ENGAGEMENT IN THE ASSET'S LIFE CYCLE [GRI 103]

ISA's commitment to make a more substantial contribution to the conservation of the planet and to the country's commitments to the Sustainable Development Goals (SDGs) implies developing social investment strategies throughout the life cycle of the assets, in such a way that impacts and risks are identified, prevented, mitigated, compensated, and fixed.

In addition, it is essential to foster synergies with the players of the territories, to contribute to the progress of countries and development of communities. In this regard, through the Social Management Model that is based on corporate guidelines and standards, ISA sets the parameters to address relationships and investment plans in the communities, which respond to at least two of the following objectives:

- Provide development to the communities
- Ensure the viability of the business
- Contribute to the relationship with communities
- Generate new growth opportunities for the business

### LIFE CYCLE OF THE ASSET



Message from  
ISA's CEO

The Model ensures that resources allocated to social investment are efficiently used in territories where the greatest risks or impacts are identified:

Report Profile

**Percentage of critical municipalities with existence of social investment**

Company profile

Country	Company	Percentage*			Goal 2018	Goal 2020
		2016	2017	2018		
Colombia	ISA IINTERCOLOMBIA	83	64	95		
Colombia	ISA TRANSELCA	100	100	100		
Brazil	ISA CTEEP	100	100	100	Goal 2018	Goal 2020
Peru	ISA REP	100	33	22.7		
Chile	ISA INTERCHILE	80	100	70		
<b>Average</b>		<b>92,6%</b>	<b>79,4%</b>	<b>77,48%</b>	<b>80%</b>	<b>85%</b>

\* Investments are prioritized according to their criticality, which is associated to the size of projects in progress. Therefore, the number of municipalities varies each year.

**Energy  
Transmission**

Road Concessions

**Identification and management of social risks and impacts**

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Social risk is understood as the rejection expressed by the community against ISA or its companies due to the presence of infrastructure in their territory and the impacts this generates on the different aspects of their life (environmental, cultural, landscape, productive, quality of life). In this regard, the social management counts on several tools, actions and programs aimed at addressing, in a timely manner, social risks during the life cycle of the asset, thus contributing to obtaining social authorization to build and operate projects.

To articulate its offers, ISA does a specific social risk exercise on projects which characteristics suggest the need to propose risk management measures, which are subsequently turned into actions to be implemented in the construction stage. Mitigation plans are generated from this process and are part of projects' due diligence.

In 2018, four projects were analyzed, which made it possible to identify relevant issues regarding social risk in a timely manner while considering certain criteria in the due diligence of the project.

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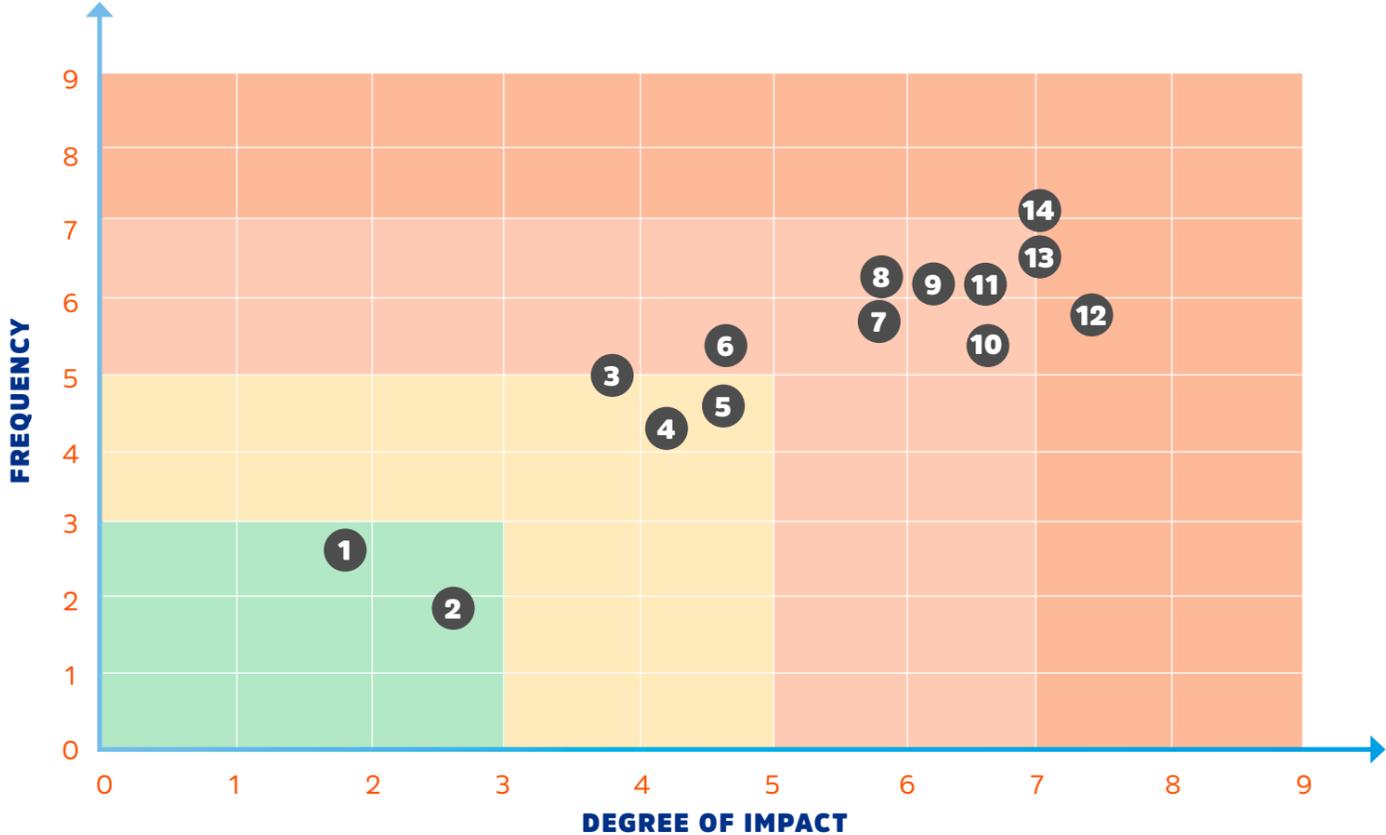
**Tools to manage risk and socio-environmental impacts**

Tool	Definition	Management
<b>Expansion Plan Restriction Analysis (ARPEX)</b>	Tool that analyzes georeferenced social, environmental and property type variables in the area of interest of a project to identify risk areas and generate mitigation actions	<ul style="list-style-type: none"> <li>• ARPEX applied to four offers</li> </ul>
<b>Environment analysis</b>	Environment analysis and market intelligence exercises to identify risks and opportunities associated with social, political and environmental realities in the infrastructure area of influence	<ul style="list-style-type: none"> <li>• Reports with 100% reach in countries where the company is present</li> </ul>
<b>Safe coexistence with the infrastructure program</b>	Risk prevention program aimed at strengthening the relationship with the population in the transmission lines area of influence, and promoting safe coexistence with the infrastructure	<ul style="list-style-type: none"> <li>• Programs developed in Colombia, Peru, Brazil, Bolivia and Chile</li> </ul>
<b>Early Relationship Program (PRA)</b>	Complementary social management actions, projects and programs in stages prior to the construction of projects in order to generate an early relationship that addresses risks previously identified and strengthens integration bonds with players in a timely and assertive manner	<ul style="list-style-type: none"> <li>• Events and rituals with indigenous communities in Colombia for three projects</li> </ul>
<b>Community Benefit Projects (PBC)</b>	Initiatives agreed with the community to provide populations with social infrastructure to support the licensing process	<ul style="list-style-type: none"> <li>• More than 130 projects in the area of influence of projects under construction in Colombia</li> </ul>
<b>Conexión Jaguar Program</b>	Sustainability program created for the conservation of biodiversity and mitigation of climate change	<ul style="list-style-type: none"> <li>• 3 projects in progress: 2 in Colombia and the first international project in Peru (<a href="#">see Conexión Jaguar Program</a>)</li> </ul>
<b>Human Rights Promotion</b>	Actions to educate on and promote Human Rights	<ul style="list-style-type: none"> <li>• In 2018, there were no discrimination, restriction to freedom of association, child exploitation, or forced labor cases in any of the Group companies</li> <li>• Number of hours educating on Human Rights: 182</li> </ul>
<b>Complementary and voluntary social management</b>	Programs aimed at creating trust and long-term relationships with communities, address social risk, and mitigate social impacts	<ul style="list-style-type: none"> <li>• Social programs in the territories, in all the countries where ISA is present</li> </ul>
<b>Environmental Management Plans (PMA)</b>	Activities aimed at preventing, mitigating, correcting or offsetting the environmental and social impacts and effects caused by the development of a project, work or activity	<ul style="list-style-type: none"> <li>• Colombia: environmental licenses were granted for 4 projects and modifications of the licenses granted for 3 projects</li> <li>• Brazil: the social risks and impacts associated with the licenses were addressed through the “Amigos de la Energía” program</li> </ul>
<b>Community Information and Participation Processes (PIPC) in Colombia</b>	Comprehensive strategy aimed at creating community participation spaces in order to establish channels of effective bidirectional communication	<ul style="list-style-type: none"> <li>• 80 agreements were made with local communities in more than 50 municipalities in Colombia</li> </ul>

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In 2018, ISA did an exercise to update the matrix of impacts generated by its projects and operations with the intention to reevaluating and rethinking its current social management model, the relevance of investment programs, and the different mechanisms of relationship with communities.

**MATRIX OF SOCIAL IMPACTS**



- 1 Modification of air quality
- 2 Modification of the availability of water resources
- 3 Impact on cultural characteristics of ethnic or non-ethnic groups
- 4 Emergence of undesirable parallel economic activities (micro trafficking, prostitution, common crime, among others)
- 5 Alteration of accesses/road infrastructure or modifications to urban mobility
- 6 Alteration of historical and archaeological heritage
- 7 Modification of the current use of the soil (impact on crops, economic use of the soil)
- 8 Limitation to the right of ownership
- 9 Emergence of radio-interference and electrical inductions
- 10 Increased risk of accidents
- 11 Modification of sound pressure levels (noise pollution)
- 12 Involuntary displacement of families or infrastructure (includes impacts on community and private infrastructure)
- 13 Conflicts emerging or worsening
- 14 Modification of landscape quality

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**ECONOMIC IMPACT** [GRI 103]

Profitable growth, in economic terms, is the result of the application of good practices that guarantee adequate and timely financial returns for stakeholders:



**SHAREHOLDERS AND INVESTORS**

ISA guides the management of business, sets strategic objectives and manages risks in order to maintain the reliability of investors and strengthen the value of its share in the market. Additionally, it guarantees the timely payment of dividends.



**EMPLOYEES**

In addition to salaries and benefits under collective agreements, the companies have a Variable Compensation System linked to the fulfillment of indicators, including some financial ones.



**CLIENTS**

By providing quality services in a timely manner and at competitive prices, aimed at meeting needs and building long-term relationships.



**SUPPLIERS**

Through the incorporation of quality and cost criteria in procurement processes, suppliers receive a transparent and equal treatment. In addition, a capacity development program for suppliers involved in the supply chain improves their competitiveness and ensures that their goods and services meet the requirements of ISA companies.



**SOCIETY**

Through mandatory, complementary and voluntary social investment, the Company contributes to the development of communities in the infrastructure's areas of influence. The goal for 2020 is to make social investments in at least 80% of the critical municipalities surrounding the energy infrastructure.



**NATION**

Through tax management, the companies conduct a transparent and timely payment of contributions to the Nation, and provide the information required by the surveillance, inspection and control authorities.

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In 2018, the performance of companies allowed to generate and distribute value to suppliers, employees, society, and Nation. [See details in chart \[GRI 201-1\]](#)

Economic impact goals for the year were set in terms of compliance with net income and EBITDA.

INDICATOR	2017 RESULT	2018 GOAL	2018 RESULT	Nation
<b>ISA Net Income (COP millions)</b>	1.142.708	1.202.402	1.529.155	Goal accomplished
<b>EBITDA weighted compliance of companies</b>	102,7%	101,3%	109,4%	Goal accomplished



**SUPPLIERS MANAGEMENT**

ISA has a systematic supply chain, which adds value to the business, mainly in categories of greatest impact. The procurement process is integrated with the value chain of the business and has been strengthened in the processes of planning, supplier management, contract management, purchase management and risk management, with teams that have developed their technical and cross-cutting skills, supported by technology as process enabler. [\[GRI 103\]](#)

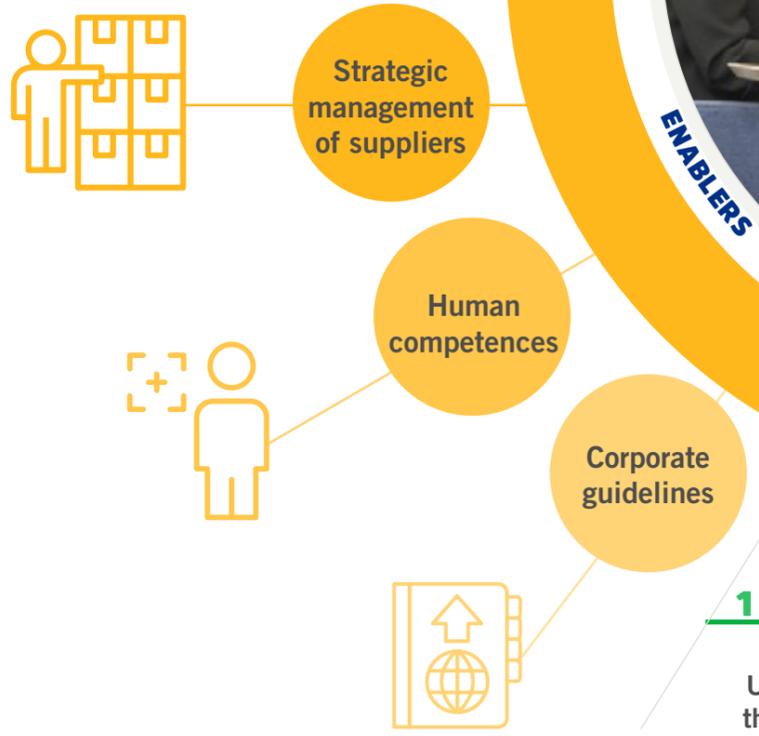
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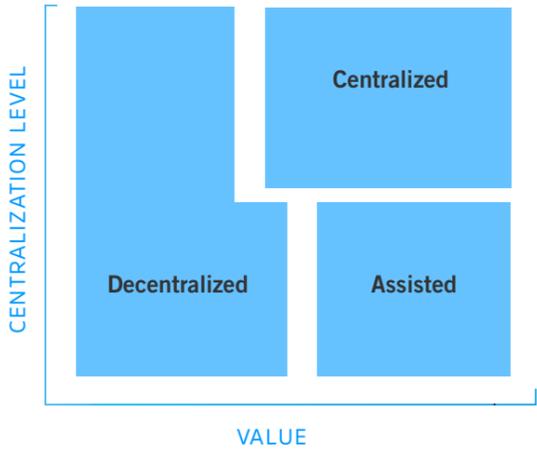
- **Lessons learned**
- **Best practices**



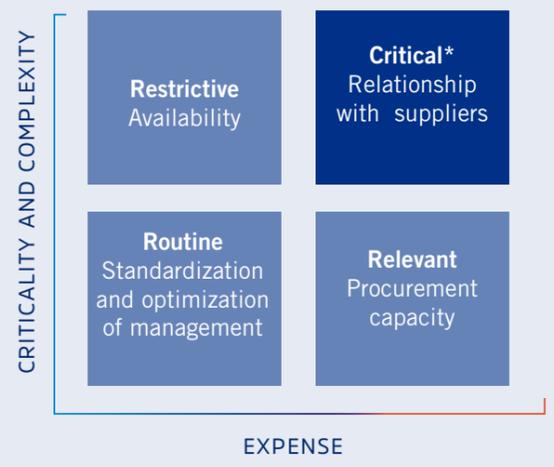
**Procurement plan** consolidated for all the companies



**Segmentation matrix**



**Strategic Matrix** focusing on the categories approach according to their depth.

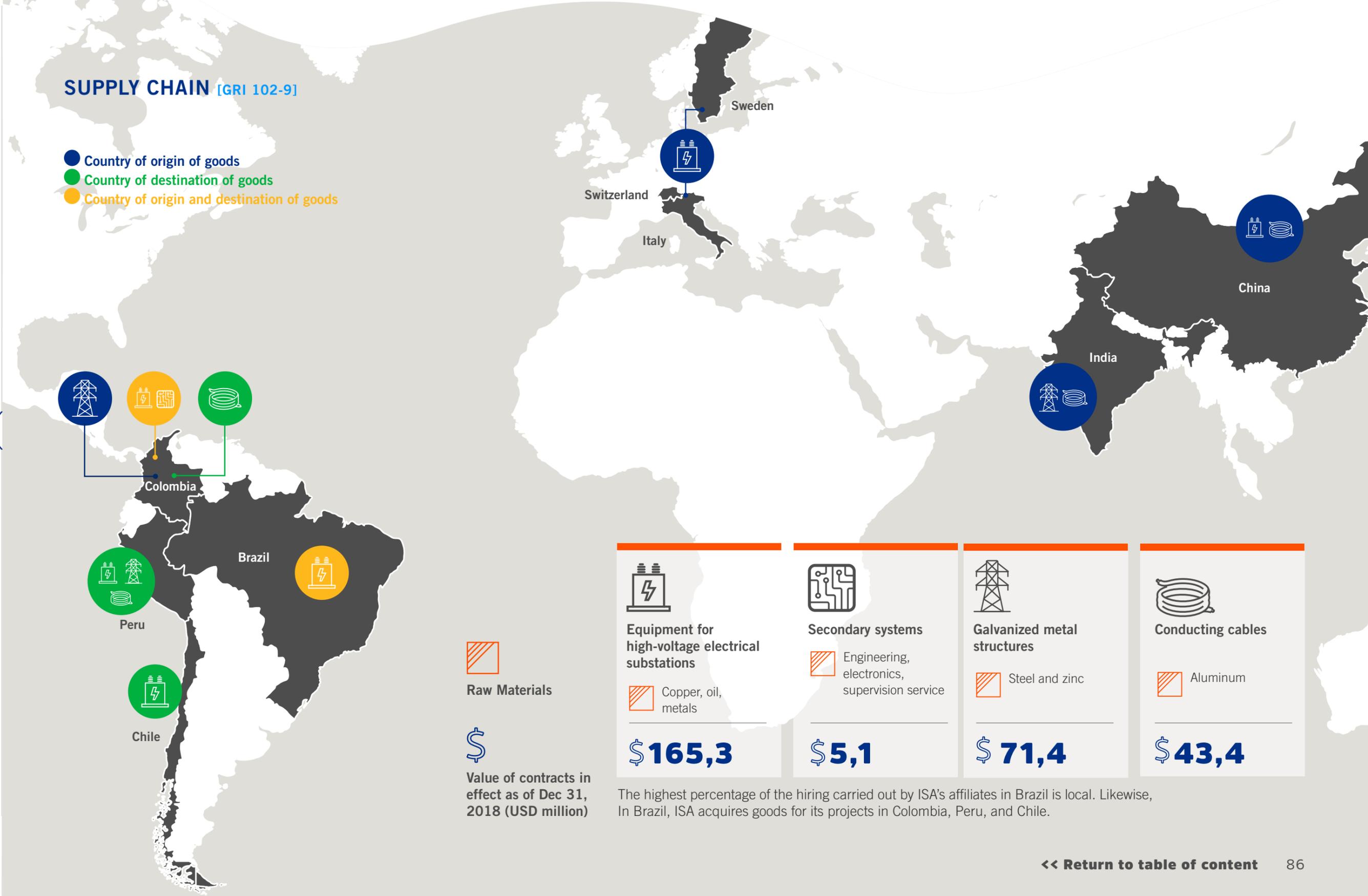


**! Critical suppliers:** suppliers of goods/services of categories of this quadrant that represent the highest expenses as well as a greater complexity of the market and criticality for the business.

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**SUPPLY CHAIN [GRI 102-9]**

- Country of origin of goods
- Country of destination of goods
- Country of origin and destination of goods



Raw Materials



Value of contracts in effect as of Dec 31, 2018 (USD million)



Equipment for high-voltage electrical substations

Copper, oil, metals

**\$165,3**



Secondary systems

Engineering, electronics, supervision service

**\$5,1**



Galvanized metal structures

Steel and zinc

**\$71,4**



Conducting cables

Aluminum

**\$43,4**

The highest percentage of the hiring carried out by ISA's affiliates in Brazil is local. Likewise, In Brazil, ISA acquires goods for its projects in Colombia, Peru, and Chile.

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The corporate procurement guidelines and standards facilitate the development of goods and services procurement processes that apply quality and cost criteria, giving suppliers a transparent and equal treatment, based on criteria of efficiency and competitiveness.

During the year, ISA saved approximately **USD 2,35 million** in negotiations of centralized categories, which is equivalent to **12,1%** of the baseline for the projected value of procurement.

Suppliers should be allies of the Company, aligned with institutional principles, good sustainability practices, environmental protection, labor rights, quality and efficiency, as well as the implementation of occupational health and safety standards. They should also comply with the legislation of each of the countries where ISA is present; with relevant agreements, arrangements and treaties, and with voluntary commitments that ISA and its companies have undertaken.

**Indicator of savings\***

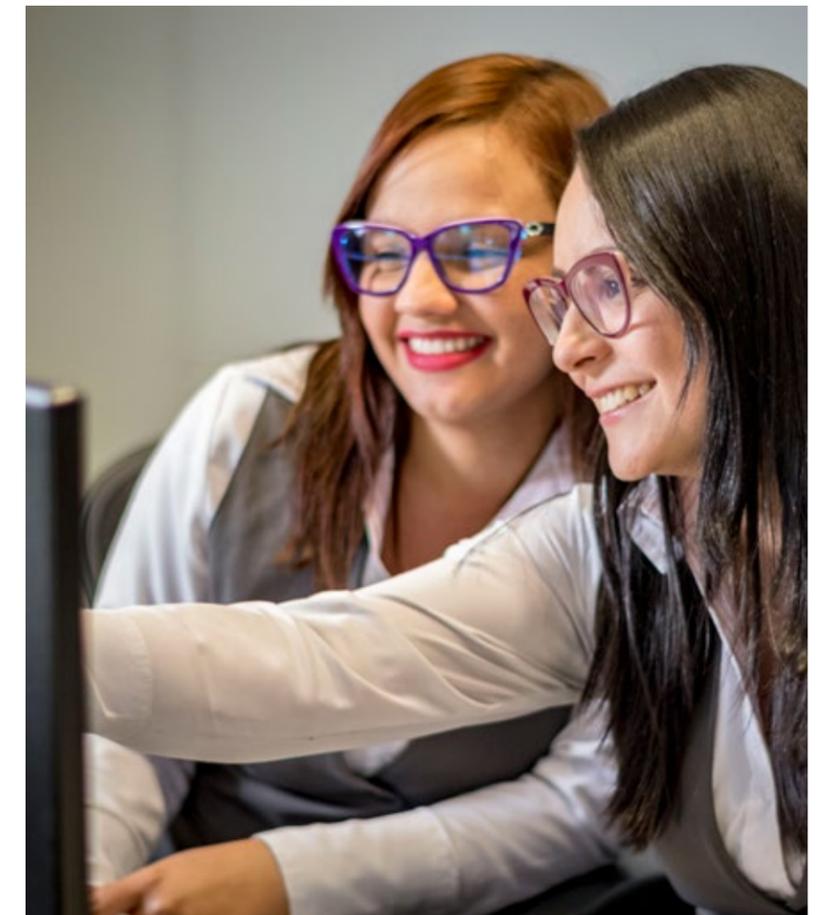
Year	Savings in USD	% savings on the baseline
2016	6.000.000	17
2017	104.000.000	7,6
2018	2.356.820	12,1

\* Savings in centralized categories for 2016 and 2018. Savings in centralized and assisted categories for 2017.

**Procurement risk management**

ISA's companies implement supplier management processes that include evaluation and monitoring stages to contribute to the improvement and continuous development, risk management and compliance with good practices.

The identification, analysis, evaluation, monitoring and communication of risks in the supply chain are consistent with the Comprehensive Risk Management methodology and its management is the responsibility of the procurement departments of ISA and its affiliates. For each category defined in the procurement process, risk analysis is carried out, possible impacts are evaluated, and actions are defined to mitigate them. The risk cycle ends when the information analyzed is disclosed, monitored, and reported.



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During 2018, each of the risks of the procurement process at ISA was monitored. The effectiveness of the prevention and protection actions established was monitored, concluding that the risks identified are under control and the actions are being implemented effectively to prevent their materialization. According to the Comprehensive Risk Management Model of ISA and its companies, procurement risks are ranked between low (green) and moderate (yellow), as per their impact on financial resources and reputation (IP risk - Suppliers in Corporate Map of Risks).

The risk management program for contracting has been implemented since 2017. Its purpose is to facilitate the attainment of the insurance guarantees required by ISA and ISA INTERCOLOMBIA to cover non-compliance and extracontractual civil liability risks of their contractors.

### Procurement management

In order to leverage the economic pillar of business sustainability, the “Strategic Sourcing” methodology was implemented, applying criteria for cost, risk and performance in the life cycle of the assets. In 2018, the inclusion of these criteria in the equipment for substations category, which includes special equipment, allowed making the following changes:

- Definition of prequalification criteria and selection of suppliers (proven experience of the proponents, experience of factories, production capacity and provision of supervision and post-sale services).

Procurement level of maturity advancement:  
**24% compared to 2017.**

- Creation of technical specifications that consider their impacts on constructability, operability, maintainability, and in general on reliability and sustainability of the network.
- Definition of a system to measure the performance of suppliers, based on the comparison with the standard of the International Council of Large Electrical Networks (CIGRE).

Additionally, since 2015, a program to strengthen strategic suppliers for our business is in force. Through this program, the goal is to contribute to a greater competitiveness of the productive chain and to improve performance standards for suppliers with respect to levels desired by ISA companies. In 2018, the third phase of the program was completed, in which 11 new suppliers of ISA and ISA INTERCOLOMBIA were involved, gaps were identified, and medium and long-term actions were proposed to achieve the expected benefits, among which are:

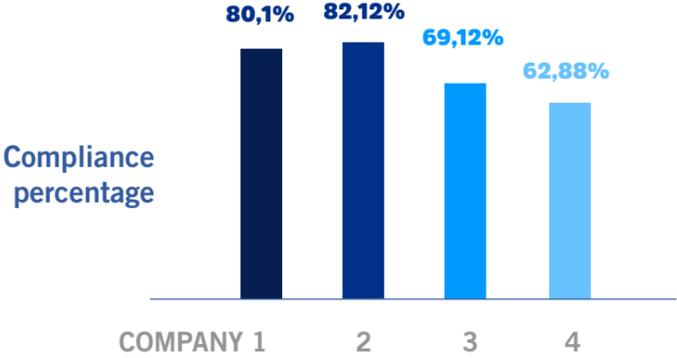
- Potential fulfillment of 100% of delivery times for
- Environmental Impact Studies (EIA) documentation.
- 33% potential reduction of delivery times for the EIA.
- 25% decrease of delivery times for engineering documentation.
- Identification of potential savings in the construction of civil works through the proposal for the optimization of design criteria of engineering manuals.



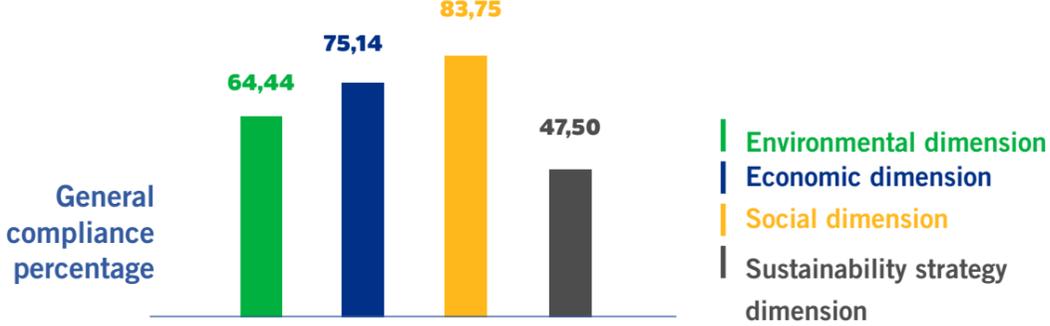
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The sustainability audit process made through an evaluation led by an independent third party on four relevant suppliers of line and substation design services stands out. This exercise made it possible to measure and assess the performance of suppliers along the different degrees of sustainability and, in addition, propose measures to strengthen their management, promote best practices, and close gaps.

**Results of audits on suppliers**



The companies evaluated do not pose significant risks in terms of sustainability for ISA. Work will be done on the improvement opportunities defined.



**Evaluation and monitoring [GRI 409-1]**

[GRI 404-3] [GRI 414-1]

Supplier management processes applied to ISA companies include evaluation and monitoring stages to contribute to the continuous improvement and development, risk management, and compliance with good practices. They count on procedures that allow them to monitor and verify the quality, opportunity and management of the supplier, as well as compliance with occupational safety and health requirements, environmental matters, and respect and promotion of Human Rights.

81% of the suppliers in the centralized categories obtained a performance rating above 85%. None of these suppliers had problems related to environmental matters or occupational health and safety during the execution of contracts, so it was not necessary to make improvement plans.

There was a positive evolution in the fulfillment of the performance evaluation goal. In 2018, the percentage of compliance with evaluations carried out was 79% compared with 33% in 2017. The goal planned for 2019 is to make the evaluation to be fulfilled by more than 85%. In terms of improvement plans, 93,5% of all the contracts evaluated have no pending improvement plan (Goal ≥ 92,5%).

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**Supplier evaluation indicator**

Indicator	2016	2017	2018	Comment	Goal 2019
<b>Suppliers evaluated for quality, opportunity, HSE, ethics, and anti-fraud</b>	ISA 72% ISA INTERCOLOMBIA: 88% ISA REP: 13% ISA CTEEP: ND ISA TRANSELCA: 29% ISA INTERCHILE: 0% ISA Bolivia: NA	ISA 50% ISA INTERCOLOMBIA: 50% ISA REP: 28% ISA CTEEP: 61% ISA TRANSELCA: ND ISA INTERCHILE: ND ISA Bolivia: NA	<b>ISA 75%</b> <b>ISA INTERCOLOMBIA: 75%</b> <b>ISA REP: 43%</b> <b>ISA CTEEP: 100%</b> <b>ISA TRANSELCA: 90%</b> <b>ISA INTERCHILE: ND</b> <b>ISA Bolivia: NA</b>	<b>Goal 2018 &gt; 85%</b>	<b>100%</b>

**Ethic commitment**

In the contractual process, ISA and its companies have other instruments such as procurement contracts approved by Boards of Directors, guidelines and instructions on contracting, Code of Ethics and Conduct, Ethical Line, and the Asset Laundering and Terrorist Financing Risk Management System (SARLAFT), which help avoid deviations and failures in labor, occupational safety and health, and socio-environmental management issues.

The application of these instruments requires the development of positive and concrete actions to promote Human Rights in the supply chain. In this regard, there are contractual clauses aimed at expressly rejecting child labor and forced or coerced labor; promote dignified and timely remuneration for employees of suppliers and respect for their right to create unions; promote analysis and management of risks by their suppliers; and apply the OHSAS 18001 standards as tools to guarantee health and safety of

their employees and employees of their suppliers within the framework of labor activities.

**Occupational Health and Safety and Environmental Management HSE**

Occupational Health and Safety (SST) is a commitment of ISA and its companies and their suppliers. Among the main actions implemented in 2018 to guarantee them, the following stand out:

- Follow-up to the contractor SST management
- Review of contractor SST management documentation and SST records of employees of contractor companies
- On-site follow-up to the contractor SST management
- Work Control: on-site supervision by a third party (auditing) that allows monitoring compliance with occupational health and safety, and environmental management in the development of construction projects



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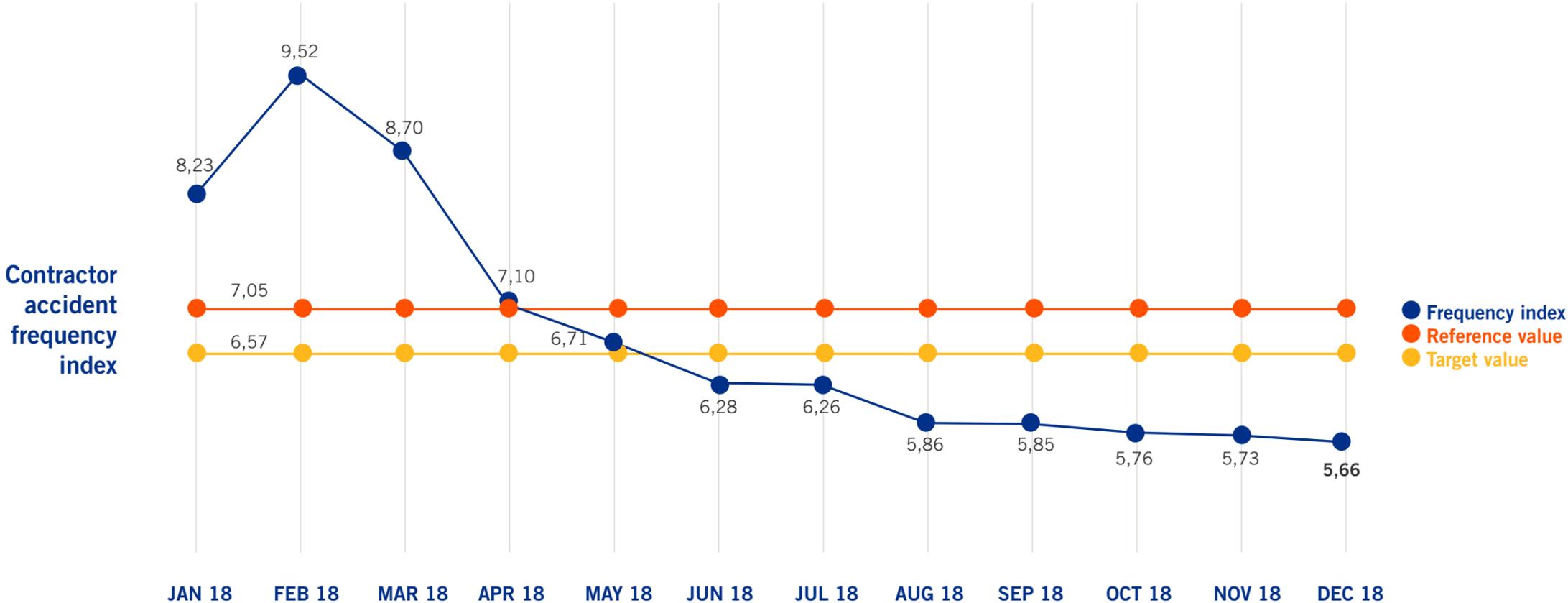
Additionally, in ISA INTERCOLOMBIA, the intervention plan for accidents was applied to contractors through the Misión Cuidarnos campaign:

- During the year, this initiative was developed covering more than 3.400 people, 21 contractor companies, and 55 subcontractor companies.
- The actions sought the intervention of middle and senior managers to strengthen the safety culture, to control the main causes of labor accidents, and to reinforce self-care, with important results in the reduction of accident rates.

Within the framework of this plan, the following SST intervention criteria were defined in the supply chain.

- Design of SST criteria for supplier registry: 80% percentage of compliance with minimum standards for critical procurement categories.
- Design of SST requirements during the execution of contracts: definition of service level agreements (ANS) by the SST management and labor accident results.
- Design of SST criteria for the SST performance evaluation on contractors with stricter qualification criteria for contractors with serious or fatal accidents.

As a result of the implementation of the campaign, scope 2018, a decrease in the number of labor accidents and the accident frequency rate for contractor companies of ISA INTERCOLOMBIA was achieved:



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**Promotion of SST in other ISA companies**

<b>ISA REP</b>	Development of the REPiense app, whose objective is to reinforce the labor safety culture through preventive actions. This app is composed of 5 modules: inspections, safety based on SBC behavior, inventories, auditing, and accident or incident registration, which will allow implementing control measures in a timely manner to avoid undesired events
<b>ISA TRANSELCA</b>	Monitoring in terms of labor health and safety and environmental management on suppliers that provide the following services: <ul style="list-style-type: none"> <li>• Civil works, maintenance and construction</li> <li>• Fumigation</li> <li>• Cleaning and coffee service</li> <li>• Transport</li> <li>• Surveillance</li> </ul>
<b>ISA INTERCHILE</b>	<ul style="list-style-type: none"> <li>• Strengthening organizational capacities</li> <li>• Audits to suppliers and construction third parties, with their respective improvement plans</li> <li>• Training on labor risks</li> </ul>
<b>ISA CTEEP</b>	<ul style="list-style-type: none"> <li>• Occupational health and safety workshop, with analysis of lessons learned and necessary legislation for the supplier management</li> <li>• Monthly safety committees attended by all managers, in order to identify possible irregularities of suppliers, and propose necessary measures</li> </ul>

[\[GRI 204-1\]](#) [\[GRI308-1\]](#) [\[GRI308-2\]](#) [\[GRI 414-1\]](#) [\[GRI 408-1\]](#) [\[GRI 409-1\]](#) [\[GRI 412-1\]](#)



**Dialogue and relationship mechanisms**

ISA companies maintain a constant communication with their suppliers through different means and spaces, always guaranteeing a transparent and equal treatment.

**Main events in 2018:**

- **Related to our suppliers:** approach and interaction space, with 112 companies involved
- **HSE contractor meeting:** attended by 80 representatives from 32 contractor companies
- **Suppliers meetings** at ISA INTERCOLOMBIA, ISA TRANSELCA, ISA REP, ISA CTEEP, directly influencing the achievement of the ISO18000 and OSHAS14000 certification
- **Workshop on digitalization challenges:** attended by 22 allies

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**HUMAN RIGHTS [GRI 103]**

**Commitment to Human Rights**

For ISA and its companies, Human Rights are universal and undeniable moral attributes inherent to each person; therefore, respect for them is a moral and ethical requirement, and this respect is ratified by daily life and active participation in discussion spaces at local, national and regional levels. To guarantee Human Rights, the Company Group counts on the [Guide on respect and promotion of Human Rights](#); the guide for the knowledge, fulfillment and promotion of Human Rights; the [Code of Ethics and Conduct](#); and the adherence to the Global Compact since 2005.

These corporate documents are mandatory on all the companies of the Group, as well as on their businesses, places of operation and stakeholders linked to each of these instruments.

Regarding safety and Human Rights, ISA's reference is the good practices contained in the "Voluntary Principles on Safety and Human Rights" guide. This guide allows companies, especially companies operating in Colombia, to maintain the safety of operations within a framework that guarantees respect for Human Rights and fundamental freedoms. The Company voluntarily adopted these instruments, progressively aligning their practices to facilitate implementation.

Given the complexities when operating in Colombia, ISA INTERCOLOMBIA maintains its involvement in the Energy Mining Committee (CME), in which the company makes part of the founders and the Board of Directors. Its work focuses on the construction and implementation of Recommendations on Safety and Human Rights for the Energy Mining Sector. The document "Recomendaciones para una gestión respetuosa del derecho a la protesta social y frente a acciones ilegales y/o violentas que se deriven de su escalamiento" was published in 2018. It is the fruit of the contribution and consensus of the CME members, their knowledge, and exchange of experiences from work sessions with the participation of the Ministry of Interior and the National Hydrocarbons Agency.



**ZERO**  
proven **EVENTS**  
of violations or infringements  
of Human Rights in ISA  
and its companies

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Management instruments for the promotion and respect of human rights:



HUMAN RIGHTS AND COMPANY GUIDELINE



RUGGIE PRINCIPLES



VOLUNTARY PRINCIPLES



NATIONAL POLICY ON HUMAN RIGHTS AND BUSINESS



Colombia



ISA INTERCOLOMBIA



ISA TRANSELCA

Brazil



ISA CTEEP

Peru



ISA REP

Bolivia



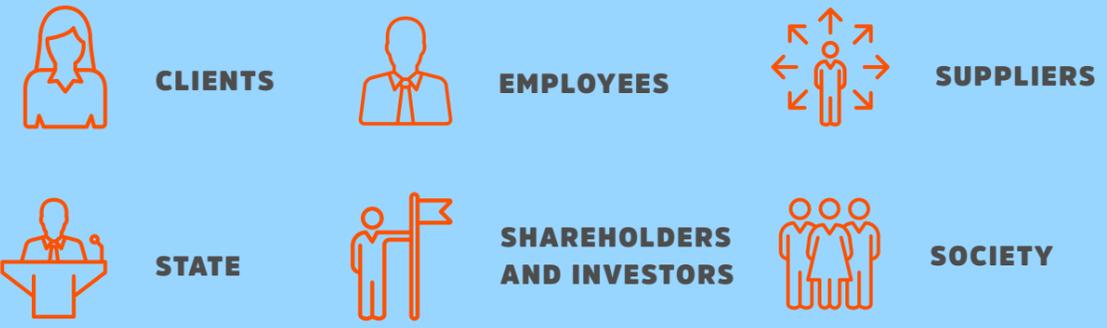
ISA BOLIVIA

Chile



ISA INTERCHILE

The declaration of adherence to these principles binds all stakeholders:





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**ISA and its companies are bound as promoters and executors of the respect and protection of Human Rights**

ISA favors a majority position in the share participation in its companies, with the purpose, among other things, of establishing its policies and action framework within all its operations.

In 2018, the affiliates completed the process for adopting the guidelines of the parent company by making their commitment in five explicit areas: risk management and environmental impacts, labor practices, implementation of safety, and culture of peace (Colombia) and Human Rights, verification and monitoring. In the process, contractors were bound, and good practices were promoted with all stakeholders.

By virtue of this commitment, ISA, ISA INTERCOLOMBIA, ISA REP, and ISA CTEEP are signatories of the Global Compact and, from the respective local networks, they carry out promotion actions.

The management of ISA companies includes the commitments of its suppliers and contractors, who must comply with the HSE (Health, Safety, and Environment) Manual, which links ethical behavior, promotion of Human Rights, management of labor safety and health, and environmental management issues. Among obligations, the manual includes:

- Ensuring respect for Human Rights and cultural differences of the territory where their activities are developed.
- Protecting the cultural and archaeological heritage.
- Keeping a record of complaints and claims, which must be addressed on time.

- Complying with the guidelines instructed by ISA for the hiring of unskilled local labor.
- Prohibition of hiring children, or subjecting people to forced labor or through coercion.
- Prior to the beginning of activities, contractors must have all the environmental permits, licenses and authorizations for the correct execution of contracts.

Likewise, the commitments include other stakeholders in the value chain of ISA companies. Since the declaration of Human Rights and Company, ISA expresses its willingness and commitment to promote among stakeholders involved in its value chain, the incorporation of practices to respect and promote Human Rights, as well as non-violation or compliance with them.

**Management instruments for the promotion and respect of Human Rights**

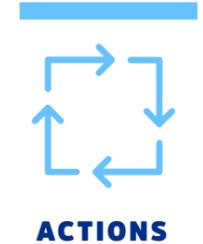
						
<b>MANAGEMENT INSTRUMENTS</b>	<b>EMPLOYEES</b>	<b>SUPPLIERS</b>	<b>CLIENTS</b>	<b>STATE</b>	<b>SHAREHOLDERS</b>	<b>SOCIETY</b>
Human Rights and Company Guideline	✓	✓	✓	✓	✓	✓
Code of Ethics and Conduct	✓	✓	✓	✓	✓	✓
Human Rights and Company online course	✓	✓	✓	✓	✓	✓
Due Diligence	✓	✓	✓	✓	✓	✓
HSE Manual		✓				
Supplier registry		✓				
Audits		✓				

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### Human Rights Due Diligence

Due Diligence is the capacity of the company to be responsible for the negative impacts caused by its activities. It means doing the right thing before, during and after the development of its projects and involves identifying weaknesses to correct them, and risks to manage and mitigate them.

To comply with this process, ISA and its companies adhere to the United Nations framework "Protect, respect and remedy", in accordance with the Principles of Professor John Ruggie.



**PROTECT**

- Support and strengthen the Nation so that it plays its role with respect to Human Rights
- Participate in the Energy Mining Committee on Safety and Human Rights
- Carry out social actions to strengthen base organizations to be guarantors of their rights.
- Promotion of the declaration on Human Rights and Business.

**Meetings**

- **10 programs** for Development and Peace that promote the management and respect of Human Rights
- **1 program** for improvement of the quality of the education that promotes the right to it. The "Transformación educativa para la vida" Program
- **Promotion actions** on stakeholders



**RESPECT**

- Companies must respect Human Rights
- Companies must refrain from violating human rights of third parties and face the negative consequences they have on them
- Declaration on Human Rights and Business
- Due diligence
- Pedagogy with employees and suppliers
- Management indicators

**ZERO EVENTS**

Human Rights infringement and due to business development



**REMEDY**

- Have access to victims, legal and non-legal means of remediation
- Ethics Line
- Ethics Committee
- Claims and complaints mechanisms

**ZERO EVENTS**

denounced or complained in claims and complaints mechanisms

As no event occurred, there were no remediation actions

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Potential risks of violation of Human Rights during the life cycle of assets could arise in specific situations such as:

- New projects, acquisitions, or investments.
- Construction of new projects.
- During the operation of their businesses.
- At the beginning of a new business or a contractual relationship with suppliers and business partners, where it is ensured that they do not have a previous record of Human Rights violations and where they are required to have a process to evaluate the risk from their activities when they are carried out in complex environments.
- When purchasing lots or negotiating services.
- By disseminating information and creating relationships with ethnic or vulnerable groups, within the context of a project.

The Company does a permanent risk monitoring and management exercise, carries out actions to promote and know Human Rights in its value chain, and sets goals that allow it to measure its performance and identify continuous improvement actions.



Risks	Offer / Design	Construction	Operation	Maintenance	Dismantling
	✓	✓	✓	✓	✓
<b>Political</b>	✓	✓	✓	✓	✓
<b>Environmental</b>	✓	✓	✓	✓	✓
<b>Social</b>	✓	✓	✓	✓	✓
<b>Property</b>		✓	✓	✓	✓
<b>Suppliers</b>		✓	✓	✓	✓
<b>Armed conflict, terrorism, and vandalism</b>		✓	✓	✓	✓
<b>Human capital and labor relationships</b>		✓	✓	✓	✓

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**DUE DILIGENCE IN HUMAN RIGHTS**

**Vulnerable groups**

- Local community
- Afro community
- Indigenous populations
- Suppliers
- Employees

**Actions**

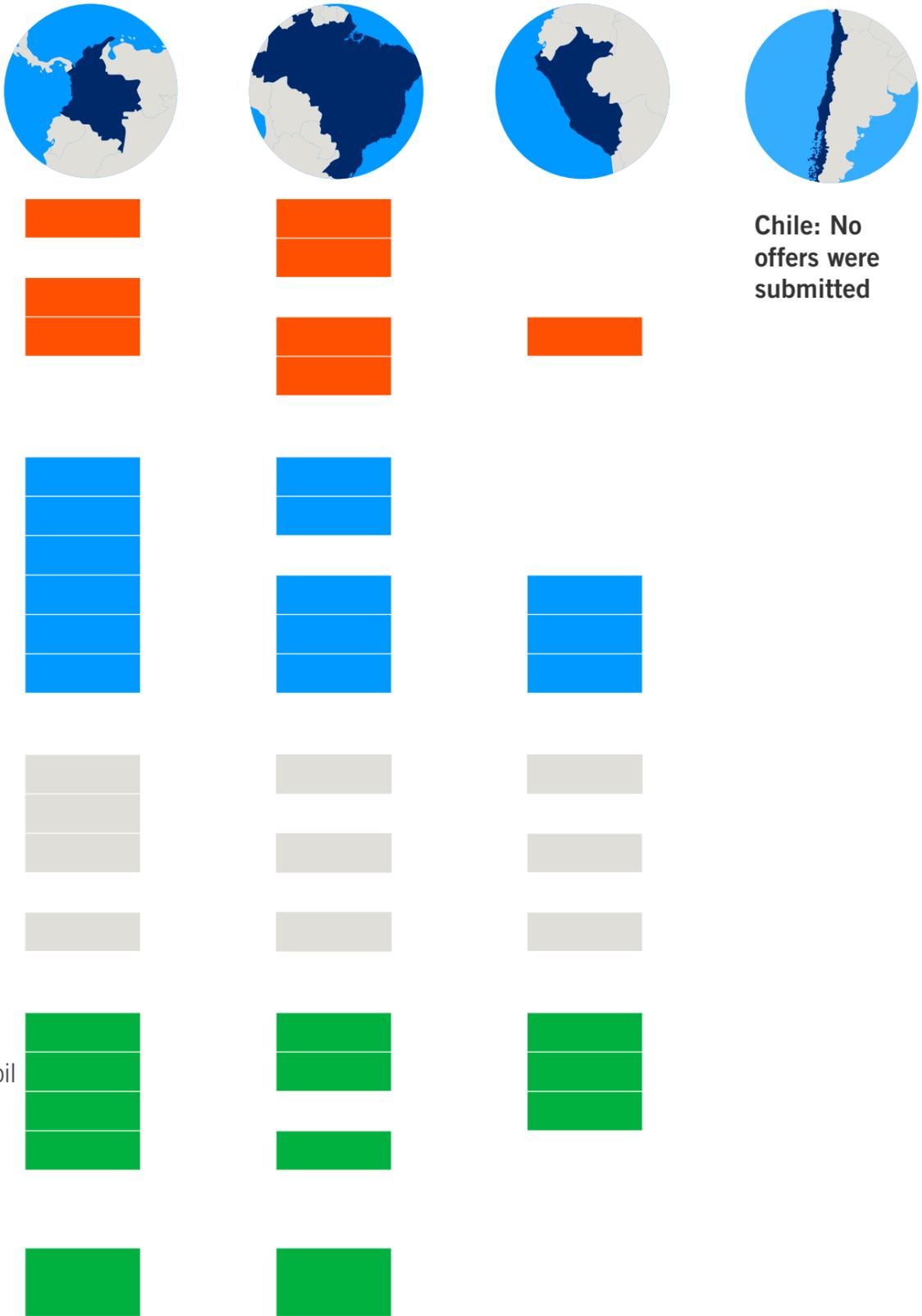
- Social management
- Coexistence programs
- Training
- Declaration of Human Rights
- Human Rights Diagnostics
- Contractual clauses

**Mechanisms**

- Complaints and claims
- Social risk workshop
- Service office
- Risk analysis in expansion plans
- Compliance officer

**Risks and impacts**

- Environmental
- Property: detriment and impact on the use of the soil
- Impact on the archaeological and cultural heritage
- Labor (occupational health and safety)
- Fraud and corruption
- Accidents in adjacent communities
- Public order (citizen safety, theft, damage, physical aggression, extortion)



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**Monitoring and verification**

To promote ethical, transparent, constructive and respectful relationships, the goal is to have zero events related to possible violations or infringement thereof.

Indicator	Result 2016	Result 2017	Result 2018	Goal 2018	Compliance status	Goal 2020
Proven events of violations or infringements of Human Rights	0	0	0	0	Goal accomplished	0
All the complaints of Ethical Line managed annually	100%	100%	100%	100%	Goal accomplished	100%

In 2018, there were no discrimination cases in ISA, ISA INTERCOLOMBIA, ISA REP, ISA BOLIVIA, ISA CTEEP, and ISA TRANSELCA. Nor were there threats to rights of freedom of association, child exploitation, and forced labor. The monitoring and control actions involved not only employees and suppliers, but also significant operation centers (administrative offices, transmission centers and substations).

For the term, there was no materialization of risks of violation of Human Rights among the own employees or suppliers in the design, construction and operation processes. Contractual minutes for purchases made in the different countries include the respect of each country's law and delivery of the product. [\[GRI 410-1\]](#), [\[GRI 411-1\]](#), [\[GRI 412-1\]](#)

Regarding the safety of the energy infrastructure, ISA INTERCOLOMBIA signed an agreement with the National Army establishing that, out of the total resources received, at least 1% will be destined to Human Rights training, and the purchase of lethal elements is prohibited.

Regarding personnel and private security equipment contracted directly by the company, sessions for training and promotion of Human Rights were held. [\[GRI 410-1\]](#)

**ENVIRONMENTAL PERMITS AND LICENSES MANAGEMENT**

For ISA and its companies, it is imperative to comply with and respect the legislation in each of the countries where they are present. Also, the execution of business activities guaranteeing sustainable development, as stated in the Environmental Policy, is a commitment. [\[GRI 102-11\]](#) [\[GRI 103\]](#) Consequently, the companies manage the environmental permits and licenses required for the development of their projects and operations, complying with applicable regulations and guaranteeing, among other things:

- Work with the different environmental and social authorities with jurisdiction and competence in the areas of the countries in which they are present.
- Rational use of natural resources required for the development of own activities in the projects during all its stages.
- Prevention, mitigation, control and offsetting of impacts associated with the development of projects during their life cycle.

**ENVIRONMENTAL MANAGEMENT**



**PORTFOLIO**



**OFFER**



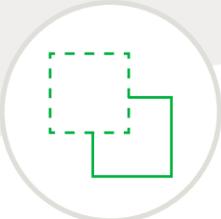
**DESIGN**



**CONSTRUCTION**



**OPERATION AND MAINTENANCE**



**DISMANTLING**

**EMPHASIS**

- PORTFOLIO:**
  - Incorporation of environmental, social and property criteria for portfolio projects
- OFFER:**
  - Comprehensive assessment of environmental, social and property activities and risks in CAPEX and OPEX.
  - Incorporation of environmental, social and property impacts
- DESIGN:**
  - Design of the Environmental Impact Studies (EIA)
  - Citizen participation and prior consultation for timely environmental licensing purposes
- CONSTRUCTION:**
  - Execution of environmental improvement plans
  - Execution of environmental and social offsetting plans
  - Information provided to communities, authorities and other stakeholders
- OPERATION AND MAINTENANCE:**
  - Application of environmental management systems to ensure the management of environmental risks and impacts
- DISMANTLING:**
  - Application of the asset renewal and disposition strategy to avoid environmental and social liabilities

**PRÁCTICES**

Road Concessions	Socio-environmental risk workshop	Identification of environmental, social and property risks	Updating and management of environmental, social and property risks		
Information and Telecommunication Technologies	Analysis of Restrictions of the Expansion Plan (ARPEX)	Environmental legal analysis	Route selection criteria	Execution of environmental, social and property components	Renovation and final disposal strategy
Real-Time Systems Management	Anticipated social and property intervention plans	Interrelation of the environmental management with the Corporate Social Management Model			
Financial results		Calculation of environmental, social and property items for CAPEX and OPEX	Environmental and social studies for licensing	Compliance with the environmental management plan	
Annexes	Normative monitoring and regulatory management				
	Supplier management aligned with the environmental strategy				
	Environmental Management System - ISO 14001				
	All-inclusive biodiversity management				

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### Status of environmental licenses for projects as of December 2018

Company	Project	Status
<b>ISA INTERCOLOMBIA</b>	<ul style="list-style-type: none"> <li>Antioquia - Medellín - Ancón Sur 500/230 kV Connection and associated transmission lines (Bottling section and disposal areas for surplus excavation material)</li> </ul>	Modification of the license granted
	<ul style="list-style-type: none"> <li>Transmission Line linked to Porce III - Sogamoso 500 kV Connection.</li> </ul>	Licensed
	<ul style="list-style-type: none"> <li>Transmission Line linked to Porce III - Sogamoso 500 kV Connection (San Bartolo Section)</li> </ul>	Modification of the license granted
	<ul style="list-style-type: none"> <li>Transmission Line linked to Antioquia – Porce III 500 kV Connection.</li> </ul>	Licensed
	<ul style="list-style-type: none"> <li>San Antonio 230 kV Substation and Associated Transmission Lines</li> </ul>	Licensed
	<ul style="list-style-type: none"> <li>Ocaña Second 500/230 kV Transformer</li> </ul>	Modification of the license: evaluation of EIA
	<ul style="list-style-type: none"> <li>Montería - Urabá 230 kV Transmission Line and Associated Substation (San Jerónimo section)</li> </ul>	Modification of the license granted
	<ul style="list-style-type: none"> <li>Montería - Urabá 230 kV Transmission Line and Associated Substation (San Jerónimo section) (increase in forest use in the Betania sector)</li> </ul>	Modification of the license: evaluation of EIA
	<ul style="list-style-type: none"> <li>Costa Caribe 500 kV Reinforcement: Cerromatoso - Chinú - Copey Transmission Line</li> </ul>	Evaluation of EIA
	<ul style="list-style-type: none"> <li>Chinú 500 kV Substation expansion</li> </ul>	Modification of the license: evaluation of EIA
	<ul style="list-style-type: none"> <li>Cuestecitas -Copey- Fundación 500/220 kV Interconnection</li> </ul>	Evaluation of EIA
	<ul style="list-style-type: none"> <li>Replacement of 2,09 km of air-to-underground tranche in Ternera - Bolívar 220 kV Transmission Line</li> </ul>	Licensed
	<b>ISA BOLIVIA</b>	<ul style="list-style-type: none"> <li>Sabanalarga - Bolívar 500 kV Transmission Line and second 500/220 kV - 450 MVA transformer in Bolívar Substation</li> </ul>
<ul style="list-style-type: none"> <li>Busbar Yard Expansion in Sucre 115 kV Substation</li> </ul>		Licensed

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Company	Project	Status
<b>ISA REP</b>	• YANA: Nueva Yanango - Nueva Húanuco	Preparation of EIA
	• COYA: Mantaro - Nueva Yanango - Carapongo	Preparation of EIA
	• Expansion 18,3: LT Piura - Chiclayo 220 kV Section and connection with La Niña Substation	Support Technical Report: approved
<b>ISA CTEEP</b>	• IE ITAQUERÊ	Licensed
	• IE ITAPURA 440 kV Static compensator Bauru Substation	Licensed
	• IE BIGUAÇU (L1)	Preparation of studies
	• IE TIBAGI (L5)	Installation license granted
	• IE ITAÚNAS (L21)	Awaiting prior license
	• IE AGUAPEÍ (L29) Alta Paulista	Awaiting installation license
	• IE AGUAPEÍ (L29) Baguaçu	Awaiting installation license



**ISA INTERCOLOMBIA**

The portfolio of forest offsetting projects, which will provide inputs for the structuring of plans required by the authority, within the framework of the Biodiversity Loss Manual, has been started.

**ISA TRANSELCA**

Developed the preventive archeology program for the TERNIUM connection project, which consists of recognizing the state of conservation of archaeological findings and relevant information to improve knowledge of social processes of the past and identify and evaluate the foreseeable impacts on the archaeological heritage.

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## INSTITUTIONAL MANAGEMENT

During the term, spaces for dialogue with energy and environmental authorities were created to generate long-term trust relationships. This made it possible to improve the understanding of the environmental problems related to energy transmission projects, to unify the interpretation of the applicable regulations, to create proposals to improve the existing regulations, to optimize the requests for information, and to achieve an adjustment to the schedules of the calls for bids so that they include the relevant times for environmental licensing.



### ISA INTERCOLOMBIA

- Participation in work groups and meetings with the Ministry of Interior to work on the opportunity of pronouncements related to certifications and prior consultation processes.
- Participation in sectorial groups that expressed the need to regulate archaeological authorizations for the development of projects. In this regard, the draft decree on the Preventive Archeology Programs received proposals and feedback.
- Work groups with the ICANH that facilitated 7 authorizations for archaeological intervention and made viable the modifications of the existing authorizations.
- Participation in the 5 high-level work groups of the energy sector, in which procedures associated with the projects are monitored.
- Participation in 16 environmental committees with ANDI and ANDESCO to share good practices, analyze and contribute to new environmental regulations.

### ISA REP

- Promotion of good environmental practices:
- Energy Mining Executive Committee, for the regulatory review for the licensing, inspection and application of incentives to the environmental energy management, in which companies of the sector participate together with authorities of the Peruvian government.
  - Participation through the Mining, Oil and Energy National Society (SNMPE), for the revision of legal norms, interpretation of environmental governmental requirements and better business practices.
  - Meetings with authorities: SENANP, MINAM, OEFA, DGAAE, and SENACE, for the discussion of environmental management, reaching agreements to make projects viable, promote the recognition of good environmental practices, fight against climate change, among others.

### ISA TRANSELCA

- Relationship management with environmental authorities of the Atlántico and Magdalena departments in Colombia.

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**Environmental programs investments**

Company	Investment	Programs
<b>ISA ISA INTERCOLOMBIA</b>	<b>\$32.565 millones</b>	<ul style="list-style-type: none"> <li>• Rescue of flora and fauna</li> <li>• Forest offsetting</li> <li>• Water management</li> <li>• Electromagnetic monitoring</li> <li>• Archeology and rescue</li> <li>• Environmental impact studies</li> </ul>
<b>ISA TRANSELCA</b>	<b>\$112 millones</b>	<ul style="list-style-type: none"> <li>• Forest maintenance</li> </ul>
<b>ISA INTERCHILE</b>	<b>\$5.538 millones</b>	<ul style="list-style-type: none"> <li>• Licenses and permits</li> <li>• Environmental education</li> <li>• Noise monitoring plans</li> <li>• Environmental awareness and education workshops</li> <li>• Agrological plans</li> <li>• Forest management</li> </ul>
<b>ISA REP</b>	<b>\$806 millones</b>	<ul style="list-style-type: none"> <li>• Environmental management</li> <li>• Licenses</li> <li>• Environmental Management Plan</li> <li>• Archaeological management</li> <li>• Social management</li> </ul>
<b>ISA CTEEP</b>	<b>\$402 millones</b>	<ul style="list-style-type: none"> <li>• "Amigos de la Energía" Project</li> <li>• Fauna monitoring</li> <li>• Reforestation plan</li> <li>• Environmental legislation update</li> </ul>

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To monitor the fulfillment of the objectives regarding environmental permits and licenses, the following indicators are used:

Indicator	Result 2016	Result 2017	Result 2018	Comment	Goal 2020
	<b>Consolidated for the group: 95,8%</b>	<b>Consolidated for the group: 104,8%</b>	<b>CONSOLIDATED FOR THE GROUP: 102,5%</b>	All the companies complied	Greater than or equal to 95%
<b>Compliance with physical progress of projects (against schedule)</b>	ISA INTERCOLOMBIA 94% ISA TRANSELCA 100% ISA INTERCHILE 96,8% ISA REP 95,1% ISA CTEEP 102,2%	ISA INTERCOLOMBIA 96,8% ISA TRANSELCA 101,8% ISA INTERCHILE 96,9% ISA REP 99,7% ISA CTEEP 127,2%	<b>ISA INTERCOLOMBIA 107,2%</b> <b>ISA TRANSELCA 102,1%</b> <b>ISA INTERCHILE 103,9%</b> <b>ISA REP 98,8%</b> <b>ISA CTEEP 99,2%</b>		
<b>Days of delay in obtaining the environmental license (against schedule)</b>	ISA INTERCOLOMBIA 246 ISA TRANSELCA ISA INTERCHILE 180 ISA REP 224 ISA CTEEP N/A	ISA INTERCOLOMBIA 260 ISA TRANSELCA ISA INTERCHILE 568 ISA REP 226 ISA CTEEP 0	<b>ISA INTERCOLOMBIA 463</b> <b>ISA TRANSELCA</b> <b>ISA INTERCHILE 645</b> <b>ISA REP 238</b> <b>ISA CTEEP 0</b>	Evidence of complexities of the context for obtaining environmental licenses	Obtaining an environmental license as per the schedule

In the countries where ISA is present, the challenge to obtain and manage environmental licenses is bigger. The main issues are:

- Obtaining the environmental authorizations for the execution of projects within the mandatory terms through interinstitutional management.
- Unification of guidelines between environment authorities for the issuance of permits that are prerequisites of the licensing process.

- Interinstitutional coordination before environmental authorizations: integrating the approach of territory and the conservation objectives.
- Certification of ethnic communities within the framework of projects.
- Coordination and preparation of the consultation process.
- More participation of the society in the evaluation of projects.
- Regulatory updates and changes.
- Institutional articulation between state and federal entities for the approval of licenses.

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## LEGAL ENVIRONMENTAL MANAGEMENT

During the management of environmental licenses, legal processes inherent to the business are generated. During the period, the following situations occurred:

### Sanctioning processes as of December 2018

**There are 11 sanctioning processes in progress:**

- ISA INTERCOLOMBIA**
  - 6 answers were presented. Awaiting response from the corresponding environmental authority
  - 3 are in investigation opening stage
  - 2 at the beginning of sanctioning procedure
- ISA INTERCHILE**
  - 2 sanctioning processes in progress and not resolved by the Environmental superintendence
- ISA REP**
  - 6 environmental audits by the Environmental Inspection and Evaluation Agency (OEFA) to verify the commitments undertaken with the environmental licenses. No punishable violations were found
- ISA CTEEP**
  - 8 cases in progress. An approximate value of COP 102 million is estimated

### Non-monetary sanctions for non-compliance with environmental regulations

Empresa	2015	2016	2017	2018
ISA INTERCOLOMBIA	0	0	0	0
ISA TRANSELCA	0	0	0	0
ISA INTERCHILE	N/A	N/A	N/D	0
ISA REP	0	1	0	0
ISA CTEEP	18	5	25	0
ISA BOLIVIA	N/D	N/D	0	0

ND: not available  
NA: not applicable

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### BIODIVERSITY IMPACTS MANAGEMENT

ISA and its companies carry out a responsible environmental management on the use of natural resources necessary for business activities and the impacts and risks generated, in order to ensure that their processes and operations are aligned with the search for sustainable development, thus complying with commitments acquired, applicable regulations and corporate guidelines and standards. [\[GRI 103\]](#)

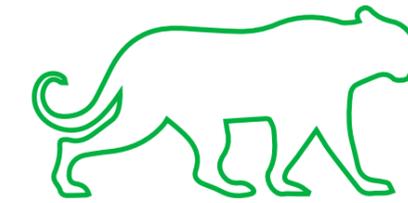
In addition, ISA companies' value, respect and support natural heritage, especially those areas important for biodiversity, as per the environmental regulation of each country and the declaration of the International Union for the Conservation of Nature (IUCN) regarding category I - IV protected areas.

### COMMITMENT TO THE PROTECTION OF BIODIVERSITY

The protection of biodiversity is portrayed in commitments that look for:

- Layout, design and construction methods of transmission lines that do not affect sensitive or important ecosystems given their biological diversity.
- Training employees and suppliers on the respect to biological diversity, with a focus on sustainable use and management of vegetation.

- Partnerships with local and national authorities to protect biodiversity and rescue susceptible species.
- Training communities of the area of direct and indirect influence on coexistence with endemic species of the region.
- Development of complementary initiatives within the framework of the all-inclusive Biodiversity Management (GIB) such as Portfolio of Biotic Offsets and Environmental Education.
- Participation in academic and sectorial events to disseminate the program of integrated management of biodiversity and best practices for the conservation promotion.
  - IPBES. Intergovernmental Platform for Biodiversity and Ecosystem Services. Colombia
  - Foro Post IPBES. Challenges and Opportunities for the all-inclusive Biodiversity Management and Ecosystem Services. Colombia.
  - Bird Collision in Energy Transmission Infrastructure Prevention workshop. Colombia.
  - CITES II National Symposium of Species. Presentation of results of the Conexión Jaguar Program. Peru.



**148.178**

hectares  
of jaguar habitat protected  
and restored

In ISA INTERCOLOMBIA, the design, structuring and elaboration of a portfolio of viable offsetting alternatives that contribute significantly to the recovery and connectivity of critical ecosystems stands out. The document was applied in 2018 to these projects: Sochagota - San Antonio; Cerro - Chinú - Copey; Betania - Mirolindo; Chinú - Montería - Urabá; Sabanalarga - Caracolí and Interconexión Noroccidental.

ISA develops the [Conexión Jaguar Pro-gram](#). The program seeks, voluntarily, to contribute to biodiversity conservation and climate change mitigation through support to forestry projects in priority areas for the protection, recovery and connection of jaguar habitats and corridors.

Since its conception in 2016, short and medium term goals have been set, in addition to the contribution expected for 2030, to offset 11 million tons of CO<sub>2</sub>e:

Indicator	2016	2017	2018	Comment	Goal 2020
<b>Protection of the jaguar habitat (Ha)</b>	N/A	<ul style="list-style-type: none"> <li>• <b>Cimitarra, Colombia:</b> restoration of 2.000 Ha of forests.</li> <li>• <b>Tierralta, Colombia:</b> restoration of 200 Ha REDD + and conservation of 400 Ha of forests and water births</li> <li>• Conservation actions in 2.600 Ha of jaguar habitat (accumulated)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cimitarra, Colombia:</b> restoration of areas damaged by livestock through assisted natural regeneration and reforestation with native species (3.650 Ha)</li> <li>• <b>Tierralta, Colombia:</b> restoration with native species from areas damaged by illegal extraction of native wood and livestock expansion (600 Ha)</li> <li>• <b>San Martín, Perú:</b> conservation of the montane forests of the Concession for the Conservation of the Alto Huayabamba, ensuring the protection of its biodiversity and ecosystem services (143.928 Ha)</li> <li>• Conservation actions in 148.178 Ha of the jaguar habitat (accumulated)</li> </ul>	The program was formulated in 2016 and began activities in 2017	180.000 hectares of jaguar habitat protected

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**ACTIONS IN CONSTRUCTION,  
OPERATION AND MAINTENANCE  
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In this stage, direct and indirect impacts are generated on biodiversity, mainly associated with pruning and logging of vegetation in easement areas of the transmission lines. To prevent, mitigate and offset such impacts, ISA and its companies have mandatory and voluntary actions applicable during the life cycle of assets, derived from the Environmental Management Plans (PMA), which comprise different strategies. Among them, interinstitutional alliances with environmental authorities and key actors, aimed at avoiding impacts on sensitive species and ecosystems. [\[GRI 304-2\]](#)

Environmental studies are carried out in the design and planning of the projects that define optimal alternatives from the environmental, property, social and technical point of view for the corridors of the lines. Additionally, protected areas, priority conservation areas, and ecosystems of interest are identified and are later considered environmental restrictions in the definition of the route for the lines and to identify possible impacts on the territory.

Within the framework of the environmental license, the IUCN Red Books, in which threatened species can be identified, are consulted. Likewise, the national lists that define restricted species and restricted ecosystems are consulted.

[ISA REP implements the Fauna Species Guide for the maintenance of the easement route.](#)

For the management of impacts identified in the EIA, companies have PMA and forest offsetting plans. They can be consulted on the websites of the companies and the environmental authorities in charge of the licensing for each country. [\[GRI 304-1\]](#), [\[GRI 304-2\]](#), [\[GRI 304-3\]](#), [\[GRI 304-4\]](#)



ISA e ISA INTERCOLOMBIA joined the **“Biodiversidad y Desarrollo por El Caribe: Conectividad Canal del Dique – Montes de María” Initiative**, through which technical, logistical and financial efforts are combined for the protection, conservation, restoration and sustainable development of biodiversity and its ecosystem services, based on investments and environmental offsetting.

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### Actions implemented during the period

Company	Investment	Program
<b>ISA INTERCOLOMBIA</b>	\$10.378 million	<p><b>Implementation, monitoring and follow-up of 340,47 Ha to offset for projects in operation:</b></p> <ul style="list-style-type: none"> <li>• Protective reforestation of native trees in the municipalities of Anserma Nuevo - Caldas, Paipa - Boyacá, Morales - Cauca, derived from the flora maintenance of Cartago Substation connection to the San Marcos - Virginia 230KV circuit, Sochagotá and LT Páez - San Bernardino 230 kV Substation.</li> <li>• Reforestation with native species in the municipality of Yacopí - Cundinamarca, for the forestry offsetting of the Bacatá - Primavera 500 kV Transmission Line project</li> <li>• Reforestation of tropical dry forest in the municipality of San Juan de Nepomuceno and mangrove in Ciénaga de la Virgen, located in the Tourist and Cultural District of Cartagena for the Conexión El Bosque Transmission Line project</li> </ul>
<b>ISA BOLIVIA</b>	\$0,95 million	<ul style="list-style-type: none"> <li>• Plantation of fruit trees with species typical of the region in the different substations</li> </ul>
<b>ISA TRANSELCA</b>	\$111,6 million	<ul style="list-style-type: none"> <li>• Maintenance of the 5.753 trees planted as offsetting measure for pruning and forest use permits in: <ul style="list-style-type: none"> <li>• Malambo and Luruaco</li> <li>• Sabanalarga, Baranoa, Galapa</li> <li>• Barranquilla</li> </ul> </li> </ul>
<b>ISA REP</b>	\$31,2 million	<ul style="list-style-type: none"> <li>• Support for the conservation of 143.928 Ha of montane forests in the "Alto Huayabamba Conservation Concession" through the Conexión Jaguar program in Peru</li> <li>• Training 100% of the internal personnel on biodiversity conservation within the framework of the Conexión Jaguar program in Peru</li> </ul>
<b>ISA INTERCHILE</b>	\$8,2 million	<ul style="list-style-type: none"> <li>• Succulent rescue and relocation plan</li> <li>• Rescue and relocation of propagules from the flowery desert</li> <li>• Rescue and relocation of shrub species</li> <li>• Population studies of flora and vegetation species in the conservation category</li> <li>• Collection and conservation of genetic material of flora and vegetation species in the conservation category</li> <li>• Rescue and relocation of low-mobility terrestrial fauna</li> <li>• Bird anti-collision devices</li> <li>• Reforestation plan for arboreal, shrub and herbaceous species</li> </ul>

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Company	Investment	Program
ISA CTEEP	\$39,6 million	<ul style="list-style-type: none"> <li>• Public call for conservation and recovery initiatives for the Brazilian forest, to be part of the Conexión Jaguar program</li> <li>• Lifting of towers and transmission cables, in order to reduce potential cuts of vegetation, which would be necessary for a safe energy transmission</li> </ul>



As a signatory of the Global Compact, ISA is committed to promoting practices seeking greater environmental responsibility, as well as maintaining a preventive approach that favors the environment. The Group has undertaken actions for the mitigation and adaptation of climate change on three fronts:

- Climate change management
- Measuring and offsetting Greenhouse Gases (GHG)
- Eco-efficiency

ISA counts on a climate strategy aligned with the priorities and joint actions of governments, the society and companies, based on a consolidated practice of offsetting GHG produced by the operation of the Energy Transmission business.

The Company considers the commitments of COP 21, SDG, and climate change phenomena in recent years in its risk map, and plans a series of actions, most of them focused on climate change mitigation. The reduction of emissions by means of investments in the modernization of equipment and more eco-efficient products, process improvements, sustainable mobility, and awareness of employees is also sought.

In addition to identifying and optimizing potential GHG sources, ISA and its companies annually offset their emissions through carbon credits generated in Conexión Jaguar program projects, thus seeking to make the Group carbon neutral by 2020.



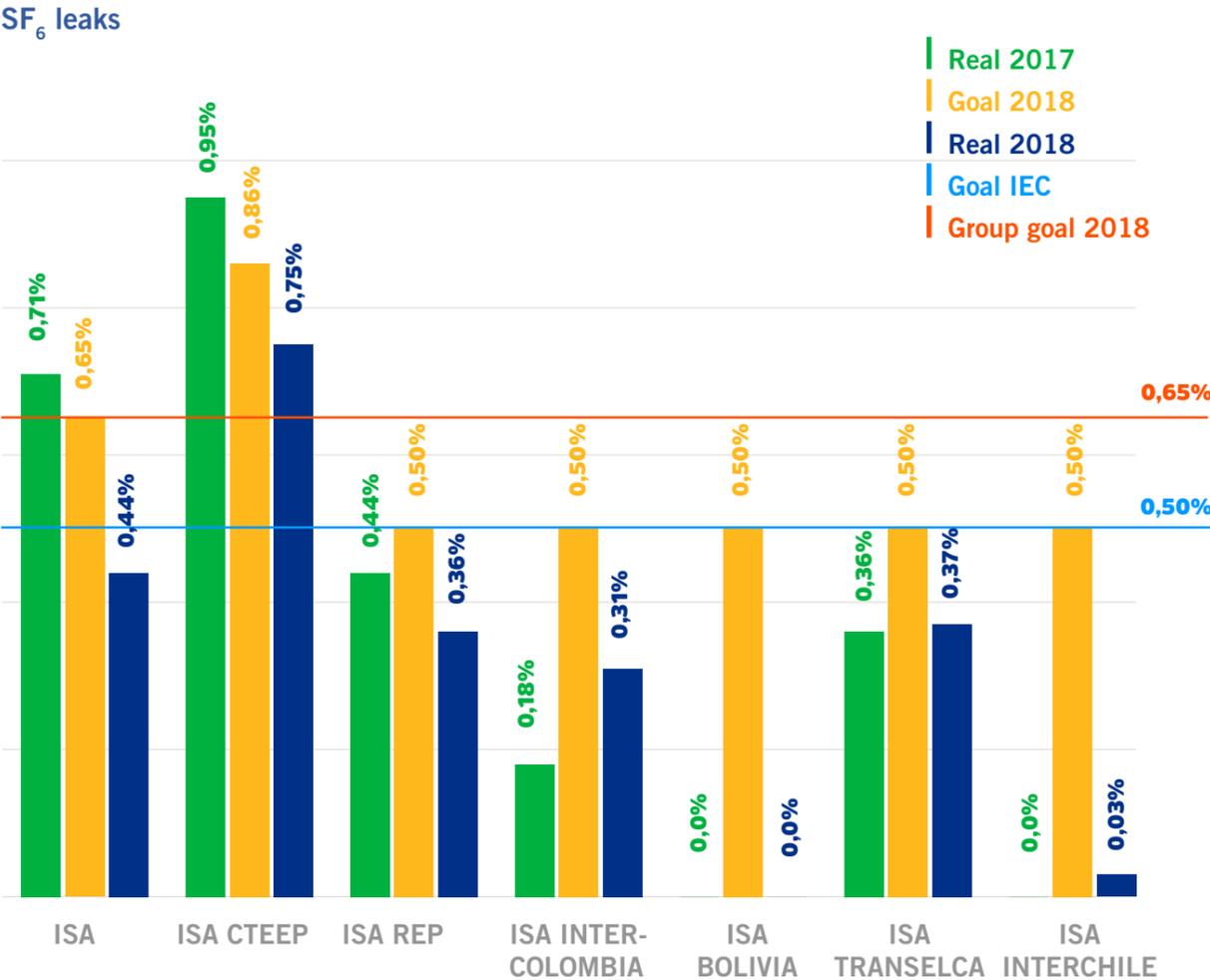
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ISA and its companies identified that, in terms of their direct GHG emissions (scope 1), more than 80% corresponds to leaks of sulfur hexafluoride gas, or SF6, installed in encapsulated substations and high-voltage switches. The Global Warming Potential (GWP) of this gas is 23.500 times higher than CO2, which is an important impact on global warming per unit emitted. SF6-related emissions occur when there are leaks in the equipment that contains it (switches, transformers, among others) and, although cutting-edge technology has managed to reduce leaks significantly, today there is no such technology that guarantees zero leakage in the life cycle of the asset. It is important to clarify that the use of SF6 is essential for the operation of high-voltage equipment and encapsulated substations or GIS, as its great stability makes it an electrical insulator and shut off the electric arc in an effective manner.

At present, there is no substitute for said gas for the high-voltage systems operated by ISA. Considering that this gas is the main source of direct GHG emissions, and being consistent with our intention of aligning with the best sustainability practices worldwide, in 2016 a corporate goal was set, focused on the reduction of direct emissions, which consists of reducing, by 2020, SF6 leaks of that year by more than 50%, which is equivalent to avoiding the emission of approximately 18.500 tons of CO2e.

To achieve this goal by 2020, annual targets are set for each company. Companies that do not yet meet the International Electrotechnical Commission (IEC) standard, which establishes that leaks shall not be greater than 0,5% of the SF6 installed, must reduce the leaks of the previous year by 10% until getting below this standard before 2020.

Therefore, in 2018, all the energy transmission companies met this goal, thus reducing the percentage of consolidated leaks of the group to 0,44%, also exceeding the 0,65% goal, and even the IEC standard. From the above, the fact that ISA REP, ISA INTERCOLOMBIA, ISA TRANSELCA, ISA INTERCHILE, and ISA BOLIVIA's leaks were below 0,5% must be highlighted, especially the achievement of ISA CTEEP, who reduced about 20% of leaks over the previous year. This is equivalent to 188 kg, which prevents the emission of 4.418 tons of CO2e into the atmosphere.



No information is available for 2016, as the goal was set this year.

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However, the inventory of installed SF6 has increased due to the entry into operation of new projects. However, the percentage of leaks and even the inventory of associated GHG emissions has decreased. Since 2016, emissions associated with SF6 leaks have been reduced by approximately 12.000 tons of CO2e, demonstrating ISA's commitment to climate change management and the actions undertaken to mitigate it.

These results are largely due to the implementation of good practices and the proper operation and maintenance of the equipment:

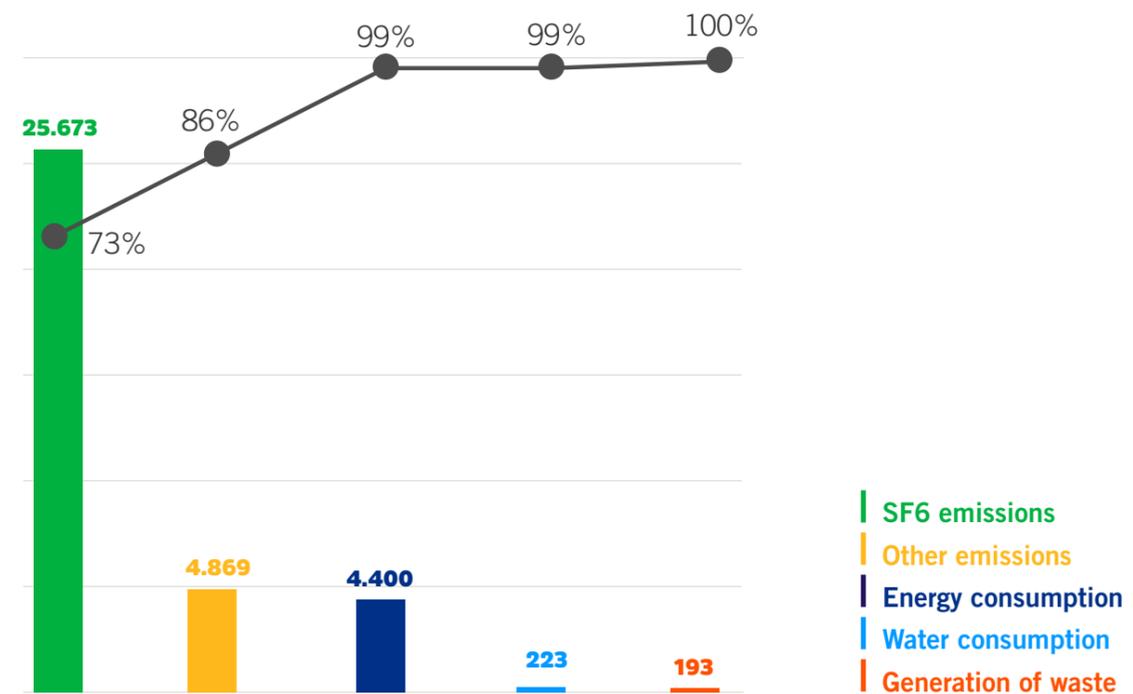
- Regular preventive maintenance to switches, thus preventing gas leaks.
- Replacement of high-voltage switches at the end of their useful life.
- Continuous improvement in leak record in the SAP system.
- Reuse, in ISA INTERCOLOMBIA, of 692,14 kg of SF6 in good condition.
- Use of infrared light cameras for the timely detection of uncontrolled leaks during the operation of the equipment.
- Overhaul or major maintenance to switches, which is the process of changing the seals that guarantee the tightness of the enclosures that contain the gas.

The second individual source of GHG emissions is associated with energy consumption (scope 2), activity for which the short-term goal is set: to reduce consumption by 5% by 2019, taking the average of the last 3 years as the baseline.

There are "other emissions" that are individually insignificant (fuel consumption, replacement of refrigerant gases, flights), whose impact is higher. The fulfillment of this goal is associated with the energy emission factor of 2019, which varies from one country to another, and depends on the behavior of the energy matrix in the year. It is estimated to avoid the emission of 305 tons of CO2e.

Since 2015, ISA, ISA INTERCOLOMBIA and XM are carbon neutral by offsetting all their direct and indirect emissions. In 2018, ISA REP offset 100% of the emissions inventory, thus also becoming carbon neutral. ISA BOLIVIA, ISA INTERCHILE and ISA TRANSELCA also carried out their complete GHG inventory in 2018, to subsequently achieve offsetting emissions associated with their activities.

**Main sources of GHG emissions of ISA, ISA INTERCOLOMBIA, ISA REP, and ISA CTEEP**



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In terms of eco-efficiency, in 2018 goals were set for ISA and its companies regarding water and energy consumption, and generation of regular and hazardous waste. The intensity of the consumption of natural resources and the generation of emissions and waste have impacts of low relevance for the energy transmission industry.

In addition to the long-term goal mentioned above, companies had to reduce their consumption and gener-

ations by 5% by 2019, taking the average of the last 3 years as the baseline.

ISA REP, which is commitment to reduce 10%, ISA INTERCHILE, and ISA TRANSELCA, which will start measuring their consumption and generations to establish their short-term goal, is the exception. A reduction of about 320 tons of CO<sub>2</sub>e associated with the improvement in the performance of eco-efficiency is estimated by 2019.

As a result of the commitment acquired by joining the Air Quality Pact, the emission of 91 tons of CO<sub>2</sub> was avoided, 63,8 for sustainable mobility and 27,2 for teleworking; partly as a result of **“En la Movida”** mobility program.

**Main results on the path to achieving the goals proposed**

Company	Program
<b>ISA INTERCOLOMBIA</b>	<ul style="list-style-type: none"> <li>• Design and construction of green substations and administrative headquarters: 4 buildings with a rainwater collection system and 2 substations in the process of implementing the Methodology for easy application of the design of artificial wetlands.</li> <li>• Development of suppliers for atmospheric water generators, dry toilets and gray water management system technology</li> <li>• Installation of a composting system for use of maintenance waste for green areas</li> </ul>
<b>ISA BOLIVIA</b>	<ul style="list-style-type: none"> <li>• Campaigns for solid waste separation and proper use of resources</li> <li>• Final disposal of oils through a certified company</li> <li>• Campaigns in schools surrounding the transmission lines to strengthen the proper use of resources through the delivery of school kits</li> </ul>
<b>ISA REP</b>	<ul style="list-style-type: none"> <li>• Replacement of lights by LED technology in 3 substations and administrative offices</li> <li>• Implementation of dry toilets in 2 substations and administrative offices, which represents 100% savings in water consumption</li> <li>• Air conditioning water recovery system in 7 substations, recovering 12 gallons per day, which are reused in the irrigation system</li> <li>• Recycling of 16 tons of paper</li> <li>• Elimination of materials such as closed-cell extruded polystyrene foam, poly paper and tetra pack</li> </ul>
<b>ISA CTEEP</b>	<ul style="list-style-type: none"> <li>• Installation of rainwater collection system to supply toilets in substation</li> <li>• Replacement of lights by LED in regional and main headquarters</li> <li>• Use of ethanol in company cars, eliminating the use of gasoline, avoiding the emission of 272 tons of CO<sub>2</sub>e into the atmosphere</li> </ul>

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## HUMAN CAPITAL DEVELOPMENT [GRI 103]

Human capital development imply important challenges for the Organization, since this requires the incorporation of skills and competencies by teams and people, and the appropriation of an organizational culture that provides a sustainable competitive advantage.

Aware of this responsibility, during 2018, the Chief Organizational Talent Office of the ISA Group accepted the challenge to transform its management model, for which it defined, in the first place, its value proposition for the business.

Likewise, the goal set was “building capacities to enable the strategy and create an emotional bond that generates commitment” and a new organizational talent model inspired by the HR BUSINESS PARTNER model of Professor Dave Ulrich, which seeks to strengthen the role of Organizational Talent in six different roles.

**Value Proposal - Chief Organizational Talent Officer:**

- We are strategic partners and managers of the transformation, with innovative solutions in talent management, organizational design, and culture.
- We create connections between people and businesses through inspiring leadership that strengthens capacities, motivates commitment, and ensures contribution.

## ROLES OF ORGANIZATIONAL TALENT



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To develop the transformation towards the new model of the area, Organizational Talent, as Strategic Business Partner, in 2018, achieved the following advances in each of the channels that comprises it:

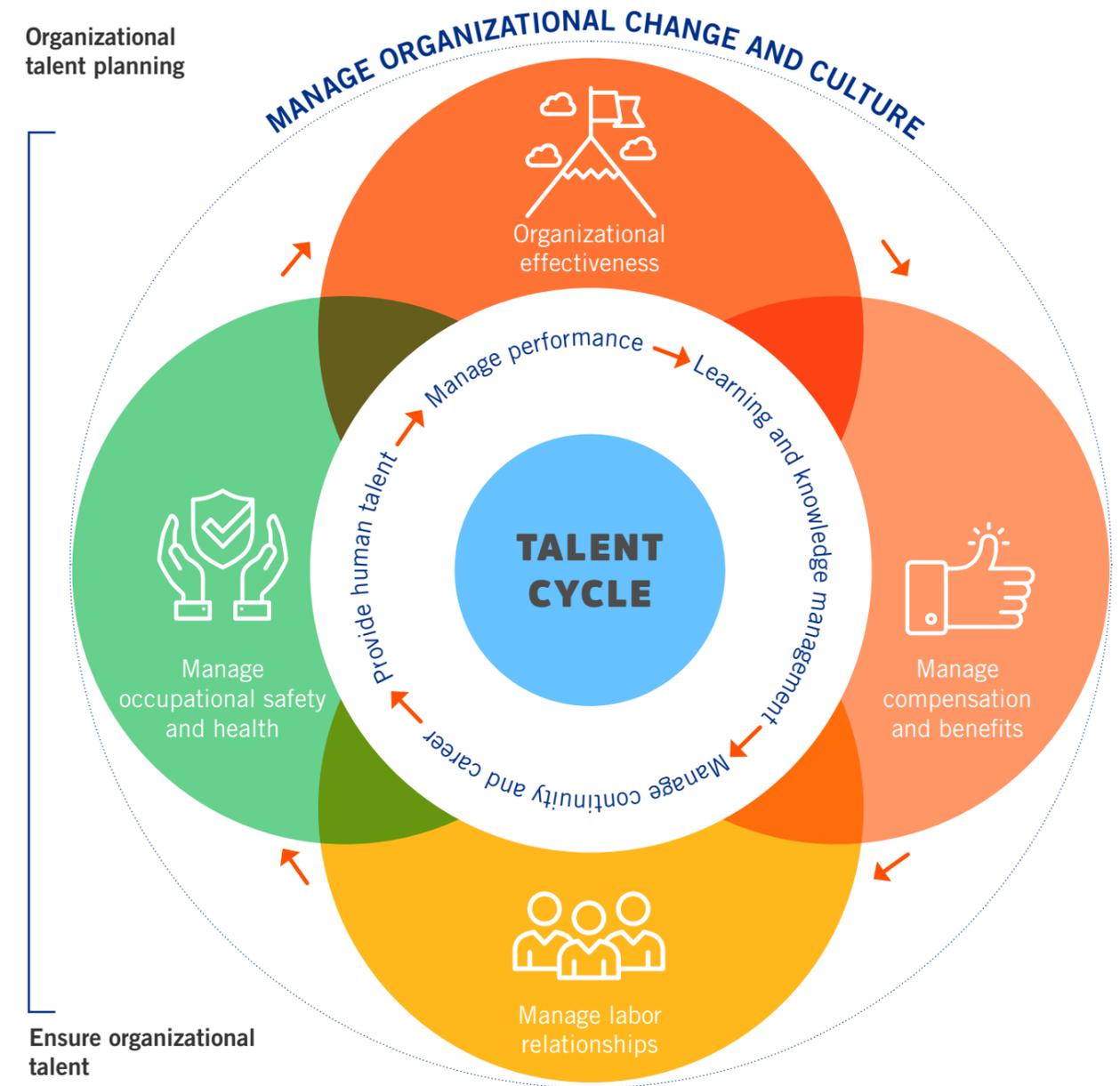
- The position Organizational Talent Strategic Partner was created. Its main role is to be the ally of managers to internalize the strategy in their work teams and provide them with talent management and organizational design solutions. 32 partners were appointed, professionals from 11 companies of the Group in which the operation of the model began.
- A process of training on coaching, leadership and all processes of organizational talent addressed at these 32 strategic partners was developed in order to guarantee its integrity.
- 5 of the 7 Excellence Centers (CoEx) planned in the model were created and launched, namely: Organizational design, Compensation and benefits, Providing and managing talent, Learning and knowledge management, Change and culture.

- The business case was presented and subsequently the design and construction of the Shared Services Center for Organizational Talent began. It will begin operations in the first quarter of 2019, initially for the affiliates in Colombia, covering talent transactional processes such as recruitment and selection, hiring and linking, induction and training, liquidation and payment of payroll and benefit management, among others.

This is how the Organizational Talent model is integrated with the needs of the strategy, seeking the comprehensive development of people, the improvement of their skills and abilities and continuous training, motivating and promoting commitment, to ensure a healthy work environment.

Once the purpose, roles and structure of the Organizational Talent Model were defined and implemented, the next steps in the management for 2018 consisted of defining the ISA Leadership Brand and the Talent Management Cycle.

Organizational talent planning



Around 330 employees holding management positions, successors identified for critical positions, and people with key talents, have participated in the leadership program, Liderando el Futuro de ISA, through which work has been done in the development of the 6 attributes of the brand.

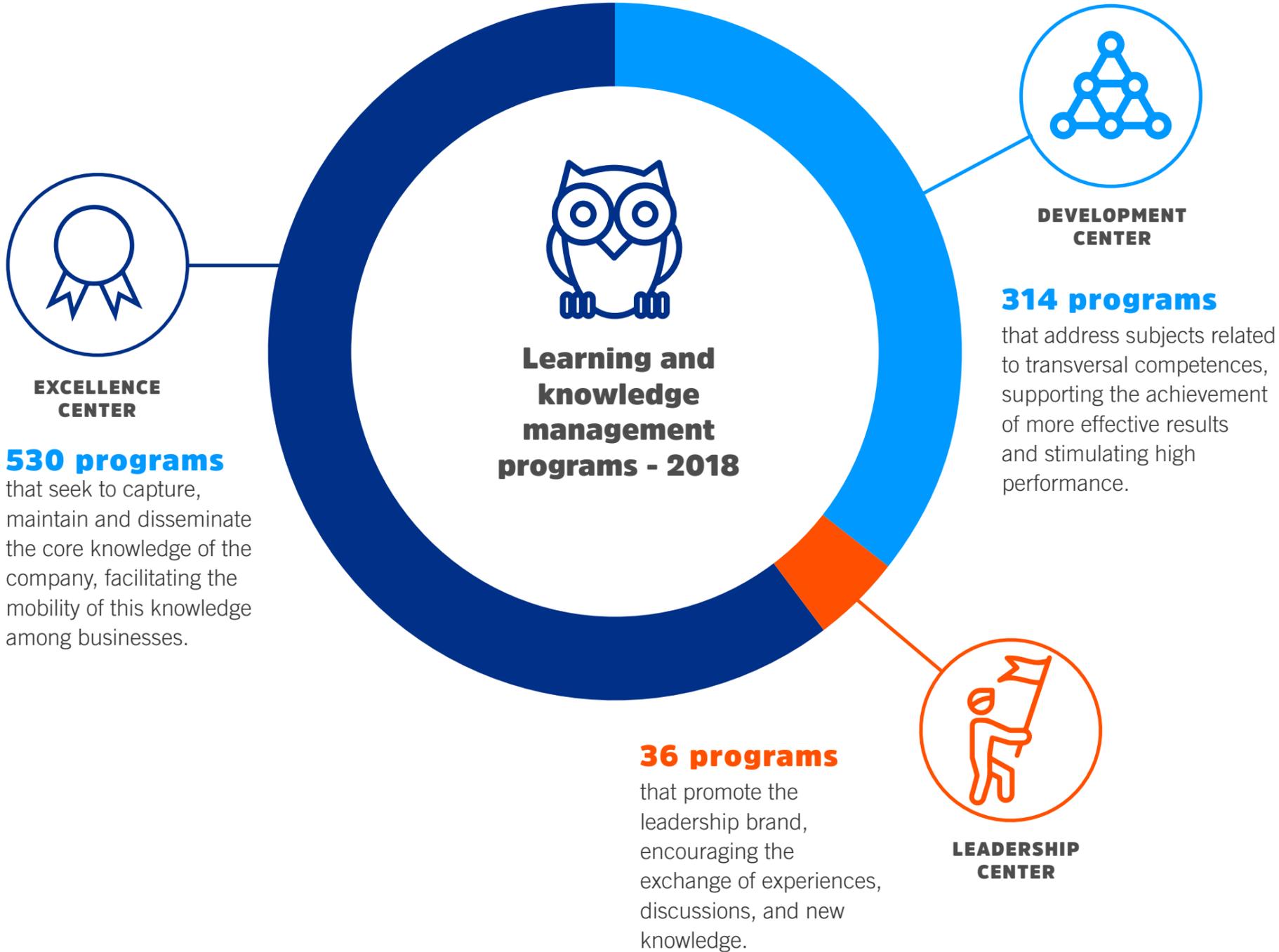
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### LEARNING AND KNOWLEDGE MANAGEMENT

ISA and its companies are committed to the training and professional development of their employees. Creativity and innovation are promoted, and spaces and conditions are created to acquire, apply, share and transfer experiences and knowledge.

In 2018, the learning and knowledge strategy was focused on three fronts:

- **Leadership center** to develop skills defined in the ISA leadership brand in leaders and key talents, to leverage the achievement of the strategy.
- **Excellence center** to maintain and develop the axis knowledge of the company with technical experts.
- **Development center** for all employees, where programs for the development of language skills, negotiation, decision making, collaboration, adaptive capacity, among others, were consciously built.



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**The goals set for the period sought:**

- To increase the consolidated technical skills of the 571 people who work in positions critical for the business. 2018 was the year for the definition of the baseline with 68% of the competences consolidated.
- To reduce work accidents in the company by at least 10% compared with 2017.
- To develop negotiation skills, collaboration and decision-making networks to increase the level of transversal competences consolidated by 3% compared with 2017.
- To Increase the leadership index by at least 2% compared with 2017.
- To Increase the level of satisfaction of the participants in the programs developed, obtaining a level higher than 90%.
- To train at least 100 internal experts to dictate lectures on topics critical for the business and to generate content for virtual courses.



**Development of key leaders and talents to leverage the strategy**

- Training leaders through the leadership program to accept changes and develop their capacity to adapt and manage failure as a generator of innovation
- The Leadership Program for directors, key talents and development of new talent was consolidated for the third consecutive year: 131 people attended in 2018, with a 94% satisfaction level



**Work with technical experts of the business to maintain and develop knowledge**

ISA and its companies seek to guarantee safety for people and quality of the maintenance of energy transmission assets, through certification programs for work at height, work heads, technical week, safe culture, and occupational safety and health weeks.

In 2018, the rate of accidents decreased by 19,18% compared with 2017 for employees.

The company carried out improvement and strengthening programs for Energy Transmission:

- Implementation of Asset Management under the PAS 55 and ISO 55001 standards, where strategies and principles for the management of assets consider the cost-risk-performance optimization, a life cycle approach, and the total impact on business. Benefits exceeded USD 40,8 million as TotEx (Total Expenditure) VPN in 2018
- 7 talks were held with experts on issues critical for the Energy Transmission business, counting on the attendance of 182 collaborators. These experts studied training techniques through the *Formador de Formadores* program, counting on the attendance of 122 people.



**Development of skills for business sustainability**

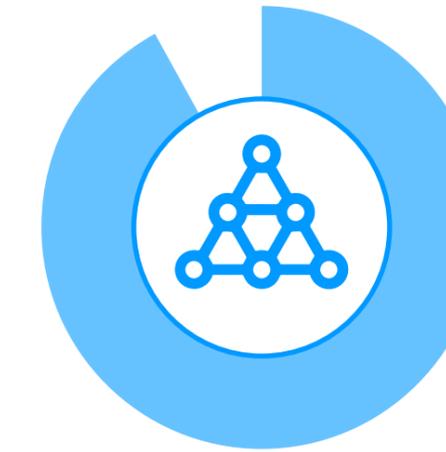
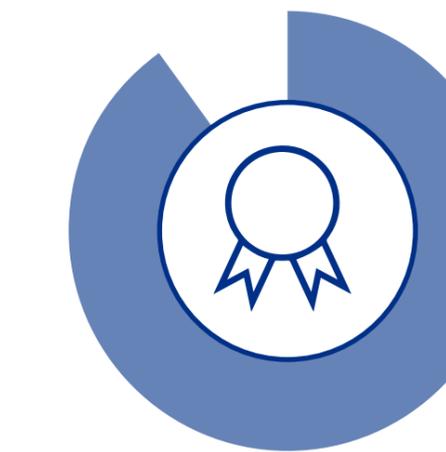
**Several programs were developed, addressing:**

- Strategies for negotiation with suppliers
- Certification of 26 people from the organizational talent team as internal coaches
- Digital transformation, as enabler of the new strategy
- Franklin Covey's 7 habits for highly effective people: a program for the development of transversal competences and leadership

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 <p><b>Development of key leaders and talents to leverage the strategy</b></p> <ul style="list-style-type: none"> <li>Between 2016 and 2018, this program covered 100% of key leaders and talents of the organization. To date, there is a 96% satisfaction level among 330 participants</li> </ul>	 <p><b>Work with technical experts of the business to maintain and develop knowledge</b></p> <p><b>Virtual campus:</b> Benefits associated with this strategy are knowledge transfer and retention, the recognition of the collaborator who contributed his knowledge to the creation of content and its dissemination to all the employees of ISA and its affiliates. Topics developed: Secondary Engineering - Telecommunications II, improving decision making with SALVO, control of operations.</p>	 <p><b>Development of skills for business sustainability</b></p> <ul style="list-style-type: none"> <li>In 2018, 2.039 employees of ISA and its affiliates participated, with a 92% satisfaction level.</li> </ul>
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### RESULTS OF KNOWLEDGE MANAGEMENT

 <p><b>LEADERSHIP</b> <b>94%</b> SATISFACTION LEVEL</p> <p><b>9.303 hours</b> <b>8% of total training hours</b></p> <ul style="list-style-type: none"> <li>Leadership program for key leaders and talents</li> <li>Coaching</li> <li>Team dynamics</li> </ul>	 <p><b>DEVELOPMENT</b> <b>92%</b> SATISFACTION LEVEL</p> <p><b>19.604 hours</b> <b>17% of total training hours</b></p> <ul style="list-style-type: none"> <li>Language program</li> <li>7 habits of highly effective people</li> <li>Negotiation</li> <li>Credible activist for business partners</li> <li>Digital transformation</li> </ul>	 <p><b>EXCELLENCE</b> <b>90%</b> SATISFACTION LEVEL</p> <p><b>87.522 hours</b> <b>75% of total training hours</b></p> <ul style="list-style-type: none"> <li>Supervisor in workplace</li> <li>Work at heights</li> <li>Technical week</li> <li>Personalization of the NR10</li> <li>Operating instructions online</li> <li>Fundamentals of Environmental Management</li> </ul>
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Development program	Benefits for the business	Quantitative impacts	% of employees (FTEs) participating in the program
<b>LEADERSHIP PROGRAM</b>	<ul style="list-style-type: none"> <li>• Generate internal mobility among the companies of the Group - Develop talent</li> <li>• Establish the succession line for leaders close to retirement</li> <li>• Enhance and retain key talents for the business</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the leadership rate of the organizational climate survey, by 2%, from 83% in 2017 to 85% in 2018</li> </ul>	<ul style="list-style-type: none"> <li>• In 2018, 135 key leaders and talents participated in the programs</li> </ul>
<b>TECHNICAL PROGRAMS (Work heads, work at heights, technical week)</b>	<ul style="list-style-type: none"> <li>• Rigor, operational excellence, and strengthening the value of security in the core business processes</li> <li>• Enabling skills and knowledge fundamental for business processes</li> <li>• Implementation of prevention and protection measures for safe work at heights</li> <li>• Reduction of work accidents among employees</li> <li>• Systemic approach in maintenance processes, considering technical, human, administrative and legal aspects and the respective control of each activity and risk</li> </ul>	<ul style="list-style-type: none"> <li>• 5% reduction in work at heights training costs due to the implementation of the Vocational Unit of Business Learning (UVAE) for safe work at heights</li> <li>• Opportunity for immediate response to training needs of personnel working at heights</li> <li>• Zero accidents originated by work at heights in 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Coverage of 91,1% of personnel exposed to heights, that is, 103 employees trained (18,5% of ISA INTERCOLOMBIA personnel in 2018)</li> </ul>

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Great Place to Work award

**MANAGEMENT INDICATORS**



**TRAINING BY POSITION**

Chief officers, directors and managers  
**2.995 hours**

Directors and heads  
**10.365 hours**

Specialists, analysts and professionals  
**110.062 hours**

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## PERFORMANCE APPRAISAL

A superior performance and the contribution of employees to the Organization are elements delivered annually through agreements for objectives and goals that become actions to achieve the organizational strategy. Performance Appraisal includes the definition of the objectives for results (what do we achieve?) and the measurement of competences (how do we achieve it?)

At ISA and its companies, performance appraisal is carried out to:

- Connect the dream of the strategy with the reality of its execution.
- Connect the individual contribution with the contribution of others, to achieve network performance.
- Connect today's talent with the development of potential.
- Connect the passion with transformation challenges.

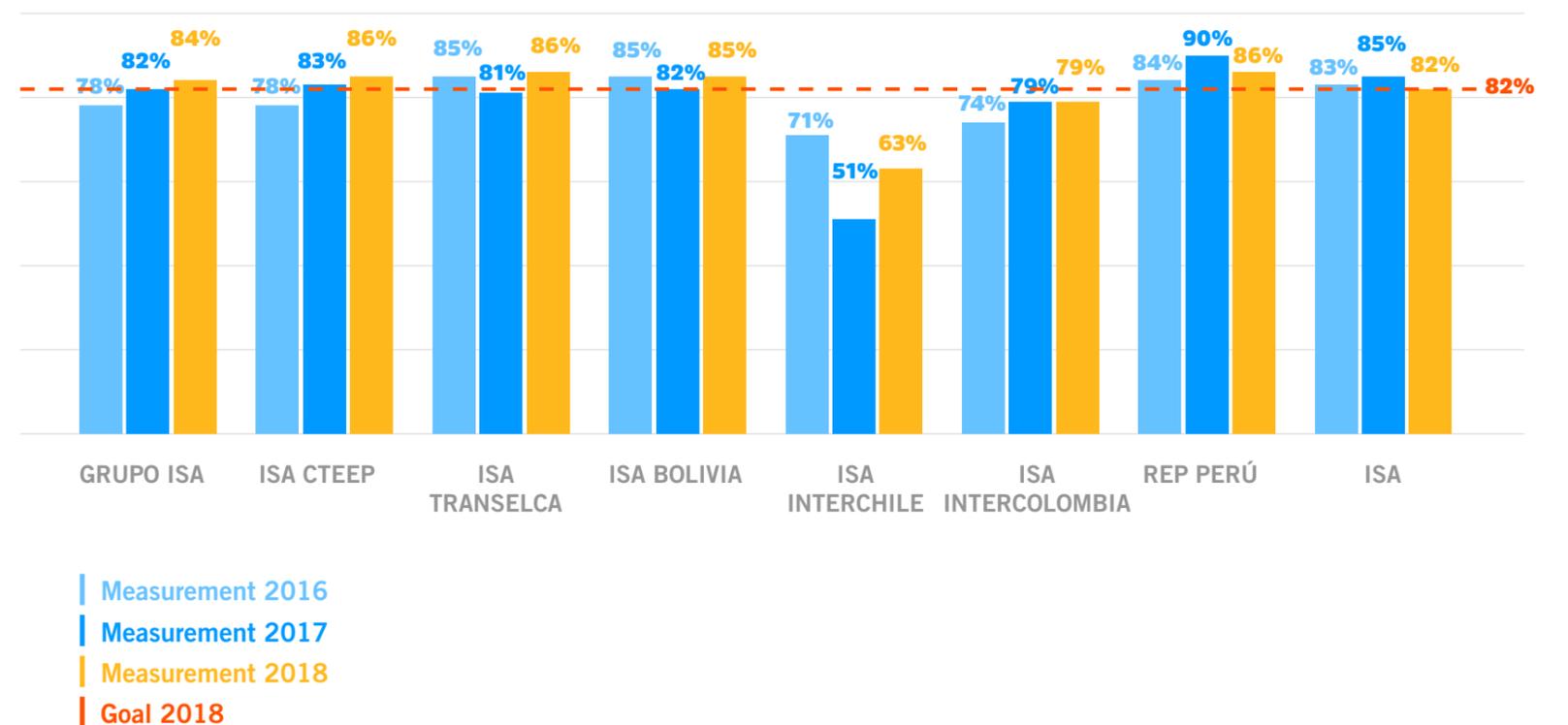
This is the fundamental mechanism to achieve alignment, agreements and clarity in the individual and collective contribution of each employee to achieve the strategy. Likewise, it is the natural scenario where the challenges agreed in the performance plan of each employee are exposed, in search of the development of skills, abilities and competences. For the leaders, it is the main input for the decision-making regarding management of human talent under their responsibility.

## ORGANIZATIONAL CLIMATE

ISA and its companies measure their work environment annually, supported by the Korn Ferry/HayGroup methodology. Their results reflect the collective perception of the practices, policies, structures, processes and systems of the organization, as well as the people's disposition to commitment to the company.

The organizational climate is a priority for the Company, and is managed through strategies addressed according to each person, such as the leadership program, talks with the president, talks with internal experts to share knowledge, collaborative work among the different companies of the Group through synergy groups, wellness activities, among others. The actions carried out allowed maintaining a positive trend in the favorability general index, going from 82% in 2017 to 84% in 2018.

### Climate results





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CHAPTER 8

**Road Concessions**

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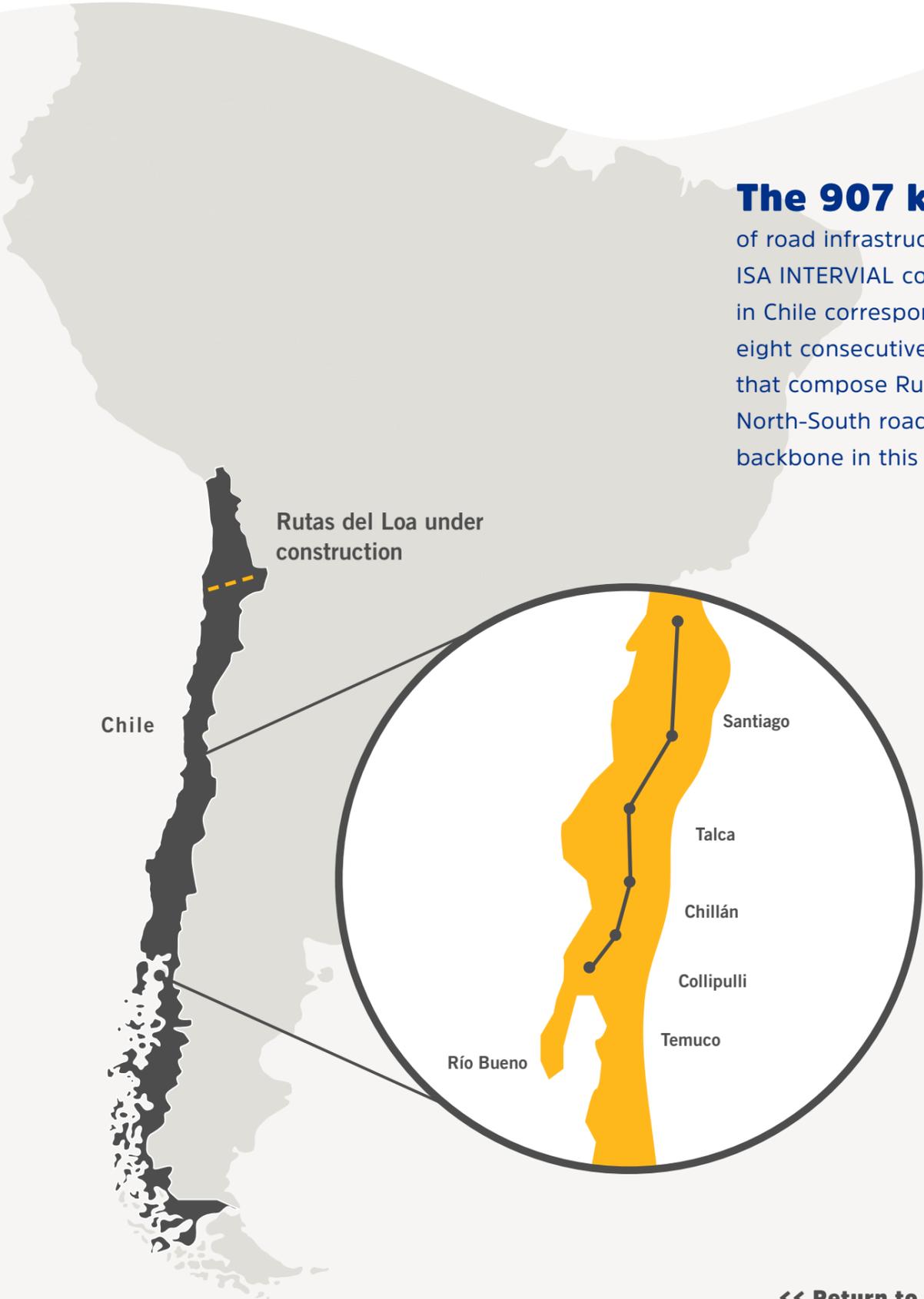
# ROAD CONCESSIONS

“In 2018, we strengthened our value proposal for stakeholders, creating connections that inspire, by developing high-impact projects that improve life quality of people who travel along our routes, but also life quality of those who live around and are related to them. Due to good practices that we have promoted and their multiplying effect, we have become a leading organization in our field regarding corporate sustainability, as it is evidenced by the distinctions we obtained during the year for road safety, innovation, relationship with the community, and suppliers management.”

**EDUARDO LARRABE LUCERO**  
ISA INTERVIAL'S CEO

## The 907 kilometers

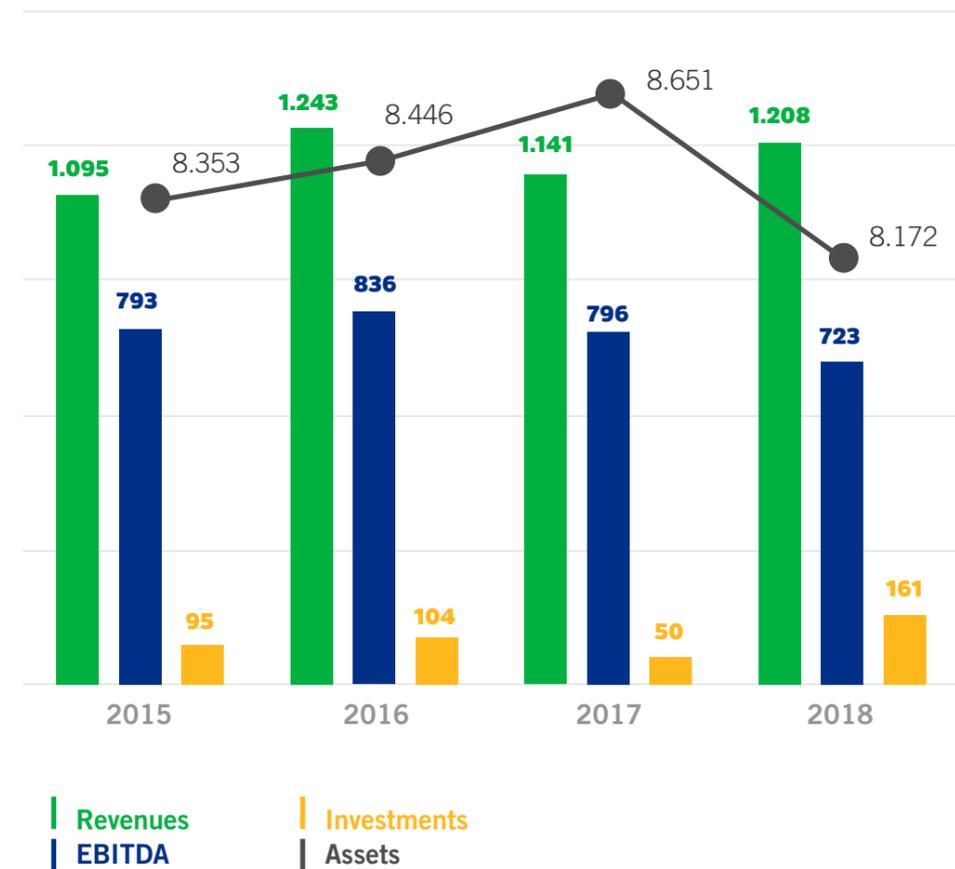
of road infrastructure whereby ISA INTERVIAL connects people in Chile correspond to five of the eight consecutive road concessions that compose Ruta 5, the main North-South road, and a transport backbone in this country.



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The creation of an alliance between ISA and Construcciones El Cóndor S.A. was formalized through an investment framework agreement, to create a road concession platform and participate in the road infrastructure market in Colombia and Peru. In this way, ISA Group is quickly moving towards its ISA2030 Strategy, whose emphasis on the road business unit is consolidation and growth in Chile and exploration of new markets.

Amounts expressed in COP billions



## BUSINESS MANAGEMENT

Road safety and operational efficiency are fundamental for the development of the value offer of its concessionaires. In this regard, ISA INTERVIAL entered into agreements to make significant investments in regulatory safety works in the five existing concessions, for a total amount of USD 535,76 million.

To serve users, the concessionaires have control centers, signposts with emergency telephones along the road, ambulances, and service areas. Safety is one of the priorities of ISA INTERVIAL, so a fluid and timely communication with users and the community is maintained on the roads through media campaigns, variable messaging panels, web pages, apps (partnership with Google's Connected Citizens, Waze), Twitter and Instagram accounts, among others. These means make it possible to know the state of traffic and roads and weather conditions, transmit safety campaigns, contingency plans in high traffic flow events and provide travel recommendations.

In addition to safety, for ISA INTERVIAL, it is fundamental to continue strengthening the road infrastructure and maintain its place as the largest interurban road operator in the country. To that effect, in 2018 the Ministry of Public Works formally awarded Rutas del Loa project (whose bidding process had been initiated in 2017); for the construction of a new 136 km concession road between Carmen Alto and Calama cities, in the Antofagasta region.

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### Road infrastructure

Concessionaires	In operation					Under construction	
	Ruta del Maipo	Ruta del Maule	Ruta del Bosque	Ruta de la Araucanía	Ruta de los Ríos	Total	Rutas del Loa
Section	Santiago - Talca	Talca - Chillán	Chillán - Collipulli	Collipulli - Temuco	Temuco - Río Bueno	<b>Santiago - Río Bueno</b>	Carmen Alto - Calama
Length (km)	237	193	161	144	172	<b>907</b>	136
Trunk road tolls	3	2	2	2	2	<b>11</b>	1
Lateral road tolls	39	16	16	8	5	<b>84</b>	0
Service areas	4	4	3	3	4	<b>18</b>	1

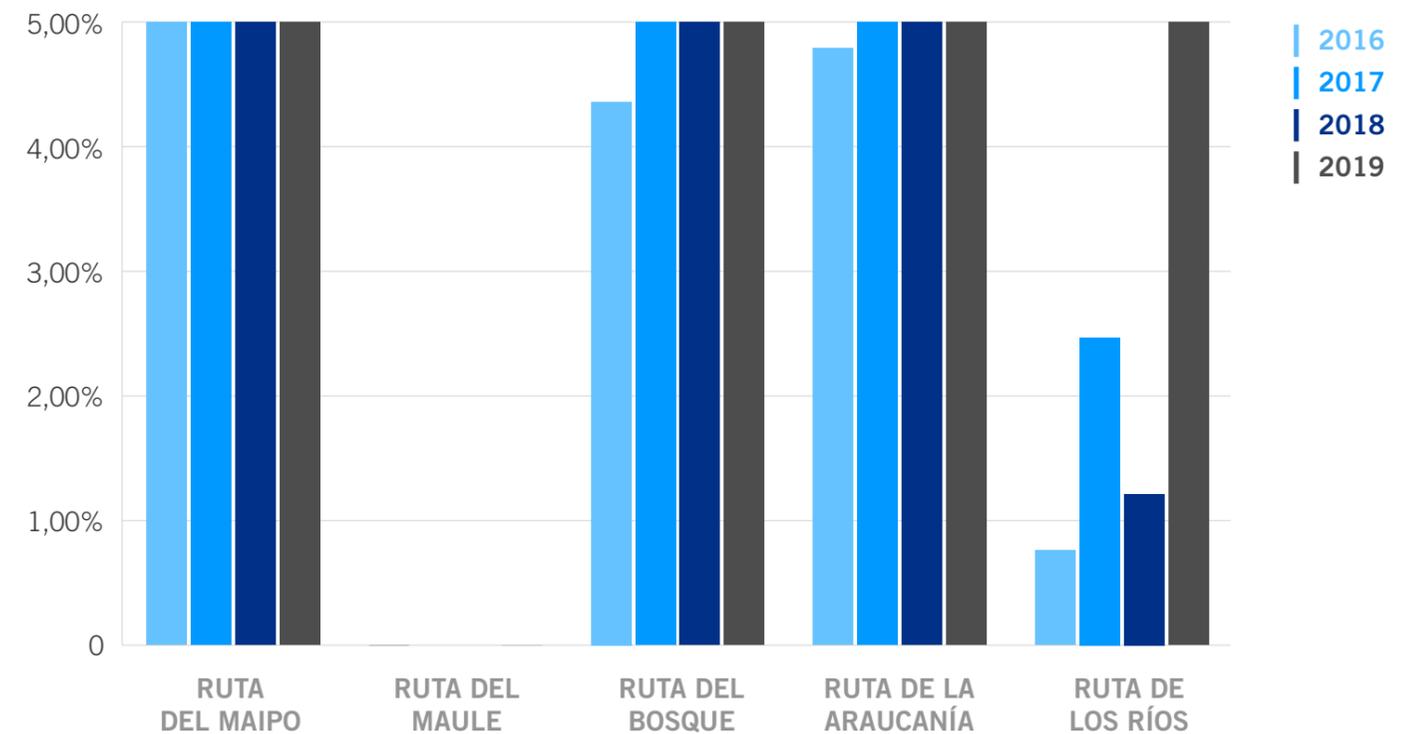
### Traffic and revenues

Since 2003, the concessionaires, except Ruta de los Ríos, adhered to the Income Distribution Mechanism (MDI), in which concession term becomes variable, and it ends when a present value of expected revenues is reached.

According to the concession contracts, the Ministry of Public Works (MOP) pays an annual subsidy to the concessionaires with the lowest traffic flow, which applies to Ruta del Bosque and Ruta de los Ríos.

Additionally, concessionaires with a good road safety management policy, decreasing the number of accidents and fatalities compared with the base year, are authorized by the MOP to raise tariffs by up to 5%, known as the Road Safety Bonus (PSV). The amount corresponding to the PSV is not included within the revenues of the MDI for the concessionaires adhered to the system.

### Tariff increase authorized by PSV



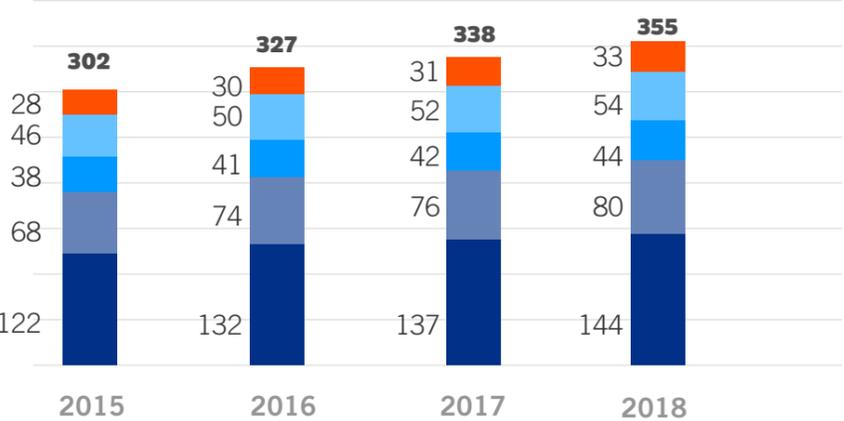
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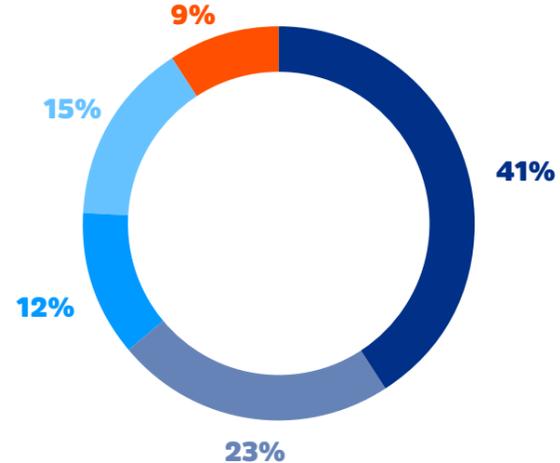
During the term, traffic in equivalent vehicles in the five concessionaires increased by 4,8% compared with the previous year. Ruta de los Ríos was the concessionaire with the highest growth, reaching 6,5% in Average Estimated Traffic (TMDE). Heavy-duty vehicles category obtained the highest joint increase of the five concessionaires, with 6,3%.

Concessionaires' revenues in Chilean pesos, including traffic and subsidies, increased by 2,8% compared with 2017. Ruta de la Araucanía reached the highest increase, with 10,1%. On the other hand, Ruta de los Ríos reached the highest decrease, with 28,2%, as in 2018 the concessionaire company stopped receiving subsidies from the MOP, as established by the Bidding Terms (BALI).

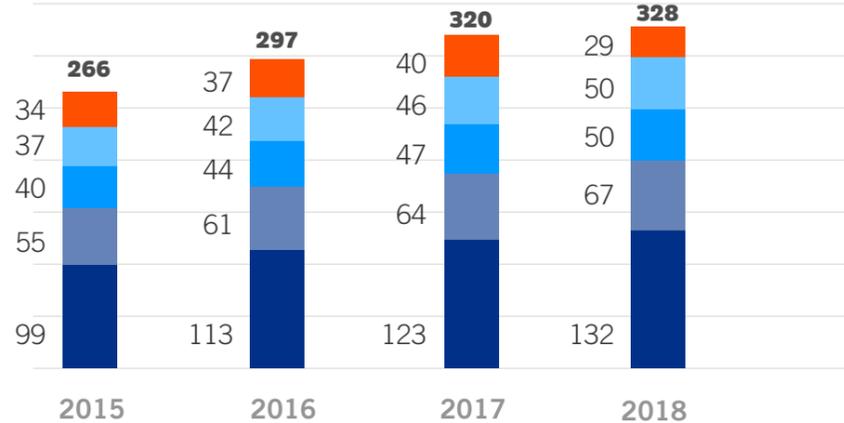
Traffic Growth (TDME)



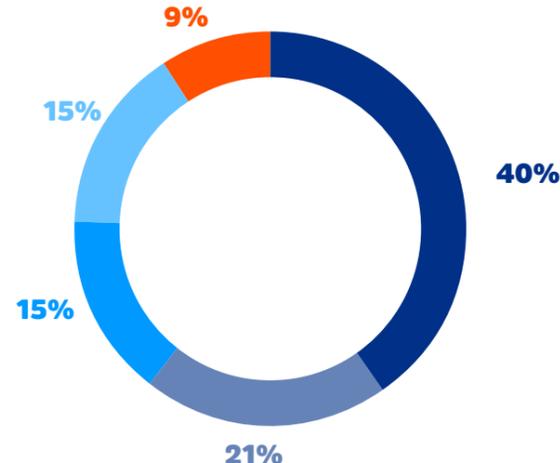
Composition of traffic 2018



Revenue growth



Composition of revenues 2018



| Ruta del Maipo | Ruta del Maule | Ruta del Bosque | Ruta de la Araucanía | Ruta de los Ríos

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**Opening of Parque La Serena,  
in Ruta del Maipo**

Ruta del Maipo opened Parque La Serena together with the Ministry of Public Works and the Municipality of La Pintana. This space, that covers 15.000 m2 of green areas, was desired by residents for many years, who needed a safe area for recreation and leisure. This work was the result of a public-private partnership, for which Ruta del Maipo made an investment close to USD 5,5 million.

**ProPyme Seal Certification**

INTERVIAL CHILE and Ruta del Maipo achieved a recertification of the ProPyme Seal by the Ministry of Economy, for their good management

of payments to suppliers and contractors, within a period of 30 days or less. Additionally, Ruta de la Araucanía and Ruta de los Ríos also obtained this certification, which positively impacts the development of suppliers and is a good social management practice.

**Road Safety Diploma**

Commitment to road safety is what prompted the Company to build its own education model, which governs each of the actions carried out to meet the self-imposed goal of “zero children deceased on ISA INTERVIAL routes by 2030”. The Road Safety Diploma was designed and developed together with Universidad Mayor de Chile as an online graduate program whose objective is to understand the importance of ethics and good behavior when driving, the development of the ability to address legal regulations, and the ability to identify variables and impacts when driving.

**Bus ConCiencia Project**

Bus ConCiencia is a scientific education initiative launched in the five concessionaires. It is a mobile laboratory managed by a team of teachers who visit schools in Chile to give Natural Sciences lessons. In 2018, partnered with ISA INTERVIAL and its respective routes, the Bus ConCiencia team conducted workshops aligned to the science national curriculum, to explore the science that can influence road safety (forces and reflectance).

In the coming years, the region will continue to make important investments in infrastructure and will continue to adjust regulatory frameworks to attract foreign investment.

Due to this fact, and according to the choices of the ISA2030 Strategy, the markets of countries such as Chile, Colombia and Peru represent many opportunities in the road infrastructure sector, for which ISA will make the respective analyzes to consolidate and grow this business in Latin America.

In Chile, ISA INTERVIAL will maintain its increasingly efficient operation and will seek to generate sustainable value in the environment through works relevant to the country, which can be developed through the concessionaires.



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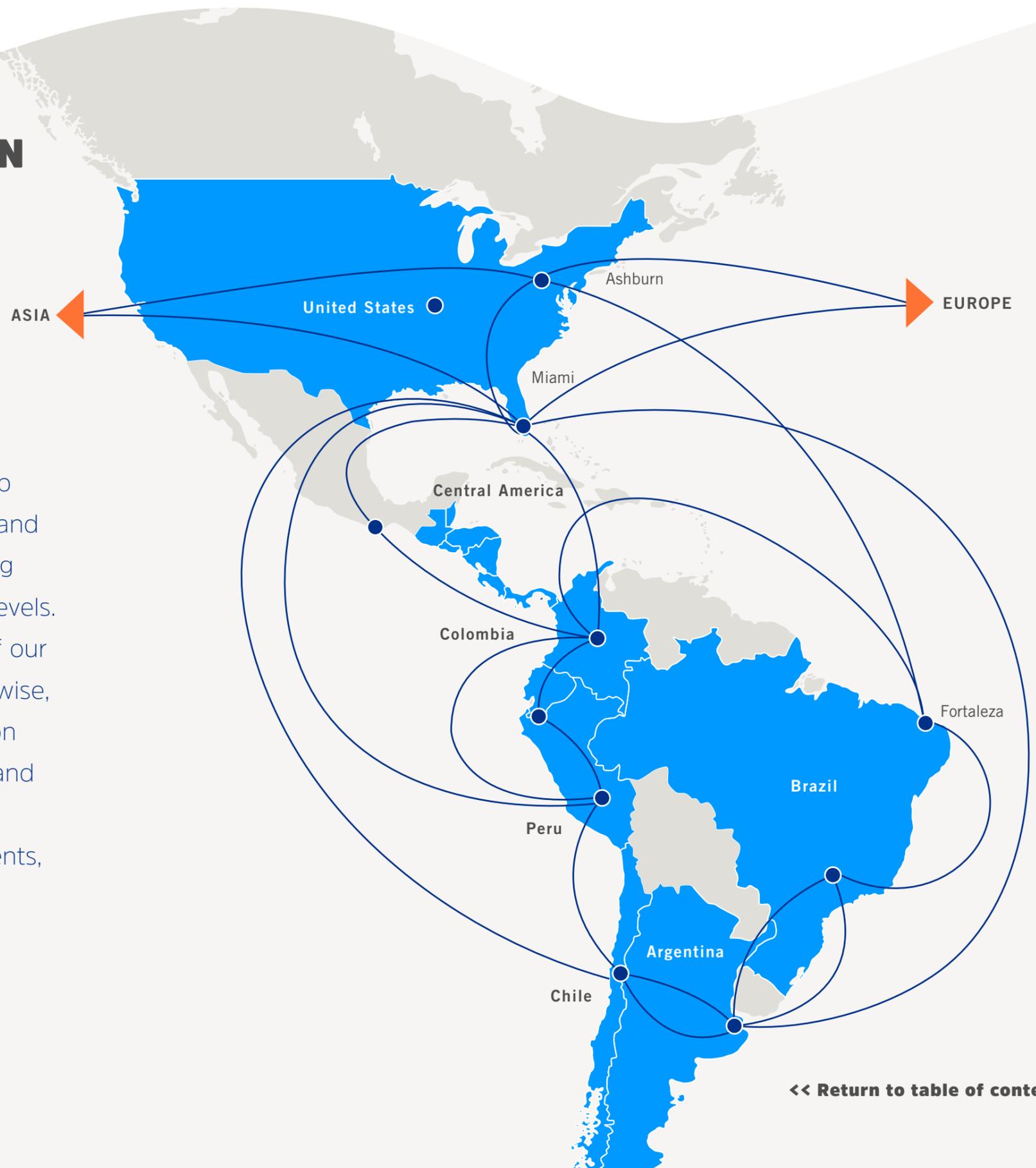
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# INFORMATION AND TELECOMMUNICATION TECHNOLOGIES

"In 2018, at INTERNEXA, we took a step in the consolidation of our value offer and client diversification, always maintaining our commitment to meet our service levels. Thunder, our cloud solution, is proof of our evolution throughout these years. Likewise, we address innovation with acceleration projects around connectivity, security, and the cloud, which makes us leaders of services for companies, OTT, governments, and operators"

**JAIME PELÁEZ ESPINOSA**  
INTERNEXA's CEO



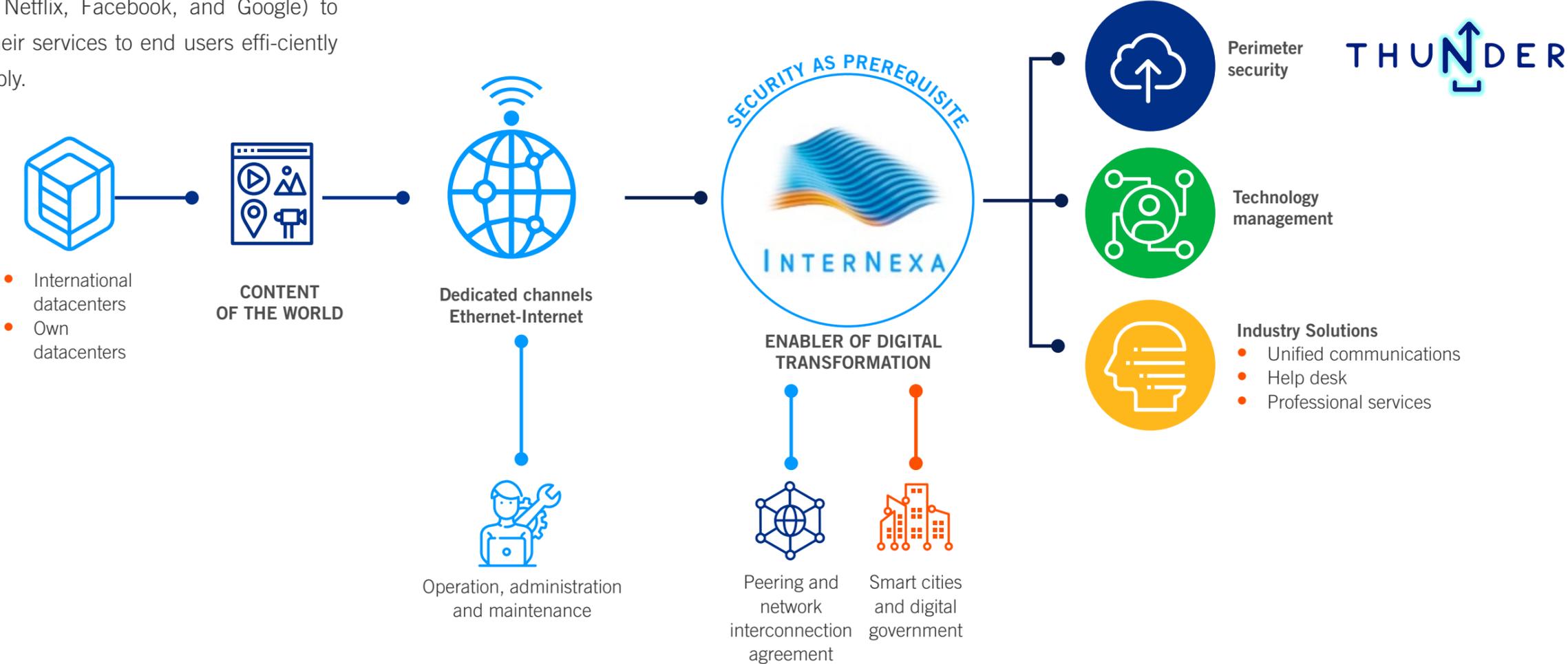
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### BUSINESS MANAGEMENT

INTERNEXA provides digital solutions for different types of businesses in Latin America (from Florida to Patagonia). For 18 years INTERNEXA has grown from being an infrastructure business in Colombia to having a value offer that enables the digital transformation of companies, governments, operators, and OTT (Over The Top, companies that provide services over the Internet without being operators, such as Netflix, Facebook, and Google) to deliver their services to end users efficiently and reliably.

To meet the needs of clients, services such as cloud, managed security, and managed services (unified communications for companies and network administration) have been incorporated into the portfolio in recent years. This has allowed complementing the network of more than 49.500 km with two Data Centers in Bogotá and Rio de Janeiro with an own Thunder cloud, and unified centralized com-

munications platforms, all under the supervision and control of two Network Operation Centers (NOC) in Colombia and Brazil, and a Security Operation Center (SOC) in charge of the IT security of clients.



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The deployment of technology and infrastructures has been leveraged by the development of skills of more than 370 employees, which in turn allowed adding more than 100 new clients in 2018, who relied on the ability of INTERNEXA to connect their headquarters, manage their security, store and process their data in the cloud, create their corporate online universities, manage their assets through online platforms, and take advantage of information from the capture to the visualization more efficiently, to make better business decisions and thus achieving the materialization of digital transformation.

All the above with a focus on economic, environmental, and social sustainability, meeting the highest international standards of quality manage-

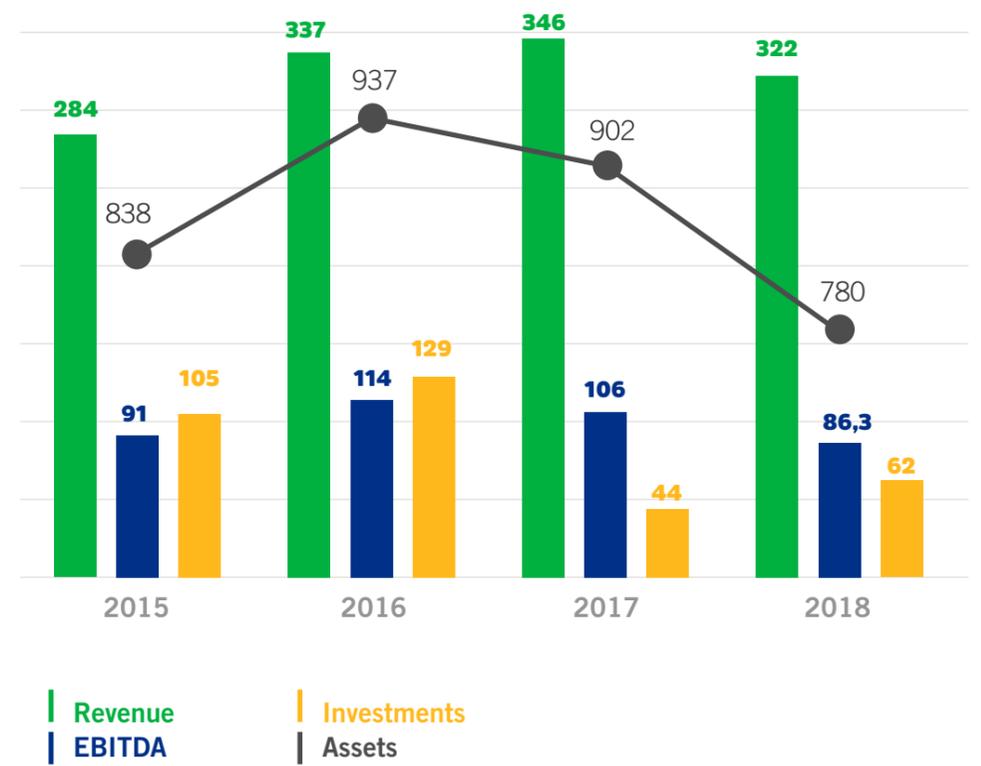
ment integrated systems, and occupational safety and health systems.

INTERNEXA achieved an outstanding performance in terms of EBITDA margin and a responsible management of its investments, without sacrificing future growth, to obtain positive cash returns for the coming years.

2018 was a year of great challenges in terms of the political and economic scenario, competition dynamics in the Latin American countries where the Company operates, demand behavior, and division of infrastructure among the top telecommunications operators. These challenges, plus the challenge of a continuous transformation of the business, allowed increasing the EBITDA margin to 31,5%, even after lower revenues, compared with 2017, which was offset with additional efficiencies in costs and expenses. The foregoing, together with the optimization of investments, led to a greater free cash flow at the end of the period, compared with the budget.

These results come from a dynamic and innovative company, which plays in an industry where communications revenues and their profit margins contract, not without reducing the need for investments and costs to meet a growing demand for traffic, content, and applications.

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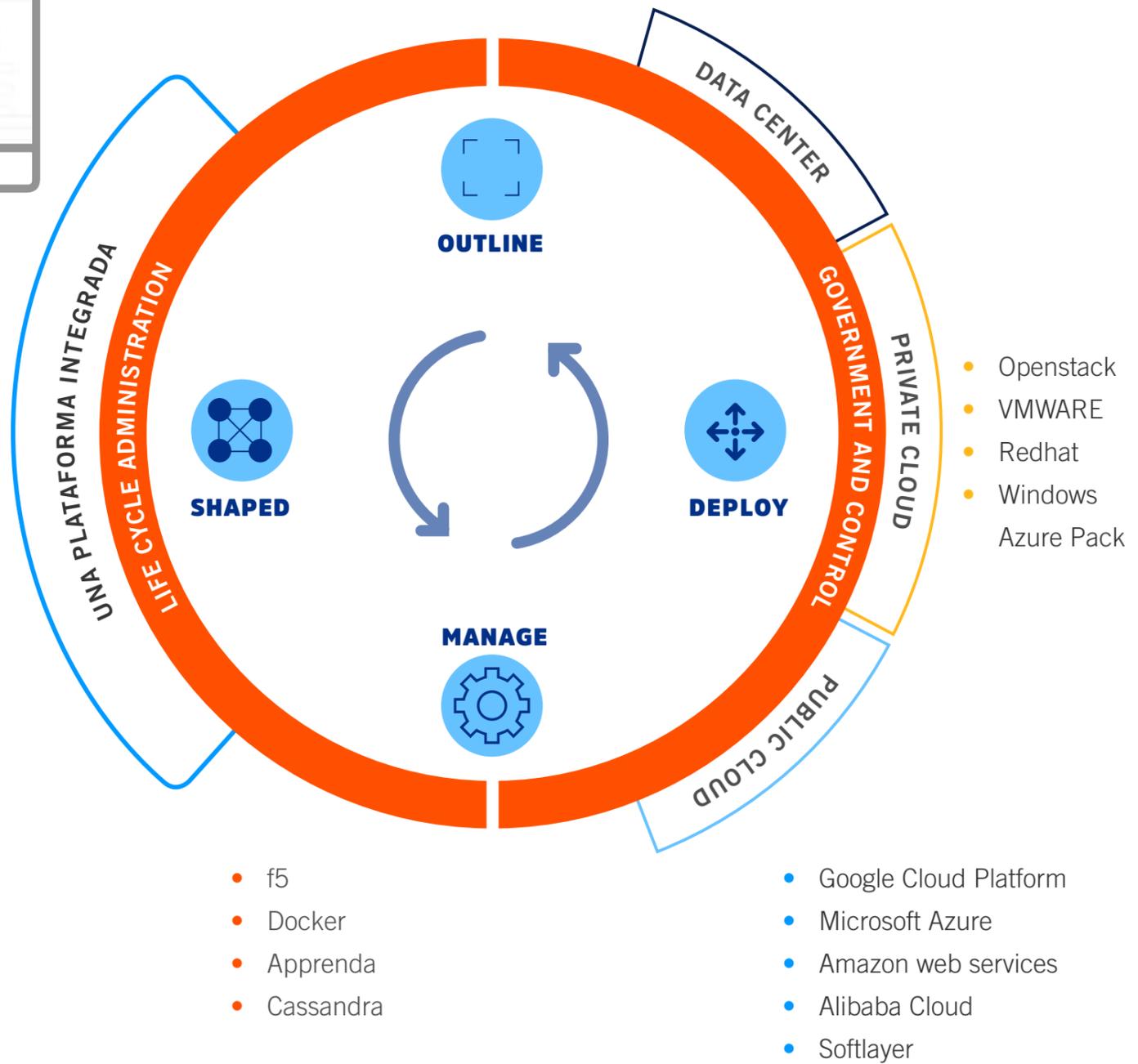
# THUNDER

**THUNDER**  
 INTERNEXA launched its new multi-cloud platform, Thunder, which allows clients' Information Technology areas to manage the digital transformation using apps. Cloud services are changing rapidly and are becoming increasingly complex. Thunder is the tool that makes the cloud easy and makes it effective where it is most important for clients' businesses: applications.

The company will keep going towards the consolidation of its segment diversification strategy and new value-added services through a more robust portfolio and a human team, committed to digital transformation and service orientation as the cornerstones of the strategy.



- Docker
- Jenkins
- Oracle
- SugarCRM
- Cassandra
- Splunk
- IBM WebSphere
- Bugzilla
- Dolibarr
- SAP
- Hadoop
- Java
- SharePoint





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CHAPTER 10

**Real-Time Systems  
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“XM keeps making efforts with different players of the energy sector to deliver the best energy to Colombians”.

**MARÍA NOHEMI ARBOLEDA ARANGO**  
XM CEO

XM understands real-time systems management as the planning, design, optimization, commissioning, operation and management of transactional systems that involve the exchange of information among multiple actors, generating added value.

This is the work the Company does when operating the National Interconnected System (SIN) and managing the Wholesale Energy Market (MEM). It adds energies to the different agents and to all the players in the productive chain to deliver a reliable, cost-effective, and safe service, allowing the country to count on the supply to meet Colombians' energy demand.

The energy sector undergoes a transformation process worldwide. Colombia is making progress in these changes, promoted especially by the development of policies and regulations that encourage the inclusion of new technologies into the System, of which XM is a key player as articulator and enabler of this transformation.

This is why in 2018 the company kept getting ready to manage the variability and uncertainty of new resources, such as Non-Conventional Renewable Energy Sources (FERNC), implementing generation forecast pilots for a wind plant, a solar plant, and a small



hydroelectric station, as well as evaluating the internal forecasts and supplier reports for the first four testing months for the short-term, dispatch and redispatch horizons.

As a very important milestone for the management of the Company, in 2018, the Control Center of the National Dispatch Center was inaugurated. It is the brain of the National Interconnected System, pioneering project in America, and second project worldwide to implement the latest Supervisory Control and Data Acquisition (SCADA) development, which incorporates multi-site technology with redundancy in all the equipment that makes it up, with availability above 99% for a continuous operation.

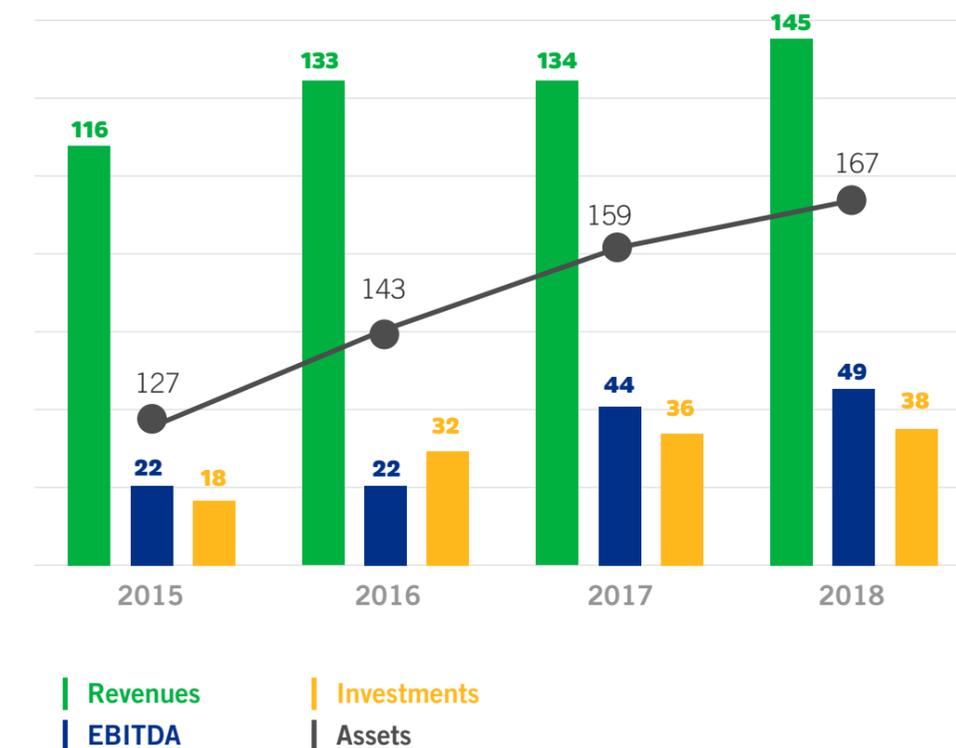
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Due to this update, XM continues to interact actively with the operators of 73 generators, 16 transmitters, and 38 network operators, which are part of the energy ecosystem. It keeps monitoring and coordinating the operation of more than 26,000 km of transmission lines, 26 communications links, and 206 generation plants, connected to 249 substations located throughout the Colombian territory. It achieves permanent monitoring of the system by receiving about 26,000 variables every 4 seconds and performing more than 55,000 operations in the year. The operation of the interconnections with Ecuador and Venezuela is also coordinated from that point.

Due to the Company's commitment to innovation, Colciencias awarded it with the "Actores, un paso más hacia la excelencia" (Actors, a step more towards excellence) distinction, highlighting the actions undertaken to promote and incorporate them into work teams and internal processes, in the shape of projects such as the Market Administration System, SAM; Intelligent Supervision and Advanced Control, ISAAC; the Comprehensive Cybersecurity Program, and the Integration of Non-conventional Renewable Sources (FERNC) Program to the National Interconnected System.

The Comprehensive Cybersecurity Program performed the installation and start-up of the Security Operations Center (SOC), a space from which correlation, intelligence and incident security management 24/7 services are provided on transactional and real-time platforms. Operations also started in the co-simulation laboratory, SSTR, which allows modeling the power system in real time and considering the impact of new future elements for the transformation of the wholesale energy market.

Amounts expressed in billions



## BUSINESS MANAGEMENT

XM conducts the planning and coordination of operation of the resources of the National Interconnected System (SIN), manages the Commercial Settlement System (SIC) in the Wholesale Energy Market (MEM), manages the International Energy Transactions (TIE) with Ecuador, and carries out the settlement and clearing of charges for use of the SIN grids.

As operator of the SIN, the constant balance between production and consumption of electricity in the country is guaranteed. Based on energy demand estimates, it carries out the coordinated real-time operation of the generation plants and the grid in order to make power plants' generation continuously respond to consumers' demand in a cost-effective, reliable, and safe manner, under standards of quality.

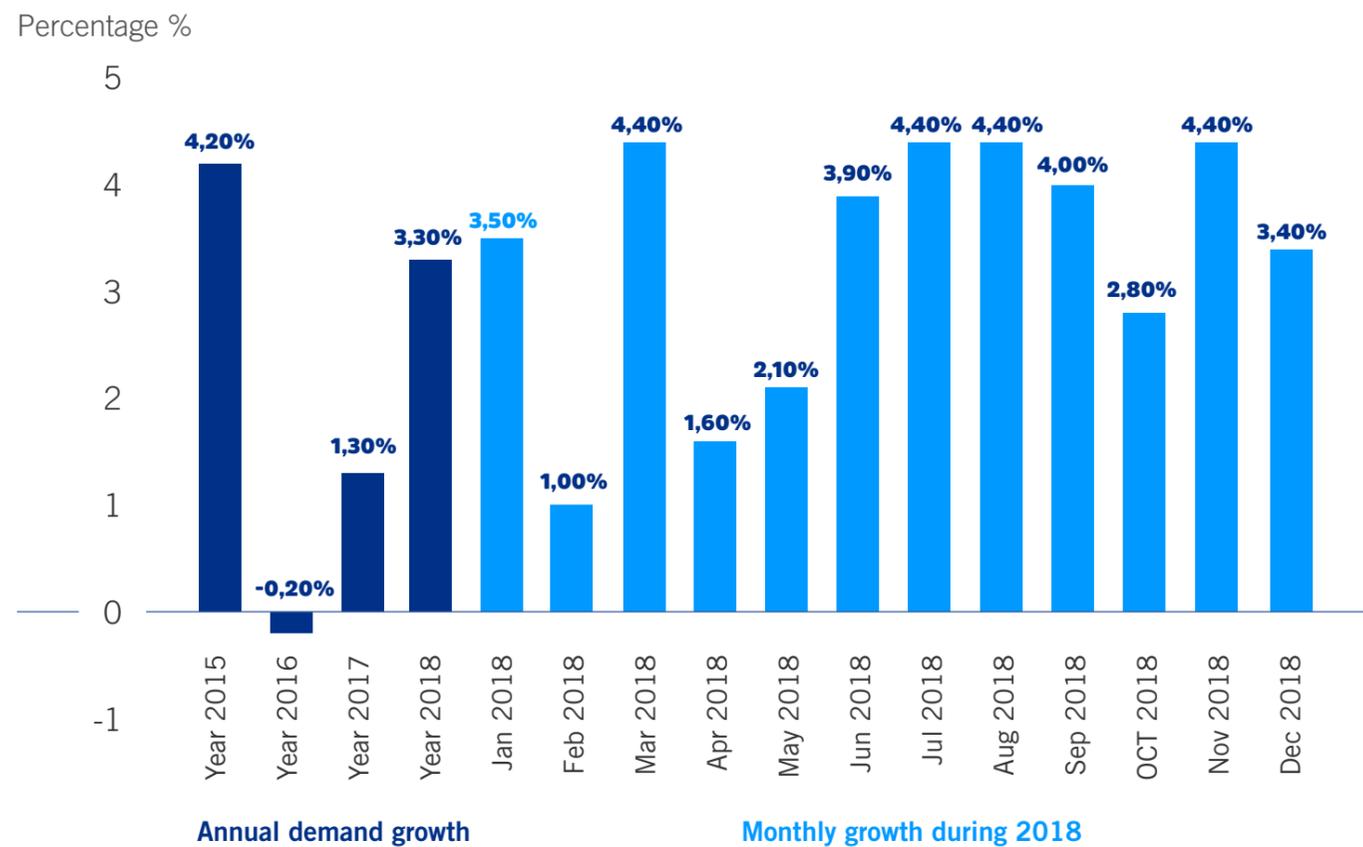
As of December 31, 2018, the SIN had a net effective capacity of 17,313 MW, that is, an increase of 3.18% compared with 2017, mainly due to the commercial operation of thermal plants and self-generators.

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### Energy demand

Energy demand for 2018 reached 69,121 GWh, a growth of 3.3% compared with 2017, mainly due to the 5.04% growth of the unregulated market, while the regulated market grew by 2.55%.

### Variation of the energy demand



The energy demand growth is calculated as the weighted average of the growth of the different types of days (business, Saturdays and Sundays-holidays). This type of calculation decreases the fluctuations that occur in the monthly monitoring, originated by the dependence on the energy consumption against the number of days presented in the month of analysis.



### Energy market behavior

XM, as Manager of the Commercial Settlement System (ASIC), serves 73 generators, 125 traders, 16 transmitters, and 38 grid operators. At December 31, 2018, there was a 10.4% growth in the commercial border registry, mainly due to the increase in regulated users by 13%.

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### Commercial borders

Borders	2015	2016	2017	2018	% Variation
Regulated consumers	8.979	9.546	10.263	11.549	13
Unregulated consumers	5.462	5.372	5.440	5.682	4
Public lighting	372	346	356	352	-1
Distribution	1	94	427	399	-7
Generation	272	296	306	312	2
DDV	-	-	3	291	100
Others	761	760	684	713	4
<b>TOTAL</b>	<b>15.847</b>	<b>16.414</b>	<b>17.479</b>	<b>19.298</b>	<b>10,4</b>

The total volume traded by purchase and sale of energy in the MEM was COP 19.1 trillion, 19% more than in 2017. On the other hand, compared with the same year, purchases on the stock market in 2018 increased close to 13%, and the weighted average price on the stock market increased by 9.1%.

### Market behavior

Market behavior	2015	2016	2017	2018	% Variación
Transactions of the Wholesale Energy Market (MEM)	378.3	304.7	107.8	117.6	9.1
<b>Total market transactions (\$ trillion)</b>					
Purchases in energy stock (\$ trillion)	19.0	19.0	16.1	19.1	19.0
Weighted average price on the stock market (\$/kWh)	4.0	4.1	2.0	2.3	13.3
Weighted average price on the stock market in contracts (\$/kWh)	143.4	156.2	167.8	179.3	6.9
<b>Account Settlement and Clearing (LAC)</b>					
STN use charges (\$ trillion)	1.52	1.81	1.88	2.11	12.2
FAER, FAZNI, FOES, PRONE funds (\$ billion)	218.2	427.7	422.2	491.4	16.4

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Since its entry into operation in 2010 until December 31, 2018, **747.42 GWh** have been traded between monthly futures contracts for 360,000 kWh-month and contracts for 10,000 kWh-month.

In 2018, the MEM managed \$5.8 trillion in market monies and an additional \$5.7 trillion in bank guarantees and prepayment of obligations.

**Other sectors**

In addition to the Colombian energy sector, XM is also present in the financial sector, as an associate of Derivex, with a 49.95% interest and in the Central Counterparty Risk Chamber (CRCC), as a financial instrument in which it owns the 8.13% of the shares. It is also present in the mobility sector through its affiliate Sistemas Inteligentes en Red, in which it has an 85% interest.

**Financial**

DERIVEX manages in Colombia a system to trade and register energy futures, which allows generators, traders and consumers to hedge against the volatility of the price of energy in the stock market with total security against the risk of compliance of its counterparty. This is due to the fact that its instruments are offset and settled through the Central Counterparty Risk Chamber of Colombia.

This way, generators can guarantee the energy sale price and hedge against low rainfall risk that makes it difficult to fulfill their contract obligations. At the same time, traders can guarantee the energy purchase price, avoiding exposure to high prices during shortage periods. These energy hedges allow large consumers to have an ensured price of one of their main supplies, energy.

For its part, the CRCC is a financial entity that manages counterparty risks resulting from derivative financial instruments transactions. Its existence is an essential element for the development of an organized market of energy derivatives, such as DERIVEX.

In 2018, the daily volume of operations reached \$8.5 trillion, showing a growth of 21% with respect to 2017. By the end of the year, the Chamber manages the counterparty risk of an open position of \$98 trillion, showing an increase of 14% compared with the closing of the previous year. Additionally, in that year, the Chamber launched 2 products: OIS and IRS swaps segment up to 15 years and standardized TRM options.

Positive results show the market's interest in carrying out its transactions through the Chamber, due to the security, liquidity, transparency, and financial risk management conditions it offers.

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In line with the Conexión Jaguar program, **310 TONS OF GREENHOUSE GASES**, which correspond to the impact generated on the environment in 2017, were offset.

**Mobility**

Sistemas Inteligentes en Red keeps operating the Traffic Control Center (CCT), partnered with UNE and Consorcio ITS, for the Mobility Secretariat of Medellin and, with the operation of Centro de Monitoreo de Actividades de Transporte (Transportation Activities Monitoring Center) (CEMAT), for the Superintendence of Ports and Transport. During the year, mobility studies were developed for 20 sections of the bike lanes in the city, for Empresa de Desarrollo Urbano de Medellín, and the mobility study for the Bulerías Roundabout for the Metropolitan Area of the Aburrá Valley.

As participant in the Corporate Landing program of the Ruta N complex, the generation of new ideas and the exchange of knowledge and experiences, accessing

the innovation ecosystem, were exploited. This enabled the development of new products. It is currently in commercial stage:

- **APPIMOTION**, a system to manage sustainable mobility of companies and have updated information on their sustainability indicators such as travel times, fuel consumption, kilometers traveled, CO<sub>2</sub> emissions, and PM2.5.
- **D33PTRACKER**, own software that uses artificial vision and machine learning techniques to detect vehicles, providing counts, classification, trajectories and speeds. The information is obtained from videos taken with unmanned aircraft to perform vehicle surveys, which are the basis of mobility studies, a fundamental step in the planning of urban infrastructure projects.

The coming years will require permanent monitoring of the acceleration of changes in the environment and prompt decision-making to adapt to these scenarios. There are important challenges such as the harmonization of the wholesale and retail markets, cybersecurity, the incorporation of new players, and the growth in the volume of operations, with new digital elements and advanced analytics. These challenges mean great opportunities and efforts that will challenge XM's knowledge adaptation and appropriation capabilities.



*isa*

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## ACCUMULATED CONSOLIDATED RESULTS REPORT

### CONSOLIDATED RESULTS

2018 was marked by an outstanding operative management and some relevant events that allowed us to achieve extraordinary financial results. Net income reached COP 1.524.382 million, 6% higher than the income of 2017. EBITDA reached COP 4.810.871 million, that is, a growth of 8,4%. Assets stood at COP 44.963.965 million, an increase of 3,6%.

These results include the entry into operation of new Energy Transmission projects in Colombia, Brazil, Chile, and Peru, Road Concessions in Chile, the incorporation of TAESA and IENNE, acquired in 2017, and the additional 50% of IESUL in September 2018, which were included line by line in the consolidated financial statements.

Net income also includes the modification, in ISA CTEEP and the companies in which it has interest, of the periodicity of the revenues inflation adjustment in ISA CTEEP and its companies, going from annual to monthly, which is aligned with the best practices of other companies of the sector in Brazil and improves the comparability of figures. As a result, at the end of December 2018, the inflation update for the last semester was recognized, which increased ISA's operating revenues by COP 178.756 million, and income by COP 59.619 million.

Another event that favorably impacted ISA's results was the accounting recognition of the concession agreements of ISA CTEEP and TAESA as Contractual Asset, derived from the entry into force of the International Financial Reporting Stan-

dard (IFRS) regarding Revenue from Contracts with Customers (IFRS 15), and Financial Instruments (IFRS 9), which added COP 68.723 million to ISA's net income. This methodology discounts cash flows of the concession at a fixed rate defined at the beginning of each project, and the regulatory weighted average cost of capital (WACC) of the National Energy Agency (ANEEL) and recognizes the variation of construction costs in the results of the beginning of the operation. Likewise, as these regulations began, ISA CTEEP determined the "Financial Asset to Fair Value" methodology for the account receivable associated with the remuneration of the Basic Network of the Existing System (RBSE). This methodology establishes that financial assets should be accounted for at fair value, and cash flows should be discounted at a market rate.

As for tax matters, the following events generated an income of COP 49.132 million for ISA:

In Colombia, the positive impact of the application, in ISA, of the Financing Law 1943/2018 for COP 82.000 million, due to a lower deferred tax expense because of the reduction of the future rate to 30%. Also, the 2011 equity tax refund for COP 60.901 million, linked to the Energy Transmission activity, business which is legally stabilized by ISA.

In Brazil, COP 7.281 million, corresponding to the Urban Real Estate Tax (IPTU) recovered by ISA CTEEP as payment of tax not owed in 2007 and 2008; the tax optimizations carried out

ISA is still on its profitable growth path. In 2018, consolidated net income reached **COP 1.524.382 million** and a return on equity of 12,8%.

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in the Energy Transmission companies related to the change in the methodology for estimating the income tax in IENNE, going from “actual profit” (based on results), to “presumed profit” (based on revenues); the net fiscal benefit from the payment of Juros de Capital Propio of ISA CTEEP, and the recognition of the deferred tax on tax losses of 2010 in ISA Capital do Brasil.

As for financing, three relevant operations stand out:

- ISA Capital do Brasil repurchased all the outstanding redeemable Preference Shares, which final redemption date was scheduled for December 28, 2020, so now ISA is 100% owner of ISA Capital do Brasil.
- Ruta del Maipo, in Chile, performed a debt management operation for UF 16,8 million (USD 689 million), which allowed the partial exit of the Monoliner MBIA from bonds in UF and local lines, including the issuance of the first unsecured infrastructure bond for UF 1 million (USD 41 million). The partial exit of MBIA allows the concessionaire to sign new complementary agreements, make new investments with the Ministry of Public Works, and free up cash for shareholders. For ISA INTERVIAL, 2018 was a record year, as it materialized the financing of all its projects for UF 17 million (USD 690 million).
- ISA CTEEP issued the first green debentures in the Brazilian energy segment for BRL 621 million (USD 160 million). These resources are destined to finance energy transmission infrastructure projects, through which conventional and non-conventional renewable

energies will be transmitted.

The detail of the consolidated results of the year is presented below:

CONSOLIDATED RESULTS	2018	2017	Var %	Var %*
<b>Operating Revenues</b>	7.234.868	6.954.265	4,0	5,5
<b>EBITDA</b>	4.810.871	4.439.157	8,4	10,5
<b>Total EBITDA margin</b>	66,5%	63,8%	4,2	
<b>Operating Income</b>	4.273.162	4.126.924	3,5	11,0
<b>Operating Margin</b>	59,1%	59,3%	-0,5	
<b>Net Income</b>	1.524.382	1.437.936	6,0	31,9
<b>Net Margin</b>	21,1%	20,7%	1,9	

\* Excludes extraordinary events: PERT (1) and RBSE Adjustment (2) in 2017, and Change to contractual asset in Brazil in 2018

1. In 2017, the Government of Brazil approved a tax amnesty known as the Special Tax Regularization Program (PERT), with which ISA Capital do Brasil and ISA CTEEP optimized the payment of tax obligations. ISA Capital combined tax losses from previous periods, from 2006 to 2010, with taxes associated with the reversal of the liability originated by the trade agreement of ISA CTEEP. This amnesty increased ISA's income by COP 238.794 million. In turn, ISA CTEEP used the amnesty to pay for tax obligations, achieving higher results for COP 27.545 million, of which ISA collects COP 9.880 million in consolidated income.



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2. In 2017, ISA CTEEP performed the second value adjustment of the Basic Network of the Existing System (RBSE), from BRL 3.896 million to BRL 4.094 million, which are base figures as of December 31, 2012. This event increased ISA's net income by COP 85.269 million.

Ratios	2018	2017**
<b>EBITDA margin, excluding construction</b>	73,0%	70,1%
<b>Operating margin</b>	59,1%	54,8%
<b>Net Margin</b>	21,1%	16,7%

\*\* Excluding extraordinary events: PERT and RBSE adjustment in 2017

ISA's net income increased by 6,0% compared with 2017. Excluding non-recurring events of 2017 (PERT and RBSE) and the adjustment from the change to contractual assets of the concession agreements of ISA CTEEP and TAESA in 2018, net income increased by 31,9% compared with the same period of previous year.

Excluding the aforementioned extraordinary events, EBITDA reached COP 4.535.298 million, an increase of 10,5% compared with 2017. EBITDA margin excluding construction was 71,8% compared with 70,1% in 2017. This growth is mainly explained by the new results in the Energy Transmission business unit, associated with:

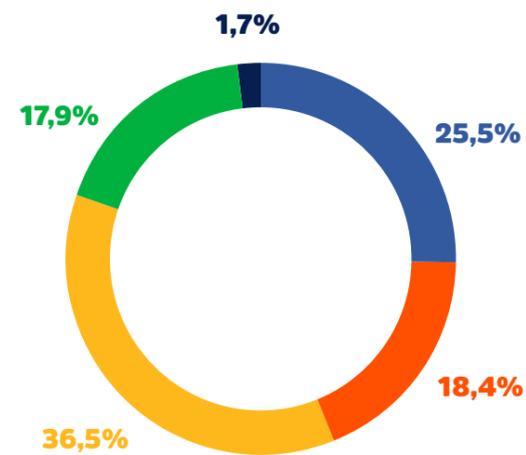
- Entry into operation of improvements and reinforcements in Brazil.
- Commissioning of the first stage of the Carapongo Substation and connection of associated lines, the Friaspata-Mollepata Transmission Line and Substation, and the Pachachaca-Pomacocha-Caruhamayo Transmission Line in Peru.
- Energization of the Cardones-Maitencillo and Pan de Azúcar Substations, ISA INTERCHILE's project.
- Commissioning of the Transformation Bay in El Bosque Substation, Caracolí 220kV Substation and associated lines, Cauca-Nariño Interconnection, La Hermosa-Esmeralda 230 kV Transmission Line, expansion of Nueva Barranquilla 220kV Substation, and expansion of Ternera Substation, in Colombia.

Equally, the following stands out for the EBITDA increase: the change in the periodicity of revenues inflation adjustment in ISA CTEEP and the companies in which it has an interest; the tax recovery in ISA and ISA CTEEP; the consolidation of revenues of IESUL and IENNE, and a proper management of costs. These positive events made it possible to offset the decrease in the financial results of road concessions in Chile for COP 92.570 million, given the decrease in the account receivable, the time passed for the concession, and the increase in traffic.

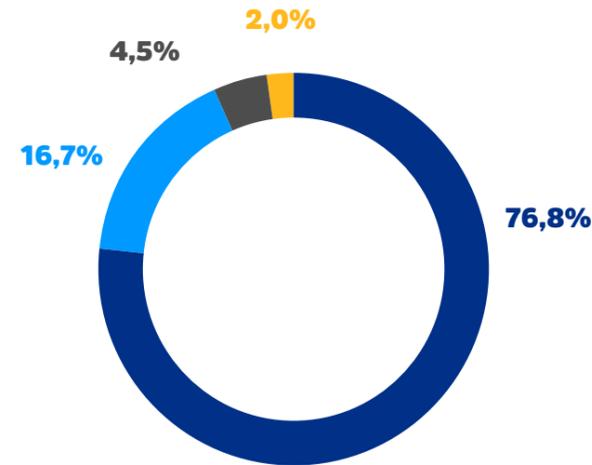
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The composition of revenues and EBITDA by country and business is as follows:

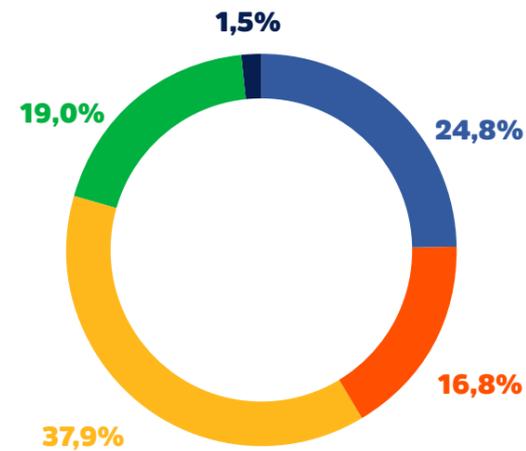
**Consolidated revenues by country**



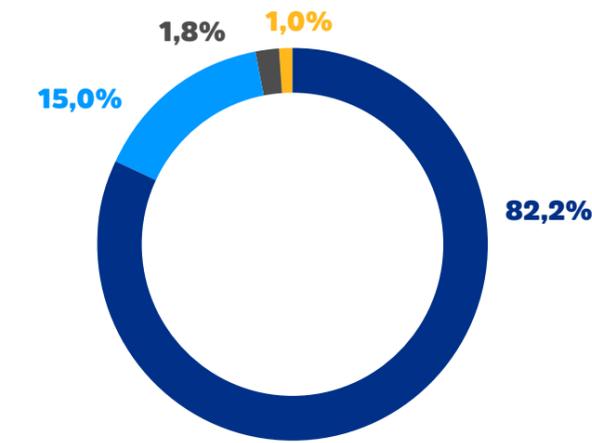
**Consolidated revenues by business**



**Consolidated EBITDA by country**



**Consolidated EBITDA by business**



Colombia  
Chile  
Brazil  
Peru  
Others

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Operating Income reached COP 4.273.162, that is, a growth of 3,5% compared with previous year. Excluding non-recurring PERT and RBSE impacts of 2017, this income increases by 11,0% due to better results in the companies where ISA has joint control and significant influence for COP 99.083 million, and is partially offset by the impairment expense of the goodwill in INTERNEXA Brazil of COP 69.190 million, adjusting it to the present value of future operating flows.

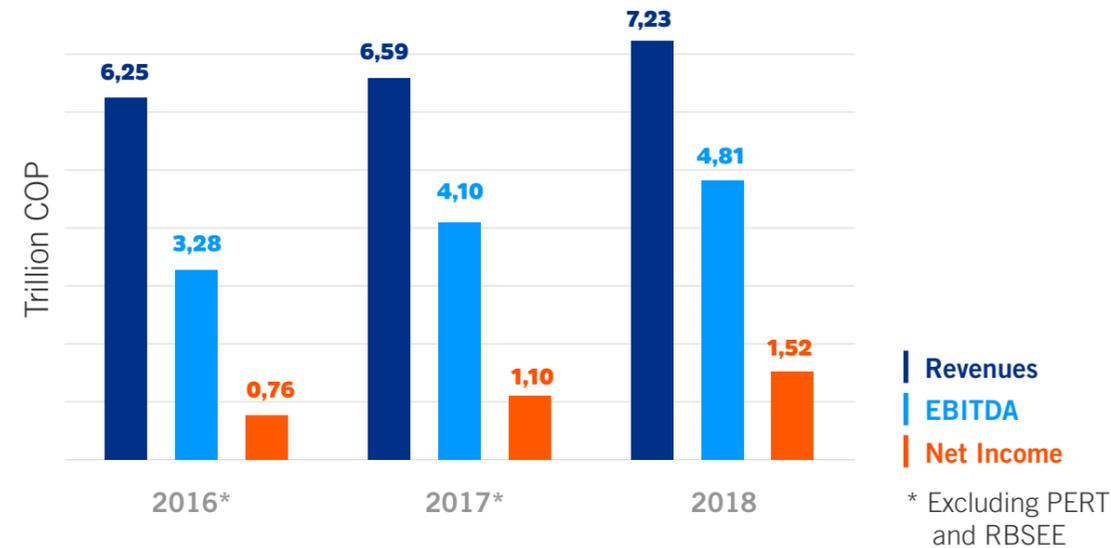
Net financial expenses increased by 25,6% (COP 222.223 million); 11,6% if the discount from the PERT extraordinary financial income of 2017 is considered. The increase is the result of: higher financial expenses to finance the growth of the Company; higher expenses from exchange differences originated mainly from loans in US dollars granted by ISA to ISA Inversiones Maule and by INTERNEXA from Colombia to Brazil, given the devaluation of the local currency against the US dollar (CLP 13% and BRL 17%) and the 9% devaluation of the Colombian peso against the US dollar.

Income tax expense reached COP 583.727 million, 36,3% lower than the same period previous year. The variation is due to lower taxes in Colombia and Brazil, explained above.

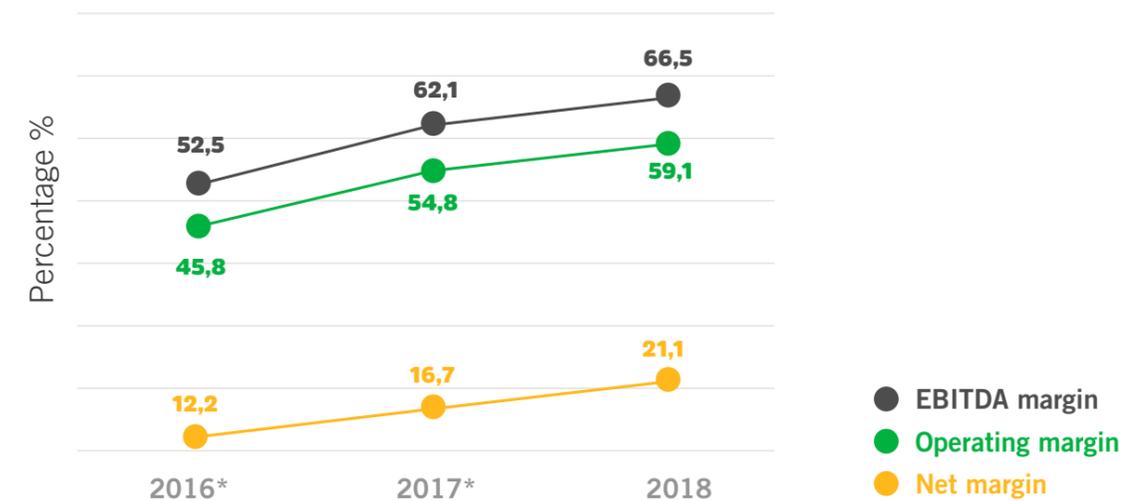
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Below is the pattern of the main consolidated figures for the last 3 years:

### Consolidated financial figures

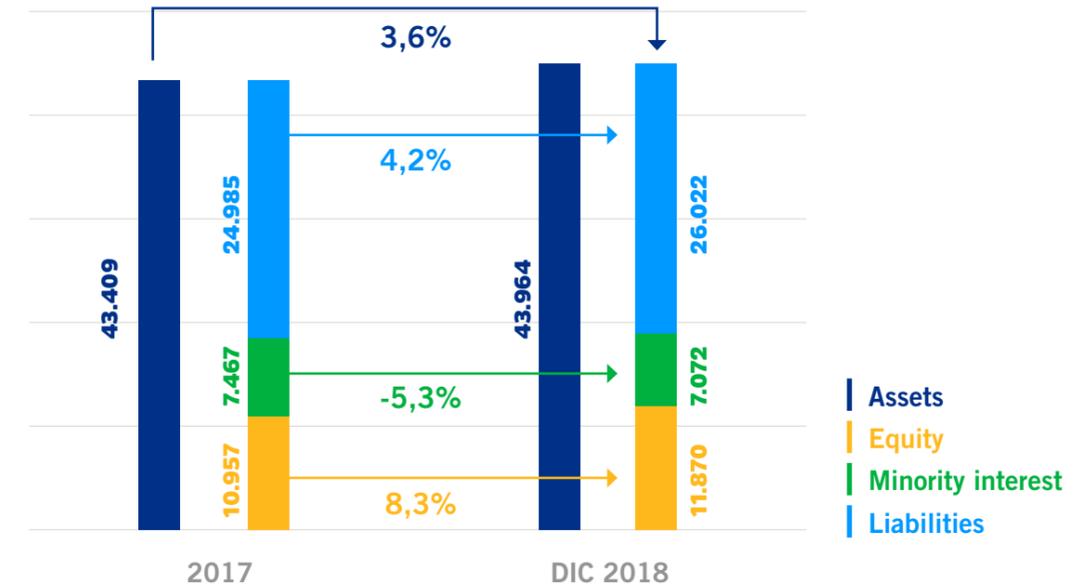


### Financial indicators of the consolidated report



### CONSOLIDATED BALANCE SHEET

Figures in COP billion



ISA's assets at the end of 2018 totaled COP 44.963.965 million, that is, a growth of 3,6% compared with 2017. This variation is explained by the greater investment derived from the execution of projects in countries where ISA is present, the change in the accounting recognition methodology of the concessions in Brazil, and the total consolidation of IESUL.

The liability reached COP 26.022.138 million, that is, an increase of 4,2% compared with previous year, explained by the financing needs for construction and investments of the Group.

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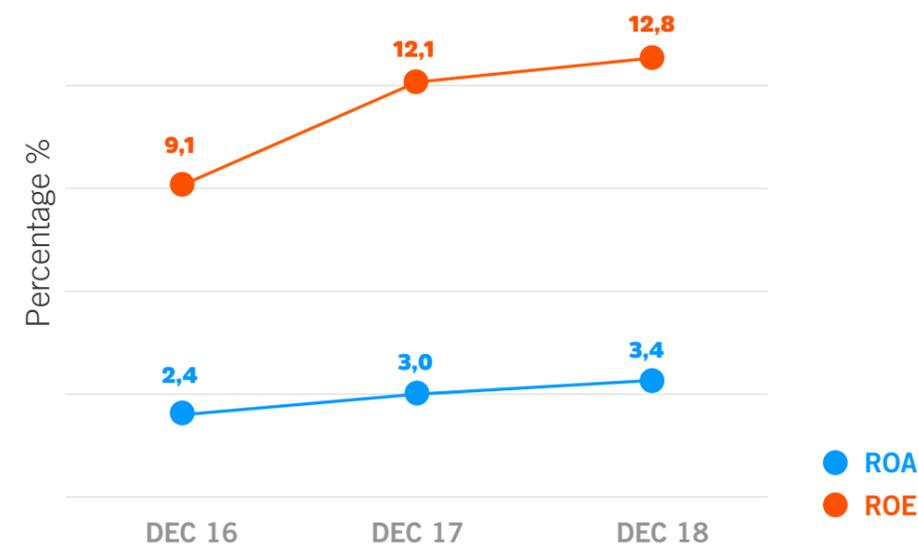
Shareholders' equity stood at COP 11.869.374 million, an 8,3% increase compared with 2017. This is explained by the net effect of higher results, the initial adoption of IFRS 9 and IFRS 15, and the distribution of dividends to shareholders.

Other relevant financial events during the year are related to the following operations in Brazil:

- The collection of 12 RBSE installments for BRL 1.786 million as foreseen by ISA CTEEP.
- TAESA paid dividends for BRL 105,1 million and Juro Sobre Capital Propio (JCP) to ISA Investimentos e Participações, for debt payment.

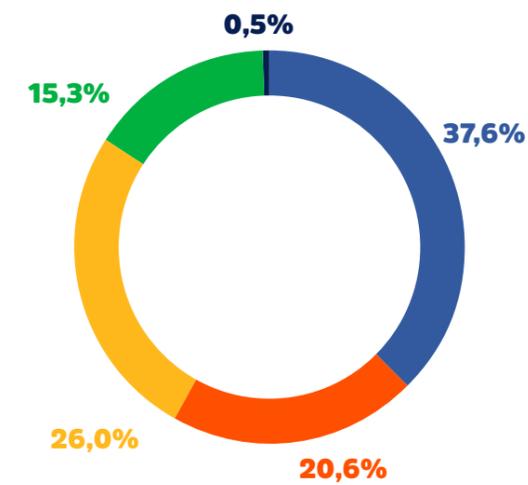
In terms of indicators, discounting the tax amnesty in Brazil (PERT) and the RBSE, the increasing trend of Return on Shareholders' Equity (ROE) and Return on Assets (ROA) stands out for the last three years, period in which the ROE increased from 9,1% in 2016 to 12,8% in 2018; and the ROA from 2,4% in 2016 to 3,4% in 2018.

**ROE - ROA**

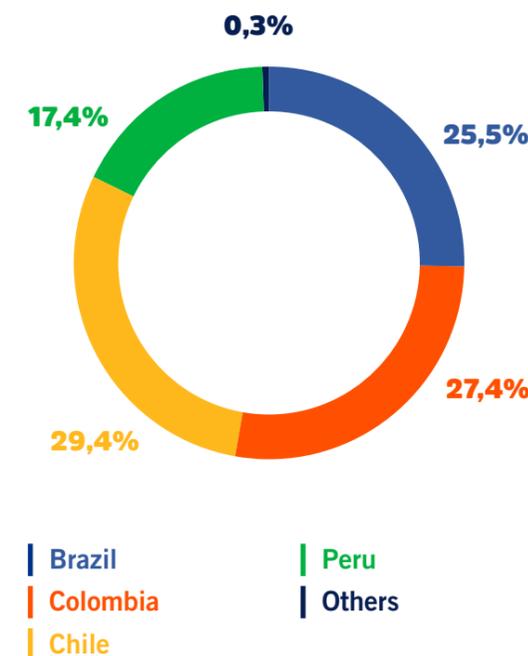


The detail of the assets and liabilities by country and by business are presented below:

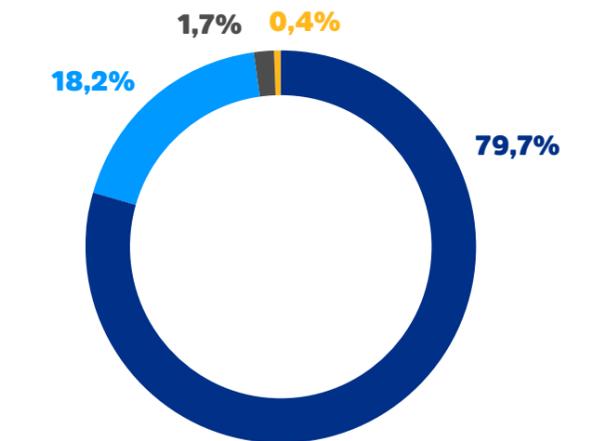
**Consolidated assets by country**



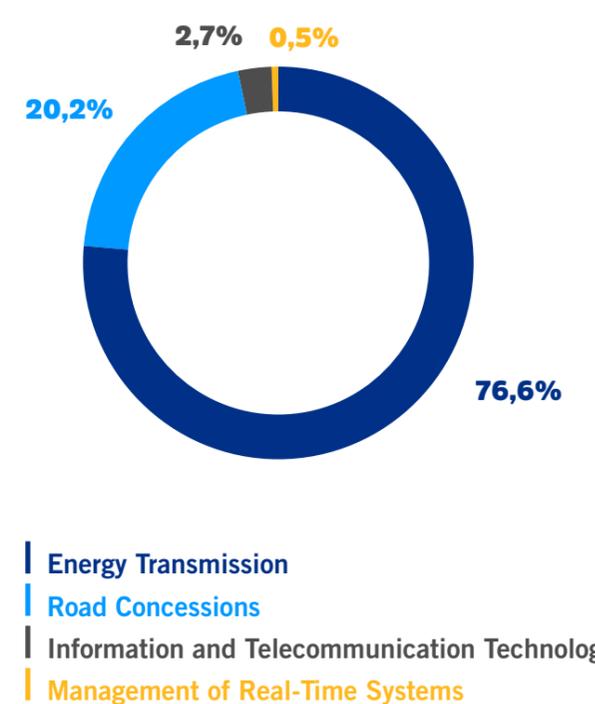
**Consolidated liabilities by country**



**Consolidated assets by business**

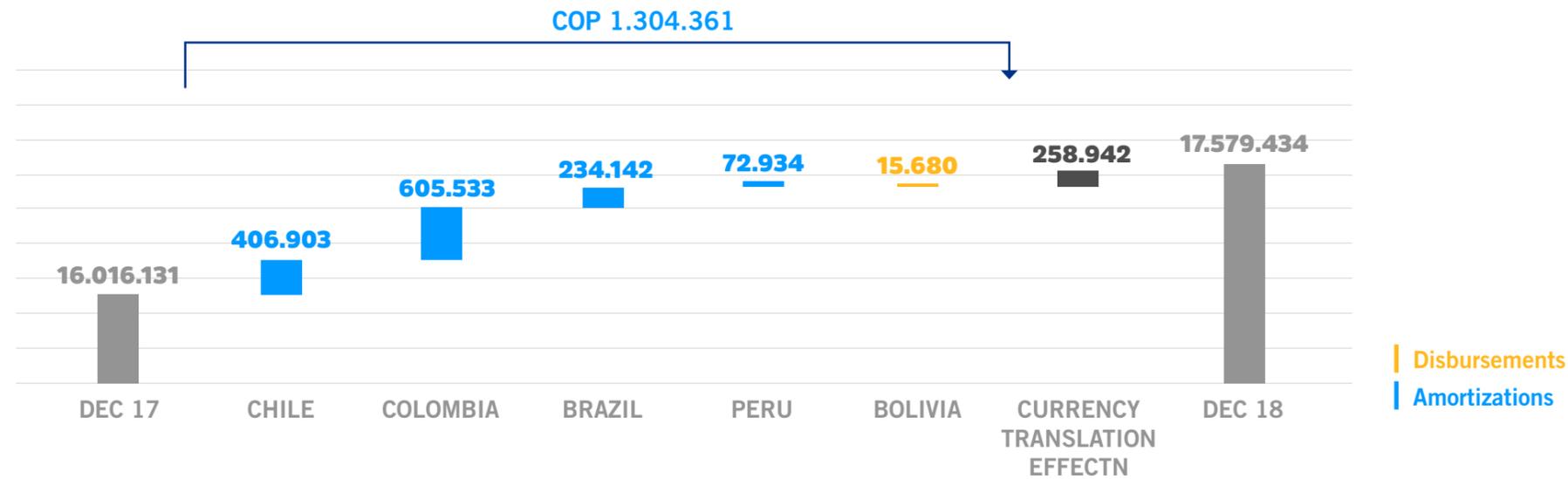


**Consolidated liabilities by business**



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## FINANCIAL LIABILITIES AND BONDS



The financial debt of ISA and its companies closed at COP 17,5 trillion, an increase of 9,8% compared with the previous year (COP 16 trillion). This growth occurs in the different countries where ISA is present, supporting investments in each one of them:

In Colombia, ISA issued bonds for COP 500.000 million and received a disbursement from Scotiabank for USD 50 million. These resources are used to finance the investment plan. Likewise, INTERNEXA carried out a debt replacement operation to optimize its portfolio in terms of maturity profiles, cost, and average life, for which it received a disbursement from Bancolombia for COP 59.466,7. It received other disbursements for COP 35.000 million, which were used to invest in assets and the capitalization of its affiliate INTERNEXA Brazil.

In Brazil, ISA CTEEP issued green debentures for BRL 621 million, and received disbursements from the Bank of Tokyo-Mitsubishi (BTMU) and Citibank for USD 210 million. These funds were used to cover its investment plan and increase the interest of ISA CTEEP in IESUL. This higher debt was partially offset by ISA Capital do Brasil, which amortized preferential shareholders for BRL 633,2 million.

In Chile, Ruta de la Araucanía received disbursements from Banco de Chile, Itau Corpbanca, and Banco Estado for CLP 644 million, CLP 354 million, and CLP 265 million, respectively. Likewise, Ruta del Loa received disbursements that are part of the senior loan for financing the project for UF 477.500, and the VAT line for CLP 1.478,7 million.

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In addition, Ruta del Maipo received disbursements from Banco Estado for UF 162.621, for its investment plan. Finally, ISA INTERCHILE received disbursements that are part of the senior credit for project financing, for USD 264,8 million and of the VAT line, for CLP 16.488,3 million.

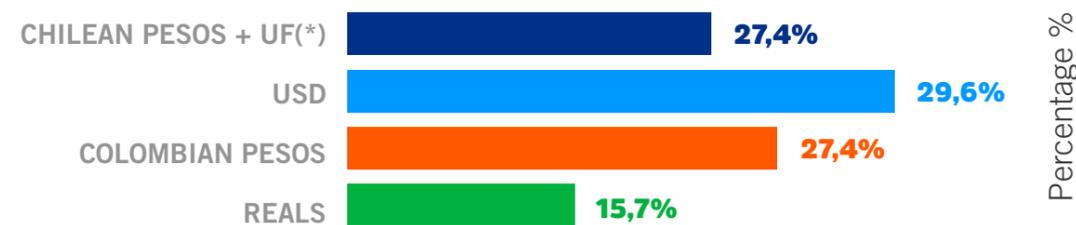
Peru's debt balance increased slightly. This was used to finance its investment plan.

Notes 12 and 13 of the Financial Statements contain the details and main debt transactions for ISA and its companies in 2018.

The debt as of December 2018 also includes the exchange rate effect, which represents 19,9% of total movements and does not generate an impact on cash flow.

ISA and its companies maintain the strategy of obtaining a natural hedge against exchange risk, seeking to enter into debt in the same currency as their revenues. Similarly, considering that the projects they develop are remunerated in the long term, a large portion of their debt is obtained in the capital market (bonds) at competitive rates.

### Consolidated debt by currency



(\*) Unidades de Fomento, Chile

### Consolidated debt by source



### CREDIT RISK RATINGS

In 2018, corporate risk and local and international bond issuance ratings, granted by specialized agencies, ratified the financial strength of ISA and its companies, due to the regulated nature of its revenues as a natural monopoly in the countries where they operate. The risk rating reflects ISA's leadership in the markets in which it operates. It is worth mentioning that ISA's main business exposure to volumetric risk is non-existent or limited.

In Colombia, the Program on Issuance and Placement of Securities of ISA's Internal Public Debt has maintained at the maximum credit risk rating "AAA" for bonds and F1 + (col) for commercial papers.

The outlook for the international rating, granted by the international rating agency Moody's (Baa2), has been affected, from stable to negative, due to the sovereign risk rating.

The international risk ratings granted by Standard & Poors (S&P) and Fitch remain at BBB and BBB +, respectively.

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Until December 2018, ISA keeps its investment rate by the three most important international credit rating agencies. The chart with the credit ratings for ISA and its companies is presented below.

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COMPANIES	RATINGS	S&P	MOODY'S	FITCH	FITCH LOCAL	FELLER-RATE	APOYO Y ASOCIADOS	EQUILIBRIUM	HUMPHREYS
ISA	<b>Corporated</b>	BBB- (Stable) Aug. 2018	Baa2 (Negative) Feb. 2018	BBB- (Stable) May. 2018					
	<b>Local Bond Issuances</b>					AAA (Stable) May 2018			
	<b>Commercial Papers</b>					F1+May.2018			
ISA TRANSELCA	<b>Local Bond Issuance</b>					AAA (Stable) Mar. 2018			
ISA CTEEP	<b>Corporate</b>					AAA (Stable) Aug. 2018			
	<b>Bond Issuance</b>					AAA (Stable) Aug. 2018			
CONSORCIO TRANSMANTARO	<b>International Bond Issuance</b>		Baa3 (Stable) Jul. 2018	BBB- (Stable) Jun. 2018					
	<b>Commercial Papers</b>						CP-1+ (Stable) May 2018		
ISA REP	<b>Bonds Issuanc</b>						AAA (Stable) May 2018	AAA (Stable) Apr.2018	
	<b>Commercial Paperss</b>						CP-1+ (Stable) May. 2018	EQL1(Stable) Apr. 2018	
RUTA DEL MAIPO	<b>Bond Issuance</b>	BBB- (Stable) Nov. 2017	Baa3 (Stable) Oct. 2018					A (Stable) Jun. 2018	
RUTA DEL BOSQUE	<b>Bond Issuance</b>		Baa3 (Stable) Oct. 2018	A- (Estable) Sep. 2018			A (Stable) Jun. 2018		

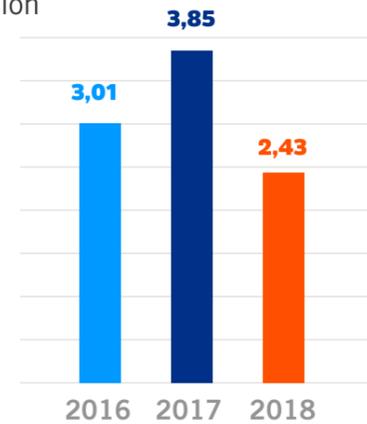
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## INVESTMENTS

In 2018, ISA and its companies invested COP 2,4 trillion in their growth plans:

### Cash investments

COP trillion



The figures presented contain the cash investments of ISA and the companies that are consolidated in accounting. The conversion of the different currencies to Colombian pesos uses the closing rate of each quarter.

### Colombia

#### Investments for COP 946.620 million

- ISA: COP 846.393 million, to be used in the construction of energy transmission projects.
- ISA TRANSELCA: COP 37.895 million, for asset renewals and projects under construction.
- INTERNEXA: COP 24.412 million used in the expansion of its infrastructure and payment of submarine cable.
- XM: COP 37.920 million in technological developments.

### Brazil

#### Investments for COP 357.573 million

- ISA CTEEP made investments for COP 316.920 million to reinforce its network and make capital contributions to the companies in which it has interest, especially Itaqueré, Itaúnas and Ivaí. Likewise, the subsidiaries PINHEIROS, SERRA DO JAPI, EVRECY and IEMG invested COP 6.694 million in the expansion of their networks.
- INTERNEXA Brazil invested COP 33.960 million in the expansion of its fiber optics network and payment of submarine cable.

Additionally, ISA CTEEP purchased 50% of the remaining interest in IESUL, through a cash disbursement for COP 15.240 million.

### Peru

#### Investments for COP 431.256 million

- Consorcio Transmantaro invested COP 325.526 million in the execution of the awarded projects, while ISA REP invested COP 101.113 million in the expansion of its grid. ISA PERÚ invested COP 2.609 million in the expansion project.
- INTERNEXA Perú invested COP 1.988 million in the expansion of its fiber optics network.

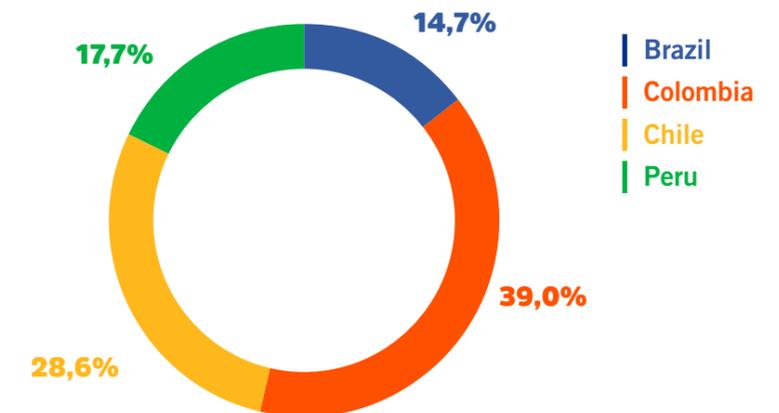
### Chile

- ISA INTERVIAL concessionaries made investments for COP 161.313 million, used especially by Ruta

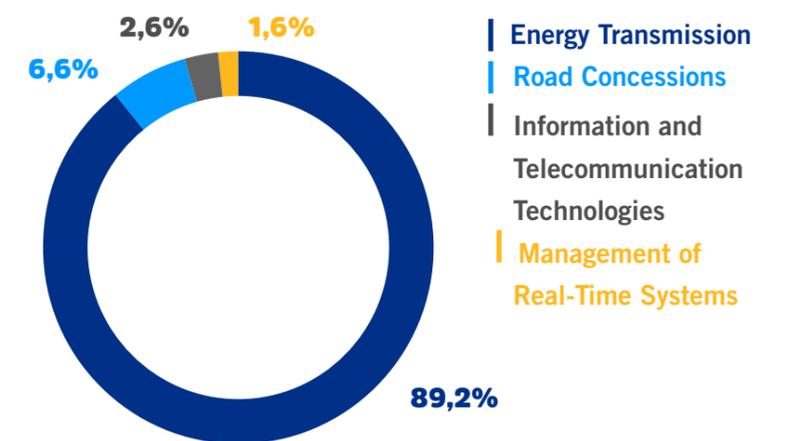
del Maipo for the construction of La Serena Park, Tenencia Paine walkway, Escuela Agrícola walkway and El Recurso temporary access; the rest was used in Regulatory Safety Works agreed with the MOP between 2017 and 2018 in Ruta del Maule, Ruta de la Araucanía, Ruta del Bosque, and Ruta de los Ríos.

- ISA INTERCHILE made investments for COP 531.011 million in the construction of energy transmission projects

### Investments by country



### Investments by business



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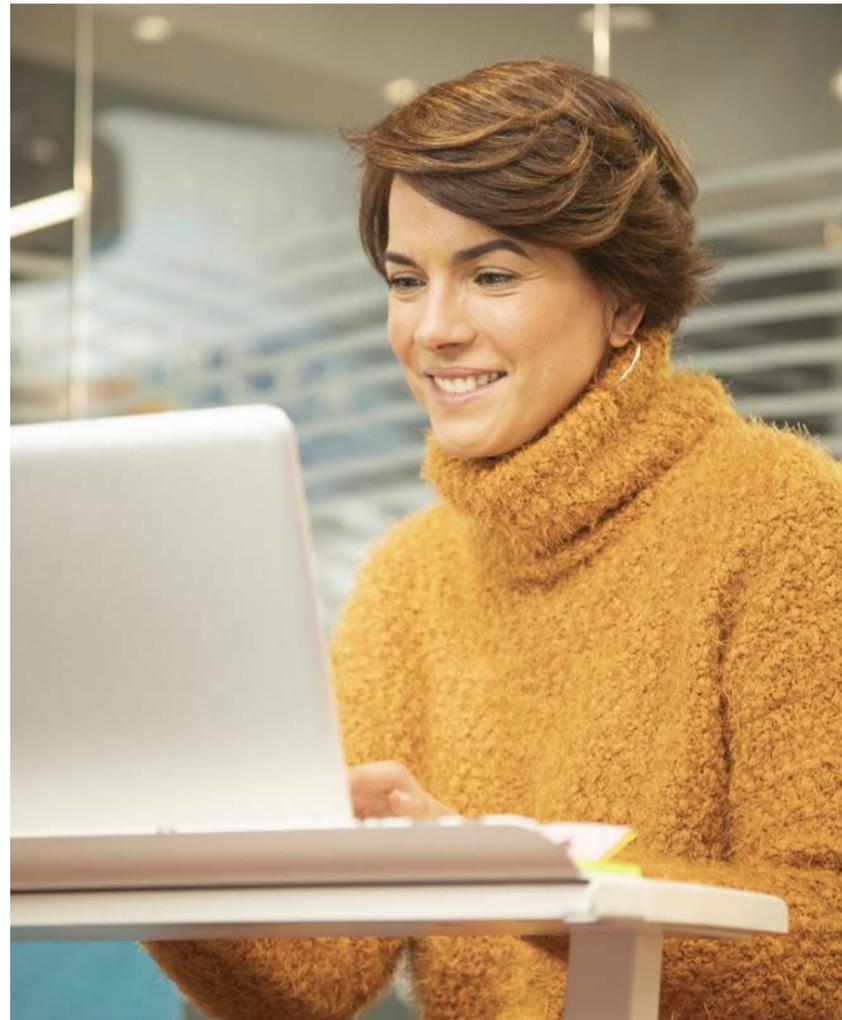
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## INDIVIDUAL INCOME REPORT

### INDIVIDUAL INCOME

ISA results in the period (COP million)	2018	2017	% Variation
COMPREHENSIVE RESULTS			
<b>Operating Revenues</b>	1.025.221	889.239	15,3
<b>EBITDA</b>	895.474	752.164	19,1
<b>MEBITDA Margin</b>	87,3%	84,6%	
<b>Operating Income</b>	1.800.665	1.718.023	4,8
<b>Net Income*</b>	1.529.155	1.442.708	6
<b>Mt Margin**</b>	72,9%	65,9%	

\* The net income of individual ISA differs from the consolidated income by COP 4.773 million due to the amortization of commercial loans in the consolidated report.

\*\* Net income / (revenues + equity method). 2017 excludes RBSE and PERT.

ISA's net income reached COP 1.529.155 million in 2018, a 6% increase compared with the same period of previous year. It accumulated an EBITDA of COP 895.474 million, an increase of 19,1% compared with 2017, and a return on equity of 12,9%.

These results include new revenues of COP 53.423 million for energy transmission projects, among which are: San Antonio 230kV and

associated Transmission Lines, Ituango - Medellin Substations, and Costa Caribe Reinforcement.

Net income also includes two relevant events in the tax area:

- Recovery of the equity tax of 2011 for COP 60.901 million, associated with the Energy Transmission Activity, legally stabilized by ISA.
- Lower results due to the application of the Financing Law 1943 /2018.

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### INDIVIDUAL INCOME STATEMENT

Growth in EBITDA is mainly associated with tax repayment on equity of 2011 and revenues received from new projects put into service: UPME 03-16 calls for San Antonio 230 kV Substation and associated Transmission Lines (as of July 2018), UPME 03-14 Ituango - Medellín (katíos) Substations (as of September 2018) and UPME 05-2014 Costa Caribe 500 kV reinforcement (as of October 2018).

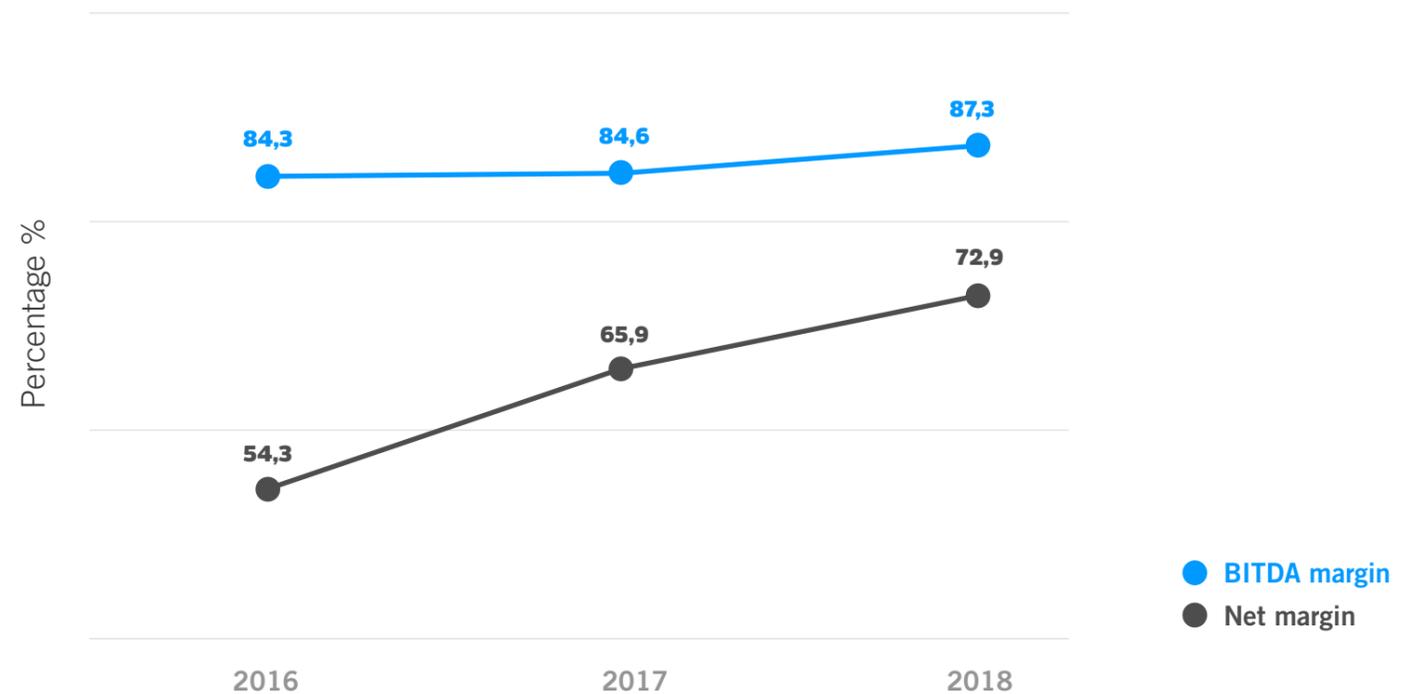
Additionally, costs and expenses showed a downward trend, which is explained by the value recognized in 2017 for the wealth tax and lower advertising expenses in 2018, on the occasion of the ISA Brand's positioning in 2017.

The operating result includes the amount corresponding to companies in which ISA has control, joint control, and significant influence, for COP 1.072.787 million. This profit decreased by 4,9% compared with 2017 because the extraordinary profits related to the PERT and RBSE adjustments, amounting to COP 333.944 million, are not included. Excluding the previous events, income increased by 35,1% as a result of the entry into operation of new projects in Brazil, Peru, Colombia, and Chile; the inflation update of the tariff cycle; the change in the accounting recognition of the Energy Transmission Concession Agreements; tax recovery; and the use of tax losses in Brazil. In addition, they reflect the inclusion of TAESA and IENNE in 2017, and the additional 50% of IESUL in September 2018.

For 2018, the net financial expense was COP 254.748 million, a 26,4% increase compared with 2017. This behavior is explained by higher debt financial expenses and the macroeconomic variables to which it is indexed.

In terms of taxes, during 2018, the company provided COP 41.810 million in total taxes, of which COP 7.274 million are recognized by the regulator. As for 2017, the lower provision for deferred taxes for COP 82.741 million is due to lower deferred tax expense as a result of the application of the Financing Law 1943/2018 that decreased the future rate of income tax to 30%.

### ISA's financial indicators



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### INDIVIDUAL BALANCE SHEET

Figures in COP billion



At the end of the year, ISA's assets totaled COP 18.104.123 million, an 8,2% increase compared with December 2017. This is mainly explained by the increase in results of investments in subsidiaries and joint ventures, and the greater investment in construction projects, including Ituango, Cerromatoso - Chinú and Montería - Urabá Substations.

Liabilities reached COP 6.210.883 million, an increase of 8% compared with the previous year, due to the higher debt required to finance infrastructure projects in Colombia and investments in different countries.

Equity closed at COP 11.893.240 million, an 8,4% increase compared with 2017, due to favorable results of the year, and offset by the distribution of dividends.

### FINANCIAL LIABILITIES AND BONDS

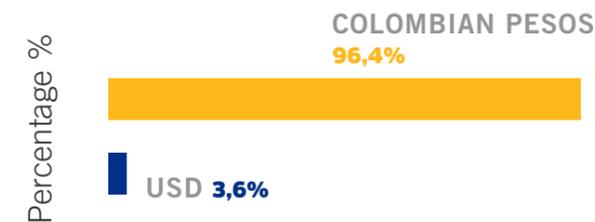
Until December 31, 2018, the financial debt recorded a balance of COP 4,5 trillion, a 15,2% increase compared with 2017 (COP 3,8 trillion).

During the period, the issuance of bonds that is part of the Program on Issuance and Placement of Securities for COP 500.000 million stands out. Also, ISA received a disbursement from Scotiabank for a total of USD 50 million. These resources were used to finance the 2018-2019 investment plan.

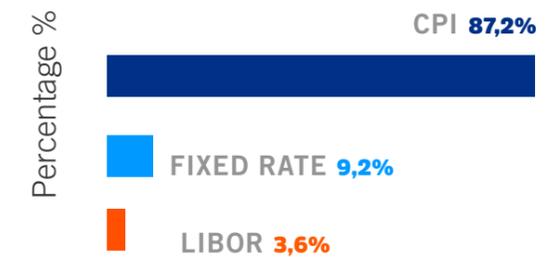
Notes 12 and 13 of the Financial Statements contain the details and main debt transactions of ISA and its companies in 2018.

At the end of 2018, 96,4% of the debt was entered in Colombian pesos, since the greatest portion of ISA's revenues is expressed in this same currency.

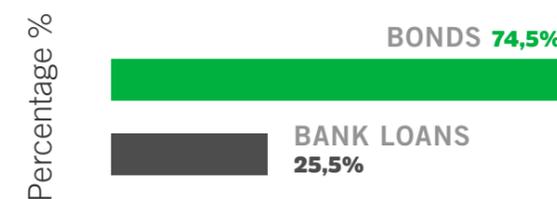
#### ISA's Debt by currency



#### ISA's Debt by rates



#### ISA's Debt by sources



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Most ISA revenues are indexed to the Producer Price Index (PPI), an indicator that is not negotiated in the financial market, so that the debt is mainly incurred indexed to the Consumer Price Index (CPI) because this index is correlated to the PPI, minimizing risk impacts of interest rates associated with macroeconomic variables.

ISA develops long-term projects. Consequently, a significant portion of the debt is incurred in the capital market (bonds) at competitive rates, reducing the refinancing risk.

### LAW 1676 OF 2013

In compliance with Law 1676 of 2013 that amended articles 2, 7 and 8 of Law 1231 of 2008, ISA permitted free circulation of invoices issued by sellers or suppliers.

### DISPUTES AND CLAIMS

During 2018, no litigations or contingencies that could materially affect the situation of ISA were presented. Judicial and administrative actions instituted against ISA were timely and adequately addressed in defense of the interests of the Company and in compliance with the duties and responsibilities incumbent upon it.

In turn, and on its own behalf, the Company promoted judicial and administrative actions necessary for the development of its corporate purpose and protection of its interests, in compliance with current standards.

(Additional information regarding litigation and claims to the company can be found on Notes to the Financial Statements of ISA.)

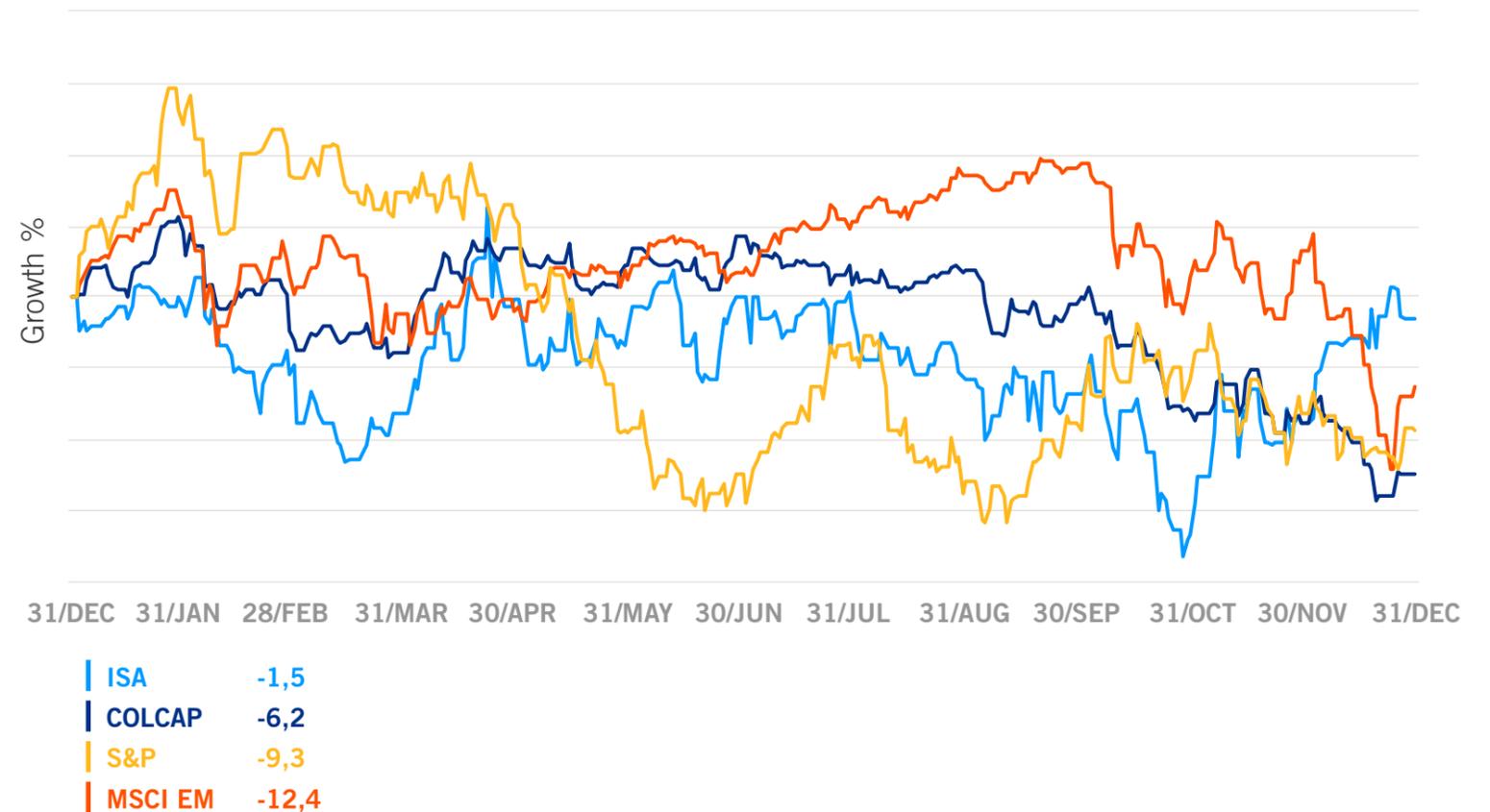
## STOCK PERFORMANCE

### Stock Market

In 2018, stock markets of the region had a negative performance. The Standard & Poor's (S&P) index, considered the most representative of the US market, showed a cumulative negative behavior of 6,2% during the year. Also, the Morgan Stanley Capital International Emerging Markets (MSCI EM) Latin America index, designed to measure the performance of the stock market of Brazil, Chile, Colombia, Mexico, and Peru, showed a negative return of 9.3%.

Colombia's COLCAP index closed the year with a negative variation of 12,4%, similar to the behavior of the region.

ISA's performance, as shown in the graph, was better than the local market, with an increase of 10,9. Compared with the Emerging Markets and the United States, it showed a better performance in local currency with 7,7 and 4,7, respectively. In Colombia, ISA was among the best 5 stocks in the market.



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The most relevant events that influenced these results can be summarized as follows:

- Globally, positive economic outlook at the beginning of the year. Particularly, the main economies of Europe, with controlled inflation rates and a monetary policy with expansionist intentions, which have only begun to materialize in 2019. In turn, United States started with an unemployment rate at minimum levels and inflation rate increasing due to higher household consumption. In the first meeting of the year, both the European Central Bank (ECB) and the Federal Reserve of the United States (FED), kept interest rates unchanged. In this period, oil prices experienced volatility, as a result of the increase in consumption in the United States.
- In April, the positive inflation slope in the US slowed down, and a decrease in unemployment and threat of a trade war were evidenced. Global growth continues and private consumption decreases, but it remains a positive factor for developed and emerging economies. The volatility of the crude oil price continues, the increase in the production of the USA, the USA attack to Syria, and low production in Venezuela.
- In the second half of the year, a deterioration in the global economic outlook was perceived, caused by poor data in the Eurozone, the trade dispute between the USA (tariffs) and China (retaliation), and the increase in USA rates (1,75% - 2%, level not seen since 2008).

The slowdown in expansionary monetary policy by developed countries, and the Turkish crisis in the middle of the year; among other factors, began to show negative consequences. International investors started having less appetite for risk, pressing the emerging markets to the downside. Colombia was no stranger to these situations.

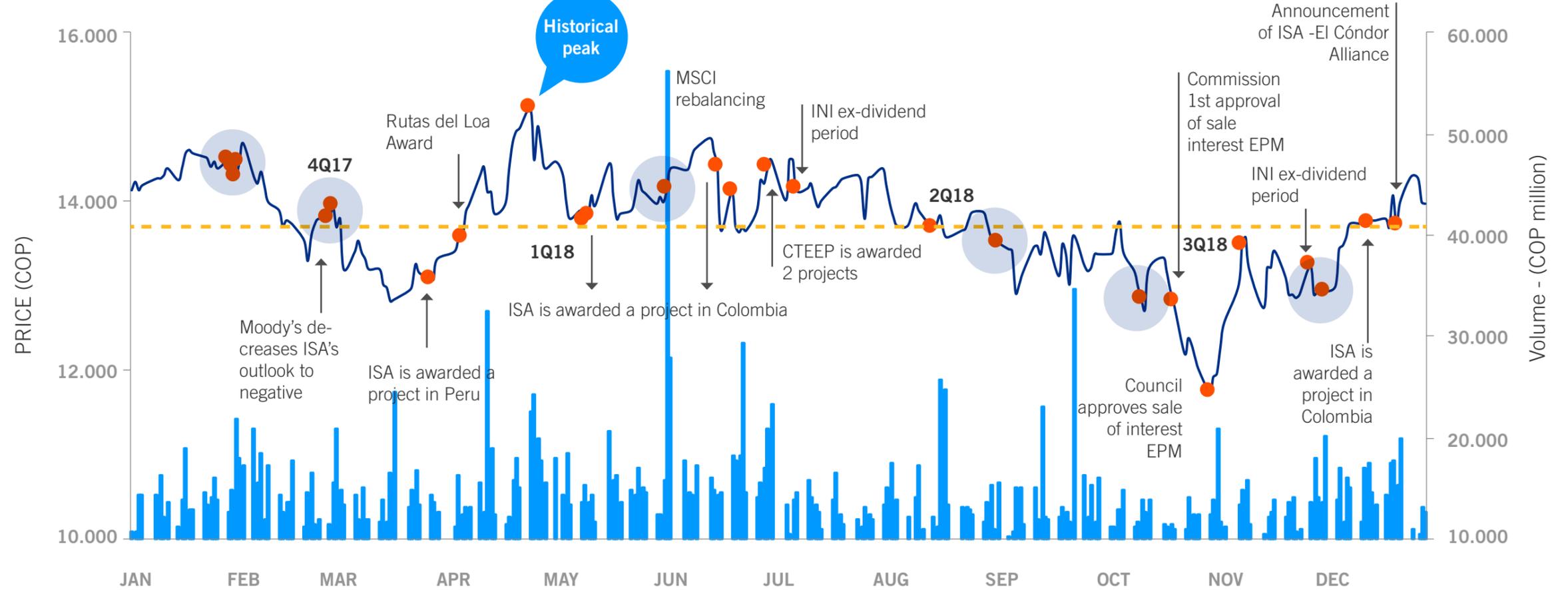
- At the end of the year, global equity markets registered recessions, mainly due to the cost of the trade war on the USA's GDP and its impact on emerging markets, the result of the parliamentary elections in the USA, and the pressure of the monetary policy by the FED.

### ISA stock

In 2018, the ISA stock reached a historical peak of COP 15.100 on April 23 and ended the year with a valuation above the COL-CAP index. From the moment of the announcement of the sale of EPM's interest in ISA (10,17% of the total) on June 18, the market price was adjusted downward, given the expectation of oversupply in the market, being able to be recovered at the end of the year, to end at a closing price of COP 13.980. The minimum price, COP 11.740, was applied the day on which the sale of ISA stocks by EPM was approved.

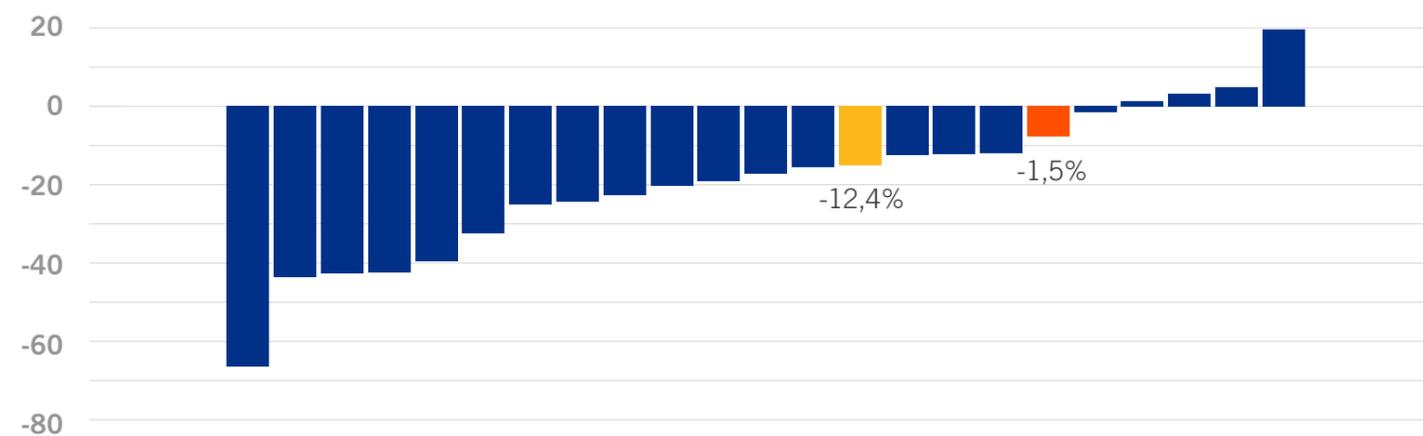
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**ISA stock**



The average daily volume traded in the first semester of 2018 was COP 5.899 million, 54% more than the average of the second semester of the year (COP 3.843 million). This coincides with the stage in which the intention to sell the EPM interest in ISA was revealed, which could encourage over selling at the end of the first quarter to take profits.

**COLCAP Issuers variation (%)**



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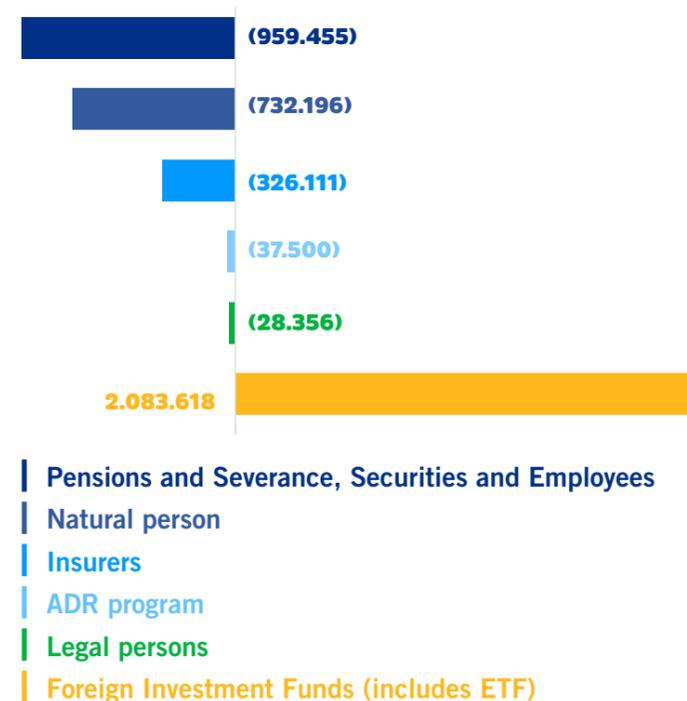
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ISA's stock had one of the best performances in the Colombian stock market, surpassing the vast majority of stocks traded on the Colombian Stock Exchange. The disparity in the behavior was quite broad among the stocks that make up the COLCAP index, moving from a devaluation of 66% to a valuation of 20%.

During 2018, the net purchasers were the Foreign Investment Funds, while the Pension and Severance Funds, Mutual Funds, Securities Funds, and Employee Funds were the big sellers.

### Stock trade

Millions of stocks



### Stock market Indicators

BVC: ISA CB – ADR: IESFY	2018
<b>NO. OF OUTSTANDING STOCKS</b>	<b>1.107.677.894</b>
Free - float (%)	38,42%
Shareholders No.	27.300
Nominal value (COP)	32,8
Closing price	13.980
UPA: Income per share (COP)	1.360
Ordinary dividend	266
Extraordinary dividend	276
Market capitalization (COP million)	15.485.337
Daily average traded (COP million)	4.853
Marketability	ALTA - Puesto 4

### INDEX

COLCAP interest (%)	7,09%
COLEQTY interest	7,73%
COLIR interest	7,86%

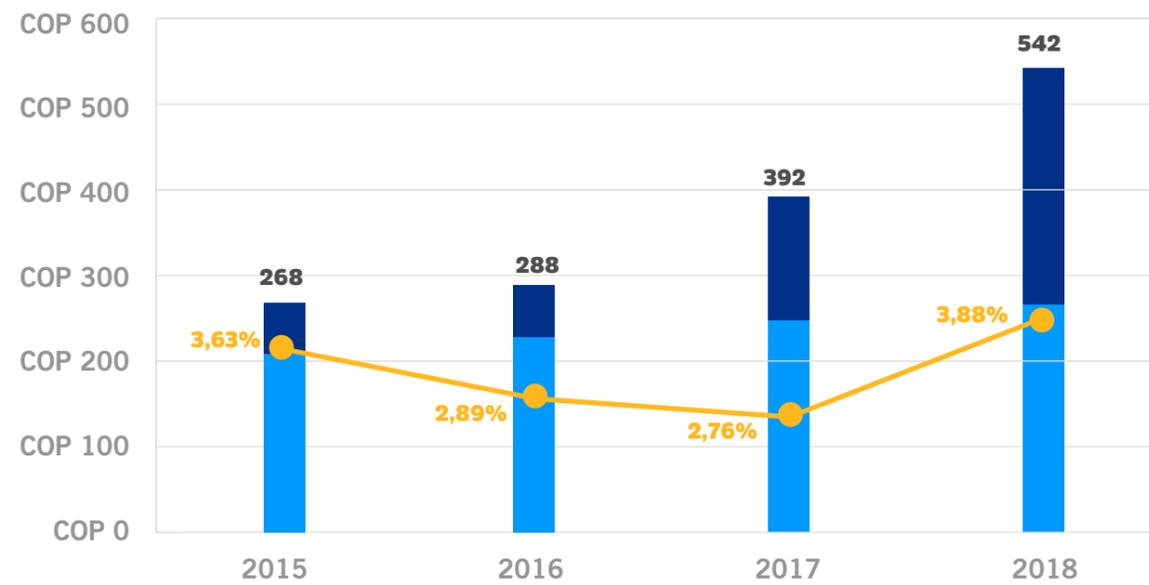
### FINANCIAL RATIOS

PER: Price/Income (%)	10,23
Tobin's Q: Price/book value (times)	1,29
EV/EBITDA: Company's value/EBITDA (times)	8,33
Yield (%)	3,89

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## DIVIDENDS

The General Shareholders' Meeting, held on March 23, 2018, approved the distribution of dividends to its shareholders for COP 600.361 million, corresponding to 42% of the net income for 2017. The dividend paid was COP 542 per share, 38,3% more than previous year, comprised by an ordinary dividend of COP 266 and an extraordinary dividend of COP 276. The payment was made in two equal installments of COP 271 per share on July 12 and December 4, 2018.



\*Dividend Yield: yield of the annual dividend on the closing price of the share



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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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	NOTE	2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalent	<u>4</u>	1.522.060	1.541.551
Financial assets	<u>5</u>	4.589.834	4.390.890
Current tax	<u>17.3</u>	317.589	309.451
Inventories - net	<u>8</u>	98.271	83.481
Non-financial assets	<u>6</u>	246.622	95.357
<b>TOTAL CURRENT ASSETS</b>		<b>6.774.376</b>	<b>6.420.730</b>
<b>NON-CURRENT ASSETS</b>			
Restricted cash	<u>7</u>	339.007	78.204
Non-current tax	<u>17.3</u>	27.241	46.870
Investments in associates and joint ventures	<u>9</u>	2.871.781	3.093.842
Financial instruments	<u>9</u>	15.478	16.335
Financial assets	<u>5</u>	17.142.800	17.609.166
Inventories - net	<u>8</u>	63.359	85.778
Property, plant, and equipment - net	<u>10</u>	10.217.628	9.063.803
Intangibles	<u>11</u>	6.827.341	6.424.494
Non-financial assets	<u>6</u>	93.676	65.015
Deferred tax	<u>17.2</u>	591.278	504.264
<b>TOTAL NON-CURRENT ASSETS</b>		<b>38.189.589</b>	<b>36.987.771</b>
<b>TOTAL ASSETS</b>		<b>44.963.965</b>	<b>43.408.501</b>

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	NOTE	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Financial liabilities	<u>12</u>	1.751.345	1.603.839
Accounts payable	<u>13</u>	644.662	779.066
Employee benefits		99.330	83.690
Current tax	<u>17.4</u>	262.168	407.912
Provisions	<u>16</u>	103.787	121.006
Other non-financial liabilities	<u>19</u>	89.753	114.763
<b>TOTAL CURRENT LIABILITIES</b>		<b>2.951.045</b>	<b>3.110.276</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	<u>12</u>	15.439.241	14.085.189
Accounts payable	<u>13</u>	884.368	995.292
Non-current taxes	<u>17.4</u>	1.003.992	1.054.405
Employee benefits	<u>18</u>	390.147	490.130
Provisions	<u>16</u>	240.565	253.275
Other non-financial liabilities	<u>19</u>	499.634	490.647
Deferred tax	<u>17.2</u>	4.613.146	4.505.765
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>23.071.093</b>	<b>21.874.703</b>
<b>TOTAL LIABILITIES</b>		<b>26.022.138</b>	<b>24.984.979</b>

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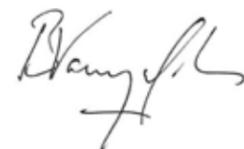
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	NOTE	2018	2017
<b>EQUITY</b>			
	<u>20</u>		
Subscribed and paid-in capital	<u>20.1</u>	36.916	36.916
Premium for placement of shares	<u>20.4</u>	1.428.128	1.428.128
Reserves	<u>20.6</u>	4.428.306	3.585.959
Retained earnings		3.217.227	3.228.134
Income of the year		1.524.382	1.437.936
Other comprehensive income		1.234.415	1.239.964
<b>EQUITY ATTRIBUTABLE TO CONTROLLING INTEREST</b>		<b>11.869.374</b>	<b>10.957.037</b>
Non-controlling interest		7.072.453	7.466.485
<b>TOTAL EQUITY</b>		<b>18.941.827</b>	<b>18.423.522</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>44.963.965</b>	<b>43.408.501</b>

See accompanying notes to financial statements.



**Bernardo Vargas Gibsone**  
CEO  
(See certification attached)



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



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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Years ended as of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	NOTE	2018	2017
<b>REVENUES FROM CONTRACTS WITH CLIENTS</b>	<u>21</u>		
Energy transmission services		4.694.003	4.335.715
Road Concessions		1.015.860	1.088.430
Constructions for sale		699.755	777.045
Telecommunications and Information Technologies		325.787	345.386
Connection charges		232.888	223.979
CND-MEM Dispatch and coordination		85.969	83.402
MEM Services (STN, SIC, SDI)		45.188	32.644
Other revenues		74.517	67.664
<b>TOTAL REVENUES FROM CONTRACTS WITH CLIENTS</b>		<b>7.173.967</b>	<b>6.954.265</b>
Operating costs	<u>23.1</u>	2.467.025	2.499.854
<b>GROSS INCOME</b>		<b>4.706.942</b>	<b>4.454.411</b>
Administrative expenses	<u>23.2</u>	738.072	645.893
Other extraordinary revenues	<u>24</u>	60.901	-
Net equity method revenue/(expense)	<u>25</u>	238.375	139.291
Other net revenues/(expenses)	<u>25</u>	5.016	179.116
<b>NET INCOME FROM OPERATING ACTIVITIES</b>		<b>4.273.162</b>	<b>4.126.925</b>
Income/(expense) financial net	<u>26</u>	(1.089.041)	(866.819)
<b>INCOME BEFORE TAXES</b>		<b>3.184.121</b>	<b>3.260.106</b>
Income tax	<u>17.1</u>	583.727	916.298
<b>INCOME OF THE YEAR</b>		<b>2.600.394</b>	<b>2.343.808</b>
Non-controlling interest		1.076.012	905.872
<b>INCOME ATTRIBUTABLE TO CONTROLLING INTEREST</b>		<b>1.524.382</b>	<b>1.437.936</b>

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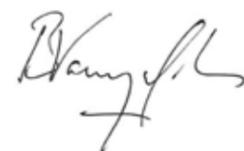
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## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended as of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	2018	2017
<b>INCOME OF THE YEAR</b>		
Net income attributable to		
Controlling interest	1.524.382	1.437.936
Non-controlling interest	1.076.012	905.872
<b>TOTAL NET INCOME OF THE YEAR</b>	<b>2.600.394</b>	<b>2.343.808</b>
Actuarial earnings (losses) from definite benefit plans, net of taxes	2.720	(12.830)
Losses from cash hedging, net of taxes	8.123	(7.698)
Earnings from foreign exchange differences, net of taxes	(16.392)	109.924
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(5.549)</b>	<b>89.396</b>
Total comprehensive income attributable to		
Controlling interest	1.518.833	1.527.332
Non-controlling interest	1.076.012	905.872
<b>COMPREHENSIVE INCOME OF THE YEAR</b>	<b>2.594.845</b>	<b>2.433.204</b>

See accompanying notes to consolidated financial statements.



**Bernardo Vargas Gibsone**  
CEO  
(See certification attached)



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



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

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## CONSOLIDATED CASH FLOW STATEMENTS

December 2018 - December 2017 | Amounts expressed in millions of Colombian pesos

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections from loans and operations portfolio	34.986	32.601
Collections from deposits and exigibilities	2.266	2.192
Collections from insurance accounts receivable	298	12.461
Collections from sales of goods and services	7.482.286	6.791.903
Other collections from operating activities	132.037	407.602
Payments from Secr da Fazenda Ações - Lei 48	(95.017)	(146.524)
Payments from accounts payable to insurance	206	8.224
Payments to suppliers for the provision of goods and services	1.102.208	1.585.363
Payments from contracts held for intermediation	839.099	-
Payments to and on behalf of employees	738.538	737.436
Payments for premiums and benefits, annuities and other obligations	10.825	10.175
Other payments from operating activities	312.092	881.578
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>4.553.888</b>	<b>3.877.459</b>
Interests paid, classified as operating activities	164.514	159.525
Interests received, classified as operating activities	33.861	35.304
Tax on reimbursed income (paid)	1.150.367	923.887
Cash outflows	(2.527)	(30.216)
Payments to suppliers for the provision of goods and services	38.754	(112.342)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3.231.587</b>	<b>2.911.477</b>

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December 2018 - December 2017 | Amounts expressed in millions of Colombian pesos

	2018	2017
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Other charges for the sale of equity or instruments	3	-
Other payments to acquire equity or debt instruments	4.932	9.443
Other payments to acquire interest in joint ventures	25.750	1.462.899
Amounts from the sale of property, plant and equipment	2.317	1.758
Purchase of properties, plant, and equipment	1.986.324	1.675.299
Purchase of intangible assets	227.020	596.110
Cash advances and loans granted to third parties	22.207	18.355
Collections from the reimbursement of advances and loans	19.021	(12.052)
Payments from futures contracts, term contracts, option contracts	16.541	(3.478)
Collections from futures contracts, term contracts, option contracts	1.210	-
Dividends received, classified as investing activities	122.022	-
Interests received, classified as investment activities	45.187	73.077
Other cash inflows (outflows)	(469.137)	(156.682)
<b>NET CASH USED IN INVESTMENT ACTIVITIES</b>	<b>(2.562.151)</b>	<b>(3.852.527)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts from loans	5.267.391	5.317.809
Loans reimbursement	4.048.882	2.293.986
Finance lease liabilities payment	7.232	6.503
Dividends paid, classified as financing activities	1.863.561	858.082

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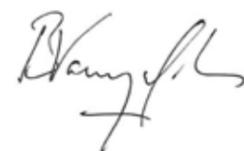
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December 2018 - December 2017 | Amounts expressed in millions of Colombian pesos

	2018	2017
Interests paid, classified as financing activities	814.491	519.549
Income tax reimbursed (paid)	4.430	2.725
Other cash inflows	7.618	85.552
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(1.463.587)</b>	<b>1.722.516</b>
<b>CASH AND CASH EQUIVALENTS, EXCLUDING EXCHANGE EFFECT</b>	<b>(794.151)</b>	<b>781.466</b>
Effects of exchange rate variation on cash	774.660	(386.676)
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>(19.491)</b>	<b>394.790</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>1.541.551</b>	<b>1.146.761</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1.522.060</b>	<b>1.541.551</b>



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**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Years ended as of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	Subscribed and paid-in capital	Premium for placement of shares	Legal	By tax regulation	Reserve for reacquisition of own shares	For equity strengthening	For rehabilitation and replacement of STN assets	Total reserves	Income for the year	Other comprehensive income	Non-controlling interest	Total
	NOTE 20.1	20.4										
<b>BALANCE AS OF DECEMBER 31, 2016</b>	<b>36.916</b>	<b>1.428.128</b>	<b>18.458</b>	<b>811.959</b>	<b>38.100</b>	<b>972.758</b>	<b>37.434</b>	<b>1.878.709</b>	<b>5.369.536</b>	<b>1.150.568</b>	<b>7.047.621</b>	<b>16.911.478</b>
Transfers approved by the General Shareholders' Meeting	-	-	-	86.843	(38.100)	1.658.507	-	1.707.250	(1.707.250)	-	-	-
Ordinary dividends at COP228 per share and an extraordinary dividend at COP60 per share settled on 1.107.677.894 outstanding shares.	-	-	-	-	-	-	-	-	(434.210)	-	-	(434.210)
Foreign exchange difference	-	-	-	-	-	-	-	-	58	202.820	(487.008)	(284.130)
Other comprehensive income	-	-	-	-	-	-	-	-	-	(113.424)	-	113.424
Net income as of December 31, 2016	-	-	-	-	-	-	-	-	1.437.936	-	905.872	2.343.808
<b>BALANCE AS OF DECEMBER 31, 2017</b>	<b>36.916</b>	<b>1.428.128</b>	<b>18.458</b>	<b>898.802</b>	<b>-</b>	<b>2.631.265</b>	<b>37.434</b>	<b>3.585.959</b>	<b>4.666.070</b>	<b>1.239.964</b>	<b>7.466.485</b>	<b>18.423.522</b>

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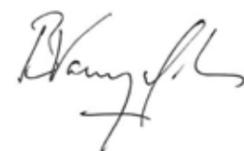
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## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended as of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	NOTE	Subscribed and paid-in capital 20.1	Premium for placement of shares 20.4	RESERVES						Income for the year	Other comprehensive income	Non-controlling interest	Total
				Legal	By tax regulation	Reserve for reacquisition of own shares 20.6	For equity strengthening	For rehabilitation and replacement of STN assets	Total reserves				
Transfers approved by the General Shareholders' Meeting		-	-	-	-	-	842.347	-	842.347	(842.347)	-	-	-
Ordinary dividends at COP248 per share and an extraordinary dividend at COP144 per share settled on 1.107.677.894 outstanding shares.		-	-	-	-	-	-	-	-	(600.362)	-	-	(600.362)
Foreign exchange difference		-	-	-	-	-	-	-	-	-	(16.392)	(1.470.045)	(1.486.437)
Other comprehensive income		-	-	-	-	-	-	-	-	-	10.843	-	10.843
Net income as of December 31, 2018		-	-	-	-	-	-	-	-	1.524.382	-	1.076.013	2.600.395
Increase (decrease) from change in policies		-	-	-	-	-	-	-	-	(6.134)	-	-	(6.134)
<b>BALANCE AS OF DECEMBER 31, 2018</b>		<b>36.916</b>	<b>1.428.128</b>	<b>18.458</b>	<b>898.802</b>	<b>-</b>	<b>3.473.612</b>	<b>37.434</b>	<b>4.428.306</b>	<b>4.741.609</b>	<b>1.234.415</b>	<b>7.072.453</b>	<b>18.941.827</b>



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# INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018 AND 2017

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

### I. GENERAL NOTES

#### 1. ISA and its companies

Interconexión Eléctrica S.A. E.S.P., (ISA), parent company, with headquarters in Medellín, was incorporated as Joint Stock Company by public deed N° 3057 issued by the 8th Notary of the Notarial Circuit of Bogotá, on September 14, 1967.

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

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

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

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

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

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**ISA'S PURPOSE IS:**

- The provision of the Energy Transmission utility, pursuant to the provisions of Law 142 and 143 of 1994 and the regulations adding, amending, or replacing them, as well as the provision of services associated, complementary, and related to such activities, as per the legal and regulatory framework in force.
- The development of systems, activities and services of Information and Telecommunications Technologies.
- The direct or indirect participation in activities and services related to the transmission of other energies.
- The provision of technical and non-technical services in activities related to their purpose.
- The development of infrastructure projects and their commercial operation, as well as the execution of activities related to the exercise of engineering according to Law 842 of 2003 and the regulations that add, modify, or replace it.
- Investment in national or foreign companies which purpose is the use of any legal economic activity; investment in movable and immovable assets, and investment in shares, quotas or shares, bonds, commercial papers, fixed income or variable income documents registered in the public securities market, or any other modality provided by Law, allowing the investment of resources.
- Management of the economic group companies by defining strategic, organizational, technical, and financial guidelines, among others.

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

INTERCOLOMBIA S.A. E.S.P., TRANSELCA S.A. E.S.P., XM S.A. E.S.P. and its subsidiary Sistemas Inteligentes en Red S.A.S.; ISA Capital do Brasil S.A., and

its affiliate Companhia de Transmissão de Energia Elétrica Paulista (CTEEP) and its subsidiaries Interligação Elétrica Aguapeí S.A., Evrecy Participações LTDA, Interligação Elétrica Itaúnes S.A., Interligação Elétrica Biguaçu S.A, Interligação Elétrica Serra do Japi S.A., (IE Serra do Japi), Interligação Elétrica de Minas Gerais S.A., (IEMG), Interligação Elétrica Norte e Nordeste S.A., (IENNE), Interligação Elétrica Pinheiros S.A., (IE PINHEIROS), Interligação Elétrica Sul S.A., (IESUL), Interligação Elétrica Tibagi S.A., Interligação Elétrica Itaquerê S.A., Interligação Elétrica Itapura S.A., ISA Investimentos e Participações Ltda; ISA PERÚ S.A., Red de Energía del Perú (REP), Consorcio Transmantaro S.A., Proyectos de Infraestructura del Perú S.A.C., ISA BOLIVIA S.A., INTERNEXA S.A., and its subsidiaries INTERNEXA PERU and INTERNEXA CHILE, Transamerican Telecommunication S.A., (INTERNEXA ARGENTINA S.A.), INTERNEXA PARTICIPAÇÕES S.A., and its subsidiary INTERNEXA BRAZIL Operadora de Telecomunicações S.A., INTERCHILE S.A., ISA Inversiones Chile Ltda., ISA Inversiones Maule Ltda., and its subsidiary INTERVIAL CHILE S.A., which simultaneously owns ISA Inversiones Toltén Ltda., and the concessionaires: Ruta de la Araucanía Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., Ruta del Maipo Sociedad Concesionaria S.A., Ruta de los Ríos Sociedad Concesionaria S.A. and Ruta del Loa Sociedad Concesionaria S.A.; INTERVIAL COLOMBIA S.A.S., and Linear Systems RE LTD, companies in which the parent company has direct and indirect interest (hereinafter the subsidiaries).

ISA's companies had the following number of employees during 2018 and 2017, which is reported to comply with the External Circular 002 of 1998, issued by the Financial Superintendence of Colombia, which requests to disclose the number of people employed during the period by the parent or controlling company and its subsidiaries, classified by management and trust employees and others, and the personnel expenses generated for each of these categories.

	2018						
	COMPANY	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL	
		N° PEOPLE	VALUE	N° PEOPLE	VALUE	N° PEOPLE	VALUE
Message from ISA's CEO	Interconexión Eléctrica S.A. E.S.P. (ISA)	200	43.751	9	877	209	44.628
Report Profile	INTERCOLOMBIA S.A. E.S.P.	372	63.165	186	23.356	558	86.521
Company profile	Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	105	28.027	1.380	99.258	1.485	127.285
	Interconexión Eléctrica ISA Perú S.A.	1	77	-	-	1	77
Strategy	Red de Energía del Perú (REP)	229	42.338	149	17.584	378	59.922
	Consortio Transmantaro S.A.	1	77	-	-	1	77
Stakeholders	Proyectos de Infraestructura del Perú S.A.C.	23	2.185	37	2.807	60	4.992
	TRANSELCA S.A. E.S.P.	16	5.088	209	25.545	225	30.633
Corporate Government	XM S.A. E.S.P.	228	41.664	2	231	230	41.895
	Sistemas Inteligentes en Red S.A.S.	47	2.324	-	-	47	2.324
Energy Transmission	INTERNEXA S.A.	176	34.599	13	851	189	35.450
	INTERNEXA S.A. (Peru)	28	6.016	7	1.005	35	7.021
Road Concessions	INTERNEXA CHILE S.A.	14	2.570	-	-	14	2.570
	ISA BOLIVIA S.A.	3	1.247	27	1.793	30	3.040
	Transamerican Telecommunication S.A.	2	974	8	1.091	10	2.065
Information and Telecommunication Technologies	INTERNEXA BRAZIL Operadora de Telecomunicações S.A.	6	7.361	91	32.770	97	40.131
	INTERCHILE S.A.	7	2	45	5	52	7
	INTERVIAL CHILE S.A.	12	8.589	69	12.857	81	21.446
Real-Time Systems Management	Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	1	196	29	2.295	30	2.491
	Ruta del Maipo Sociedad Concesionaria S.A. (*)	13	3.419	119	10.451	132	13.870
	Ruta del Maule Sociedad Concesionaria S.A. (*)	3	831	40	2.643	43	3.474
Financial results	Ruta del Bosque Sociedad Concesionaria S.A. (*)	1	70	32	2.310	33	2.380
	Ruta del Loa Sociedad Concesionaria S.A. (*)	1	330	-	-	1	330
	Ruta de los Ríos Sociedad Concesionaria S.A. (*)	-	-	27	2.360	27	2.360
	<b>TOTAL</b>	<b>1.489</b>	<b>294.900</b>	<b>2.479</b>	<b>240.089</b>	<b>3.968</b>	<b>534.989</b>

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

	2017						
	COMPANY	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL	
		N° PEOPLE	VALUE	N° PEOPLE	VALUE	N° PEOPLE	VALUE
Message from ISA's CEO	Interconexión Eléctrica S.A. E.S.P., (ISA)	209	41.811	13	1.107	222	42.918
Report Profile	INTERCOLOMBIA S.A. E.S.P.	380	58.244	197	24.619	577	82.863
Company profile	ISA CAPITAL DO BRASIL S.A.	2	1.811	2	-	4	1.811
Strategy	Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	119	37.920	1.489	165.471	1.608	203.391
Stakeholders	Interligação Elétrica de Minas Gerais S.A., (IEMG) (*)	6	307	10	831	16	1.138
Corporate Government	Interligação Elétrica Pinheiros S.A., (IE PINHEIROS) (*)	7	368	24	2.364	31	2.732
Energy	Interligação Elétrica Serra do Japi S.A., (IE Serra do Japi) (*)	7	720	14	1.496	21	2.216
Transmission	Evrecy Participações LTDA (*)	6	100	9	901	15	1.001
Road Concessions	ISA PERÚ S.A.	1	114	-	-	1	114
Information and Telecommunication Technologies	Red de Energia del Perú (REP)	227	40.978	150	17.344	377	58.322
Real-Time Systems Management	Consortio Transmantaro S.A.	1	219	-	-	1	219
Financial results	Proyectos de Infraestructura del Perú S.A.C.	12	1.643	70	4.234	82	5.877
Annexes	ISA BOLIVIA S.A.	3	1.211	26	1.856	29	3.067
	TRANSELCA S.A. E.S.P.	16	4.548	197	23.700	213	28.248
	XM S.A. E.S.P.	238	40.061	3	316	241	40.377
	Sistemas Inteligentes en Red S.A.S.	49	2.220	-	-	49	2.220
	INTERNEXA S.A.	194	29.943	16	1.002	210	30.945
	INTERNEXA S.A. (Peru)	21	5.103	8	1.276	29	6.379
	INTERNEXA CHILE S.A.	14	3.306	-	-	14	3.306
	Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	2	838	7	1.625	9	2.463

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	2017					
	COMPANY	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL
INTERNEXA BRAZIL Operadora de Telecomunicações S.A.	9	5.113	86	34.006	95	39.119
INTERCHILE S.A.	2	1.679	40	3.903	42	5.582
INTERVIAL CHILE S.A.	11	5.468	65	14.923	76	20.391
Ruta de la Araucanía Sociedad Concesionaria S.A.	-	-	29	2.076	29	2.076
Ruta del Maipo Sociedad Concesionaria S.A.	5	2.808	123	12.091	128	14.899
Ruta del Maule Sociedad Concesionaria S.A.	2	776	40	3.098	42	3.874
Ruta del Bosque Sociedad Concesionaria S.A.	-	-	32	2.448	32	2.448
Ruta de los Ríos Sociedad Concesionaria S.A.	-	-	28	2.028	28	2.028
<b>TOTAL</b>	<b>1.531</b>	<b>287.309</b>	<b>2.678</b>	<b>322.715</b>	<b>4.221</b>	<b>610.024</b>

(\*) In 2018, the concessionaire company does not have management and trust personnel, as it is directly hired by Companhia de Transmissão de Energia Elétrica Paulista (CTEEP).

## 2. Basis of presentation

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

### 2.1 CONSOLIDATION PRINCIPLES

Consolidated financial statements include the financial statements of the Parent company and all affiliates and subsidiaries (including consolidable structured entities).

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

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

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

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

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

The consolidation of operations of the Parent company and subsidiaries was determined using the following principles:

- a. At the time of takeover, the assets acquired and liabilities assumed from the subsidiary are recorded at fair value, except for certain assets and liabilities that are recorded following the valuation principles set out in other IFRS.
- b. The value of the interest of non-controlling shareholders in equity and in the comprehensive income of subsidiaries, respectively, is presented under non-controlling interest in the consolidated statement of financial position. The income of the accounting year, and each component of the other comprehensive income, is attributed to the owners of the controlling entity and to the non-controlling interest. These shares correspond to third parties alien to ISA's businesses. At ISA Capital do Brasil S.A., it includes stake on the preferred stocks under repurchase agreement with HSBC and BV Financeira S.A. Likewise, it includes preferential dividends linked to this stake.
- c. Subsidiaries Financial statements are included in the consolidated financial statements, as of the date in which the Group obtained control over the subsidiary and up to the date its control ends.

- d. Investments in foreign subsidiaries are recorded based on financial statements as of the reporting date, approved by the Colombian Financial Reporting and Accounting Standards (NCIF) and converted into Colombian pesos, according to the provisions of IAS 21, prior definition of the functional currency, using the U.S. dollar as reference currency. The income and financial position of all entities of ISA's businesses which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

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

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

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

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

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

- The aggregate fair value of the consideration received, and the fair value of the share retained and,
- The previous carrying amount of the assets (including surplus value) and the liabilities of the subsidiary and the non-controlling interest.

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

In the investments in associates and joint ventures, the Parent company applies the equity method in its consolidated financial statements.

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

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

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

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

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

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

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

Consolidated financial statements as of December 31, 2018, were authorized to be issued by the Board of Directors on March 6, 2019.

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The following figures were taken from the accounting records of ISA and its companies as of December 31, 2018 and 2017, and the consolidation currency (Colombian peso), according to the provisions of Decree 2784/2014 and all its subsequent amendments.

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	ASSETS	LIABILITIES	EQUITY WITHOUT PROFIT	PROFIT (LOSS)
Interconexión Eléctrica S.A. E.S.P., (ISA)	18.104.124	6.210.885	10.364.084	1.529.155
INTERCOLOMBIA S.A. E.S.P.	231.602	147.393	57.731	26.478
ISA Investimentos e Participações Ltda.	889.010	195.171	609.672	84.167
ISA Capital do Brasil S.A.	3.392.457	29.215	2.877.087	486.155
Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	15.071.453	5.788.306	7.762.295	1.520.852
Interligação Elétrica de Minas Gerais S.A., (IEMG)	107.888	26.666	69.852	11.370
Interligação Elétrica Pinheiros S.A., (IE PINHEIROS)	510.934	88.266	381.081	41.587
Interligação Elétrica Serra do Japi S.A., (IE Serra do Japi)	437.857	73.813	330.099	33.945
Interligação Elétrica Norte e Nordeste S.A., (IENNE)	403.062	173.055	148.528	81.479
Interligação Elétrica Sul S.A., (IESUL)	218.906	62.108	154.684	2.114
Evrecy Participações Ltda.	45.214	3.747	47.213	(5.746)
Interligação Elétrica Tibagi S.A.	12.183	1.728	10.639	(184)
Interligação Elétrica Aguapeí S.A.	11.020	1.343	9.541	136
Interligação Elétrica Itaquerê S.A.	108.882	13.356	93.542	1.984
Interligação Elétrica Itapura S.A.	24.031	18.046	6.362	(377)
Interligação Elétrica Itaúnas	40.869	3.078	36.339	1.452
Interligação Elétrica Biguaçu S.A.	3.057	396	2.712	(51)
ISA PERÚ S.A.	194.313	85.543	86.809	21.961
Red de Energía del Perú (REP)	1.644.090	1.036.844	468.180	139.066
Consortio Transmantaro S.A.	4.811.931	3.235.608	1.423.479	152.844
Proyectos de Infraestructura del Perú S.A.C.	131.739	111.969	12.060	7.710
ISA Bolivia S.A.	163.946	26.706	105.073	32.167
TRANSELCA S.A. E.S.P.	1.436.935	644.643	656.508	135.784

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	2018				
	COMPANY	ASSETS	LIABILITIES	EQUITY WITHOUT PROFIT	PROFIT (LOSS)
Message from ISA's CEO	XM, S.A. E.S.P.	152.086	133.882	12.162	6.042
Report Profile	Sistemas Inteligentes en Red S.A.S.	13.428	7.948	1.246	4.234
Company profile	INTERNEXA S.A.	375.330	303.075	145.540	(73.285)
	INTERNEXA S.A. (Peru)	210.244	182.654	19.925	7.665
	INTERNEXA CHILE S.A.	58.227	48.295	10.917	(985)
Strategy	Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	24.786	10.832	13.843	111
Stakeholders	INTERNEXA Participações S.A.	65.313	219	166.077	(100.983)
	INTERNEXA BRAZIL Operadora de Telecomunicações	253.615	188.360	165.346	(100.091)
Corporate Government	ISA Inversiones Chile Ltda.	1.981.358	241	1.830.852	150.265
	ISA Inversiones Maule Ltda.	1.362.648	262.994	1.010.037	89.617
Energy Transmission	INTERVIAL CHILE S.A.	3.075.570	116.413	2.700.638	258.519
	Ruta de la Araucanía Sociedad Concesionaria S.A.	1.069.884	669.446	372.537	27.901
	Ruta del Maipo Sociedad Concesionaria S.A.	5.620.000	3.691.529	1.730.285	198.186
Road Concessions	Ruta del Maule Sociedad Concesionaria S.A.	175.869	25.932	124.526	25.411
	Ruta del Bosque Sociedad Concesionaria S.A.	550.160	431.153	114.854	4.153
	Ruta de los Ríos Sociedad Concesionaria S.A.	412.185	318.518	72.469	21.198
Information and Telecommunication Technologies	Ruta del Loa Sociedad Concesionaria S.A.	81.592	56.497	23.411	1.684
	ISA Inversiones Toltén Ltda.	39	-	39	-
Real-Time Systems Management	Linear Systems Re LTD.	33.632	22.065	8.795	2.772
	INTERCHILE S.A.	3.492.166	2.348.705	1.111.829	31.632
	INTERVIAL COLOMBIA S.A.S.	1.281	14	1.271	(4)
<b>Financial results</b>	Fondo de Inversión Referenciado DI Bandeirantes	215.635	34	189.034	26.567
	Fondo de Inversión Xavantes Referenciado DI	220.808	17	219.563	1.228
Annexes	Patrimonio Autónomo Betania	10.246	-	12.898	(2.652)
	ASSIS - Fundo de Investimento Assis	140.425	3	127.985	12.437

		2017			
COMPANY		ASSETS	LIABILITIES	EQUITY WITHOUT PROFIT	PROFIT (LOSS)
Message from ISA's CEO	Interconexión Eléctrica S.A. E.S.P. (ISA)	16.726.509	5.750.381	9.533.420	1.442.708
Report Profile	INTERCOLOMBIA S.A. E.S.P.	228.197	149.159	54.616	24.422
Company profile	INTERNEXA S.A.	462.220	299.248	162.283	689
	TRANSELCA S.A. E.S.P.	1.388.890	656.210	624.702	107.978
Strategy	XM S.A. E.S.P.	141.780	117.944	16.786	7.050
Stakeholders	Sistemas Inteligentes en Red S.A.S.	23.502	11.845	8.070	3.587
	INTERVIAL COLOMBIA S.A.S.	1.289	18	1.272	(1)
Corporate Government	ISA Inversiones Chile LTDA.	1.873.013	3.030	1.738.213	131.770
	INTERVIAL CHILE S.A.	3.030.964	90.660	2.700.611	239.693
Energy Transmission	Ruta del Maipo Sociedad Concesionaria S.A.	5.660.841	3.870.525	1.585.323	204.993
	Ruta del Maule Sociedad Concesionaria S.A.	321.048	180.559	142.881	(2.392)
Road Concessions	Ruta del Bosque Sociedad Concesionaria S.A.	655.585	536.457	121.097	(1.969)
	Ruta de los Ríos Sociedad Concesionaria S.A.	497.217	382.620	86.887	27.710
	Ruta de la Araucanía Sociedad Concesionaria S.A.	1.213.428	827.239	356.754	29.435
Information and Telecommunication Technologies	ISA Inversiones Chile Ltda.	2.349.102	1.393.329	968.854	(13.081)
	ISA Inversiones Maule Ltda.	1.326.480	280.700	937.088	108.692
Real-Time Systems Management	INTERNEXA CHILE S.A.	67.854	56.232	8.788	2.834
	ISA Inversiones Toltén Ltda.	41	-	41	-
Financial results	ISA Investimentos e Participações S.A.	937.212	299.087	627.296	10.829
	ISA Capital do Brasil S.A.	3.690.189	703.402	2.372.332	614.455
	Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	15.062.546	5.153.720	8.646.333	1.262.493
Annexes	Evrecy Participações Ltda.	46.583	3.065	36.734	6.784

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	2017				
	COMPANY	ASSETS	LIABILITIES	EQUITY WITHOUT PROFIT	PROFIT (LOSS)
Message from ISA's CEO	Interligação Elétrica de Minas Gerais S.A., (IEMG)	174.083	40.171	116.980	16.932
Report Profile	Interligação Elétrica Pinheiros S.A., (IE PINHEIROS)	564.676	115.340	412.962	36.374
Company profile	Interligação Elétrica Serra do Japi S.A. (IE Serra do Japi)	341.474	79.116	221.852	40.506
	Internexa Participações S.A.	162.335	413	187.752	(25.830)
Strategy	INTERNEXA BRAZIL Operadora de Telecomunicações S.A.	360.341	198.329	186.852	(24.840)
	Interligação Elétrica Itaúnas S.A.	7.592	991	6.770	(169)
Stakeholders	IE TIBAGI S.A.	2.284	137	2.258	(111)
	IE AGUAPEÍ S.A.	4.272	129	4.242	(99)
Corporate Government	IE ITAQUERÊ S.A.	10.177	667	9.471	39
	IE ITAPURA S.A.	3.048	70	3.069	(91)
Energy Transmission	Interligação Elétrica Norte e Nordeste S.A., (IENNE)	688.320	307.098	385.678	(4.456)
	Consorcio Transmantaro S.A.	4.277.218	2.789.156	1.355.583	132.479
Road Concessions	ISA PERÚ S.A.	194.506	98.577	77.989	17.940
	Proyectos de Infraestructura del Perú S.A.C.	69.773	50.449	7.994	11.330
Information and Telecommunication Technologies	Red de Energia del Perú (REP)	1.540.889	959.635	490.756	90.498
	INTERNEXA S.A. (Peru)	193.232	175.173	10.887	7.172
	Transamerican Telecommunication S.A. (INTERNEXA ARGENTINA S.A.)	22.401	9.016	8.946	4.439
Real-Time Systems Management	Linear Systems Re Ltd.	40.736	32.914	5.252	2.570
	ISA BOLIVIA S.A.	149.026	40.564	80.379	28.083
	Fundo de Investimento Referenciado DI Bandeirantes	244.045	14	224.513	19.518
	Fundo de Investimento Xavantes Referenciado DI	169.500	14	168.445	1.041
<b>Financial results</b>	ASSIS - Fundo de Investimento Assis	143.818	149	140.316	3.353
Annexes	Patrimonio Autónomo Betania	6.987	-	7.448	(461)

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### 2.1.1 Business combination

During 2018, the following business combination in ISA was presented through its affiliates and subsidiaries:

#### 2.1.1.1 IESUL

ISA, through its subsidiaries ISA Capital do Brasil, and ISA CTEEP, acquired all stakes of other shareholders in IESUL.

On April 6, 2018, ISA CTEEP entered into an agreement with Cymi Construções e Participações S.A., to acquire 50,00% less one (1) share of the total share capital of IESUL for BRL20.075 million. Conselho Administrativo de Defesa Econômica (CADE) and Agência Nacional de Energia Elétrica (ANEEL) authorized the transaction in April and June 2018, respectively. The completion

of the operation and the effective acquisition took place in September 2018 for BRL20,53 million (COP15.240 million). As a result of the operation, ISA started to control IESUL.

IESUL was incorporated on July 23, 2008, with the purpose of exploiting the energy transmission utility concession, especially Nova Santa Rita – Scharlau, Jorge Lacerda B - Siderópolis and Joinville Norte – Curitiba, Transmission Lines, Scharlau and Forquilha Substations, and started commercial operations in 2010.

The fair value of assets acquired and liabilities assumed, as well as the calculation of the profit from the purchase in advantageous terms, were defined according to the preliminary valuation made by an independent consulting firm, based on the financial statements as of August 31, 2018, as shown below:

	ACCOUNTING VALUE ON 31.08.2018	ACCOUNTING VALUE AFTER THE APPLICATION OF IFRS 15 ON 31.08.2018	INVESTMENT ADJUSTMENT AT FAIR VALUE	ASSETS AND LIABILITIES AT FAIR VALUE
Accounts receivable - concession	242.049	197.224	(44.826)	143.760
Restricted cash	1.290	1.290	-	1.290
Other current liabilities	6.117	6.117	-	6.117
<b>TOTAL ASSETS</b>	<b>249.456</b>	<b>204.631</b>	<b>(44.826)</b>	<b>151.167</b>
Loans and financing	15.759	15.759	-	15.759
Other current liabilities	6.155	6.155	-	6.155
Deferred income tax and social contribution	16.803	16.803	-	16.803
Deferred PIS and COFINS	23.943	23.943	-	23.943
<b>TOTAL LIABILITIES</b>	<b>62.660</b>	<b>62.660</b>	<b>-</b>	<b>62.660</b>
<b>NET EQUITY</b>	<b>186.796</b>	<b>141.971</b>	<b>(44.826)</b>	<b>88.507</b>

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This acquisition of shares originated the following accounting impacts on September 30, 2018:

	<b>ACCOUNTING VALUE ON 30.09.2108</b>
Assets and liabilities at fair value	88.508
Percentage acquired - Shares acquired	50%
<b>SHARES ACQUIRED</b>	<b>44.254</b>
Value paid	(15.240)
Capital contribution - Cymi 50% stake	1.753
<b>PROFIT</b>	<b>30.767</b>

The fair value of the above stake (50%) is:

	<b>ACCOUNTING VALUE ON 30.09.2108</b>
Accounting value of the investment before the control acquisition (50%)	93.399
Investment's fair value	44.254
<b>LOSS IN ACQUISITION OF CONTROL OF IESUL</b>	<b>(49.145)</b>

## 2.2 ACCOUNTING PRINCIPLES

ISA's business group prepares financial statements in accordance with the Colombian Financial Reporting and Accounting Standards (NCIF) established in Law 1314 of

2009, regulated by Decree 2420 of 2015, amended by decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017; these last decrees were compiled in Decree 2483 of 2018, and with all the legal provisions in force adopted by the General Accounting office of the Nation.

These Financial Reporting and Accounting Standards correspond to the International Financial Reporting Standards (IFRS), officially translated, and authorized by the International Accounting Standards Board (IASB).

## 2.3 APPLICATION OF THE STANDARDS INCORPORATED IN COLOMBIA AS OF JANUARY 1, 2018

ISA and its companies have applied the following amendments for the first time in 2018, according to Decree 2496 of 2015, issued by the Ministry of Commerce, Industry and Tourism.

## 2.4 NEW COLOMBIAN FINANCIAL REPORTING AND ACCOUNTING STANDARDS (NCIF), IN FORCE AS OF JANUARY 1, 2018

### 2.4.1.1 IFRS 9 - Financial Instruments: classification and valuation

#### **Impairment impact**

IFRS 9 introduces new requirements for classification, measurement, and impairment of financial assets and hedge accounting.

IFRS 9 introduces a new model to establish the impairment of financial assets. It is based on the expected loss, unlike the IAS 39 model based on the loss incurred. According to the impairment approach in IFRS 9, it is no longer necessary for an event related to credit to occur before recognizing credit losses.

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In this way, the expected loss model will result from recognizing impairments in advance, since it is not necessary that an impairment event has occurred. In general, and conceptually, all assets will have an expected impairment from day 1 after their initial recognition which is updated at each reporting date, to reflect changes in credit risk.

#### 2.4.1.2 IFRS 15 Revenues from ordinary activities from contracts with clients

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

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

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

For transition purposes, the standard could be retroactively applied to each presentation period or retroactively with the accumulated effect recognized in the initial application.

For each country except Brazil, once the assessment of the implications for the adoption of IFRS 15 was made, ISA concluded that there are no quantitative effects in the application of IFRS 15, since the measurement and recognition made under IAS 18 and IAS 11 is similar to IFRS 15.

#### Impact in Brazil

All Concession Agreements of ISA CTEEP and TAESA were classified within the contractual asset model as of January 1, 2018, in accordance with the adoption of IFRS 15 - Revenues from Contracts with clients (in Brazil, CPC 47 - Receita de Contrato com Cliente-).

The contractual asset originates to the degree that a concessionaire meets the obligation to build and implement the transmission infrastructure, being an income recognized during the term of the project. The benefits of this asset are the potential cash flows.

The value of the contractual asset of energy transmission concessionaires is composed of the present value of their future cash flows, which are determined at the beginning of the concession or its extension and are revalued in the Periodic Fee Review (Revisión Tarifaria Periódica (RTP)).

Cash flows are defined based on the compensation that concessionaires receive from providing the transmission utility to users, Receita Anual Permitida (RAP). These collections amortize investments made in the transmission infrastructure. Any eventual investments that are not amortized (reversed assets) generate the right to compensation of the Grantor's Power, which is equivalent to the additional compensation of the entire transmission infrastructure at the end of the Concession Agreement. This flow of future collections is adjusted by inflation (Extended Consumer Price Index (IPCA)/General Market Price Index (IGPM)) and remunerated by a discount rate that represents the financial component of the business defined at the beginning of each project.

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During the execution stage of the construction of the work, the concessionaire has the right to consideration in accordance with the completion of the work and performance obligations and not only over time; being the recognition of construction revenues related to the formation of this asset through incurred expenses.

The offsetting entry from infrastructure construction services made on concession assets as of January 1, 2018, will be recorded in the financial statements as "Construction revenues", and as a contractual asset for having the right to consideration and being conditioned to compliance with performance obligations.

Construction revenues and consideration revenues from concession assets are subject to the deferral of the Social Integration Program (PIS) and of the cumulative Social Security Financing Contribution (COFINS), recorded in the "deferred taxes" account in non-current liabilities.

The quantified impact of the first application of IFRS 9 and IFRS 15 in ISA's retained income is as follows:

2018	
Impacts of the application of IFRS 9, expected loss	(12.603)
Impacts of the application of IFRS 15, contractual asset	6.469
<b>IMPACT ON RETAINED INCOME</b>	<b>(6.134)</b>

**2.4.2 Amendments to Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2018**

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

**2.4.2.1 Amendments to IAS 7**

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

**2.4.2.2 Amendments to IAS 12**

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

The Group anticipates that the adoption of the aforementioned standards and interpretations issued by the IASB, not yet in force in Colombia, would not have a material impact on the financial statements.

**2.5 IMPLEMENTATION OF NEW STANDARDS AND INTERPRETATIONS**

Numeral 3 of Article 2.1.2 of book 2, Part 1 of Decree 2420 of 2015 as amended by Decrees 2496 of 2015 and 2131 and 2170 of 2017, which latest decrees were compiled in Decree 2483 of 2018, include the standards issued by the IASB that have been adopted in Colombia that will become in effect in years subsequent to 2018.

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## 2.5.1 New Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2019

### 2.5.1.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaced: IAS 17, that stipulates accounting policies to account for and disclose information related to leases; IFRIC 4, that determines whether an agreement contains a Lease; SIC-15 which determines the treatment of incentives derived from an operating lease and SIC-27 which evaluates the substance of transactions that involve the legal form of a lease agreement.

IFRS 16 establishes principles to recognize, measure, present and disclose leases and requires lessees to recognize their agreements under a model similar to the financial leases model under IAS 17. This standard contemplates two exceptions for this recognition: leases of low-value assets (for example, personal computers) and short-term leases (that is, terms of less than 12 months). On the starting date of a lease, the lessee will recognize: an asset that represents the right to use the underlying asset during the term of the agreement, a liability for periodic payments that must be made, an interest expense generated from the lease liability, and a depreciation expense that arises from the asset for the right of use.

This new standard also requires lessees to re-measure the lease liability when certain events occur (for example, a change in the term of the lease, a change in future fees resulting from a change in an index or a rate used to determine them). The lessee will generally recognize the amount of the new measurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 does not contain significant changes in the recognition requirements for lessors

with respect to IAS 17. It will be effective for periods beginning on or after January 1, 2019. ISA plans to adopt it on the effective date required.

### Transition Effects of IFRS 16.

During 2018, the Group assessed the impact of the implementation of IFRS 16 based on information available, possibly subject to changes derived from reasonable and supported additional information, which would be made available in 2019, when the standard is adopted. The Group has decided the following:

- Applying this standard to agreements previously identified as leases based on IAS 17 and IFRIC 4.
- Determining retrospectively the cumulative effect in the initial application of the standard.
- Applying exceptions proposed by the standard for leases with low-value underlying assets and which term expires in 12 months.
- Managing all computer and communication equipment agreements as low-value leases.
- Reviewing policies and procedures and adjust information systems, internal processes and controls, in accordance with the new regulatory requirements.
- IFRS 16 does not contain significant changes in the recognition requirements for lessors with respect to IAS 17. The Company does not expect significant or material impacts in the application of the new standard.

### 2.5.2 Annual Improvements to IFRS, Cycle 2014-2016

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

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#### 2.5.2.1 IFRS 1 - Elimination of short-term exemptions for first-time adopters

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

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

These amendments clarify the following:

- A company which is a venture capital organization or other qualified entity, may choose in the initial recognition of each of the investments, to measure its investments in associates and joint ventures at fair value with changes in income.
- If an entity other than an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may accumulate the measurement at fair value applied by such investment entity to its associates or joint agreements in the application of the equity method. This choice is made separately for each investment, on the closest date among the date on which the investment entity is initially recognized, the date on which the associate or joint agreement becomes investment entity, and the date on which the investment associate entity or joint venture becomes a parent company.

The Company foresees that the adoption of this amendment would not have a material impact on the financial statements.

#### 2.5.2.3 Annual Improvements of IFRS, Cycle 2015 - 2017

These improvements are included in Decree 2483 of 2018, effective as of January 01, 2019 and include:

#### 2.5.2.4 IFRS 3 – Business combinations

The amendments clarify that when an entity acquires the control of a business in a joint operation, the entity will apply the requirement for a business combination reached by stages, including the prior remeasurement of the interest held on the assets and liabilities of the joint operation at fair value. By doing so, the acquirer will fully re-measure them prior to having interest in the joint operation.

It will be effective as of January 2019.

#### 2.5.2.5 IFRS 11 - Joint agreements

A party that has an interest in, but does not have joint control of a joint operation, can acquire the control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. Amendments clarify that the interest previously held in the joint operation should not be re-measured.

It will be effective as of January 2019.

#### 2.5.2.6 IAS 12 – Income tax

Through this amendment, it is clarified that an entity will recognize consequences of dividends on income tax, as defined in IFRS 9, when it recognizes a payable dividend liability. Consequences of dividends on income tax are more directly related to past transactions or events that generated distributable income than with distributions made to owners. Therefore, an entity will recognize the consequences of dividends on income tax on results for the period, other comprehensive income, or equity, depending on where the entity originally recognized those past transactions or events.

It will be effective as of January 2019.

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### 2.5.2.7 IAS 23 – Loans costs

This amendment to IFRS 23 clarifies that as the funds of an entity come from generic loans and the entity uses them to obtain a qualifying asset, the value of costs eligible for capitalization will be determined by applying a capitalization rate to disbursements made in said asset. Additionally, it clarifies that the capitalization rate will be the weighted average of the loan costs applicable to all loans received by the entity, outstanding during the period. However, the entity must exclude loans costs applicable to loans specifically agreed to finance a qualifying asset from this calculation, until all activities necessary to prepare that asset for its intended use or sale are materially completed. The value of loan costs capitalized during the period must not exceed total loan costs incurred during the same period.

Effective date: January 2019.

## 2.5.3 Amendments and modifications to Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2019

### 2.5.3.1 Amendments to IFRS 9

This amendment defines requirements of IFRS 9 regarding termination rights of an agreement to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments.

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

Effective date: January 2019.

### 2.5.3.2 IFRIC 22 - Foreign Currency Transactions and Advance Considerations

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

Effective date: January 2019.

### 2.5.3.3 Amendment to IAS 28 - Long-term investments in associates and joint ventures

This amendment clarifies that an entity will apply IFRS 9, instead of IAS 28, when accounting for long-term investments. Therefore, when applying IFRS 9, no associate or joint venture loss is taken into account, or any impairment loss on the net investment, recognized as adjustments to the net investment in the associate or joint venture using IAS 28.

The Company foresees that the adoption of the aforementioned standards and interpretations issued by the IASB, not yet in force in Colombia, would not have a material impact on the financial statements.

## 2.5.4 Amendments issued by the IASB not adopted in Colombia

### 2.5.4.1 IFRIC 23 - Uncertainty over Income Tax Treatments

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

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Effective date: January 2019.

#### 2.5.4.2 IAS 1 – Financial statements presentation

This interpretation establishes that information is material if its omission, deviation or concealment can reasonably be expected to influence decisions that primary users of the general purpose financial statements make about those financial statements, which provide financial information about a specific reporting entity.

Effective date: January 2020.

#### 2.5.4.3 IAS 19 – Employee benefits

This interpretation clarifies that in cases where an amendment, reduction, or settlement of the plan is made, it is mandatory that the current service cost and net interest for the period subsequent to the new measurement, are determined using assumptions used for the new measurement.

In addition, amendments have been included to clarify the effect of an amendment, reduction or settlement of the plan on the requirements regarding the asset limit.

Effective date: January 2019.

#### 2.5.4.4 IFRS 3 – Business combinations

This interpretation clarifies that, to be considered a business, a set of activities and assets acquired must include, at least, a contribution and a substantive process where these contribute significantly to the capacity to create products. It restricts the definitions of a business and products by focusing on goods and

services provided to clients and by eliminating the reference to the capacity to reduce costs. It provides guidance and graphic examples to help entities assess whether a substantive process has been acquired. It eliminates the assessment on market participants' capacity to replace any missing inputs or processes and continue to produce products, and adds an optional concentration test, which allows for a simplified assessment on a set of activities and assets acquired not being a business.

Effective date: January 2020.

#### 2.5.4.5 Conceptual Framework

It contains definitions of concepts related to:

- Measurement: including factors considered when selecting measurement bases.
- Presentation and disclosure: including when to classify revenues or expenses in other comprehensive income.
- Non-recognition: includes guidance on when assets or liabilities should be removed from the financial statements.

Additionally, it updates definitions of assets and liabilities as well as criteria to include them in the financial statements. Likewise, it clarifies the meaning of some concepts.

Effective date: January 2020.

The Company will quantify their impact on financial statements once the decree that incorporates them into the Colombia's Technical Regulatory Framework is issued.

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## **2.6 MAIN JUDGMENTS AND ESTIMATES**

The preparation of the financial statements based on NCIF requires from the Management the use of judgments, estimates, and assumptions to determine the reported figures on assets and liabilities, the exposure of contingent assets and liabilities on the date of the financial statements, reported figures for revenues and expenses, as well as the application of accounting policies as of December 31, 2018.

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

These estimates are based on the best experience of Management, on the best expectations in relation to present and future events, as well and on the best use of information available on the date of issuance of these consolidated financial statements. Current results may differ from these estimates but are adjusted once they are known.

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

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

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

- **Definition of hierarchy levels of financial instruments:** ([See Note 3.10](#)).

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

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

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

Those goods acquired by each of these companies, with the purpose of providing support to the operations inherent to the concessions granted, but not included

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in the goods of such concession, are recorded and classified as fixed assets or supplies, depending on their nature.

- **Impairment of accounts receivable:** to calculate expected loss impairment, reasonable and well-founded information on past events, current conditions and reasonable forecasts about future economic conditions must be used, provided that obtaining such information does not entail excessive costs or efforts. Additionally, the use of certain practical solutions to estimate the expected loss is being assessed, if they are consistent with principles included in the standard.
- **Estimated recoverable amount of a non-financial asset:** the book value of non-financial assets, excluding deferred taxes, is reviewed at each balance sheet date to determine whether there is indication of impairment. If there are indications of impairment, the asset recoverable value is estimated and recorded to the result of the year.
- **Estimate of value of operating assets:** future cash inflows and outflows are estimated, resulting from the continuous use of assets as well as of their disposal through other methods at the end of their lifecycle. Furthermore, proper discount is applied to these future cash flows.
- **Useful life and residual values of property, plant and equipment:** the determination of useful lives and residual values of the components of property, plant and equipment involves judgments and assumptions that could be affected if circumstances change. The Group Management reviews these assumptions periodically and adjusts them prospectively if any change is identified.
- **Useful life of intangible assets (concessions) and their extensions:** useful life of concession intangible assets, particularly extensions, is estimated and recorded

depending on the closing date of the concession agreement, that is, in terms of the remaining useful life of each extension.

- **Provision for legal and administrative processes:** in estimating loss contingency in legal proceedings that are pending against ISA and its companies, legal advisors analyze, among other things, the merits of the claims, the jurisprudence of the courts involved, and the status of proceedings. This provision is linked to the probability of occurrence, as well as the professional judgment and opinion of the legal advisors.
  - **Recovery of deferred tax assets:** the use of professional judgment is required to determine whether deferred tax assets should be recognized in the statement of financial position. The use of deferred tax assets requires Management to assess the likelihood that the entity will generate taxable income in future periods. Estimates of future taxable revenues are based on financial projections and the application of tax laws. To the extent that future cash flows and taxable revenues significantly differ from estimates, it could be an impact on the entity's capacity to realize the net deferred taxable assets recorded at the reporting date.
- Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. Any difference between estimates and the subsequent real disbursements is recorded in the year in which it occurs.
- **Provision for significant replacements and maintenance:** under concession agreements, the costs of significant replacements and maintenance, necessary to keep the infrastructure in the conditions required, are estimated and recorded as expense and a provision at the closing of each accounting year, in terms of the condition and ageing of the transmission lines and substations, in which a qualitative analysis (weather conditions, number of technical failures, technical inspections) and

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a quantitative analysis (samples, physical-chemical and lab analysis) are annually performed by the maintenance area and, based on such factors, an estimate of disbursements for maintenance and significant replacements is made, taking into account the current market prices for parts to be replaced.

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

- **Traffic projections for concessions:** to estimate the concession term by the Present Value of Revenues (VPI) for Ruta del Maipo Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., Ruta de la Araucanía Sociedad Concesionaria S.A., and Ruta del Loa Sociedad Concesionaria S.A., all Chilean concessionaires, traffic studies are performed by an independent entity based on GDP projections and local variables according to the concession.
- **Employee benefits:** the cost of defined benefit pension plans and other post-employment medical benefits and the present value of pension obligations are determined by using actuarial valuations. These estimates include analyzing several hypotheses which could differ from future real events, such as determining the discount rate, future salary and pension increases, and mortality rates. The calculation of the defined benefit obligation is highly sensitive to changes in these assumptions due to the complexity of the valuation, the underlying assumptions, and its long-term nature. All hypotheses are reviewed at each closing date.

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

## **2.7 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY**

Items included in the consolidated financial statements are expressed in Colombian pesos since it is the main operational currency used by the parent company. The Colombian peso is the functional and presentation currency.

## **2.8 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY**

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are redeemed. At the end of year for monetary assets and liabilities in foreign currency, gains and losses for exchange differences arising from the payment of such transactions are recognized at the statement of comprehensive income, as well as the conversion to the exchange rates.

Exchange gains related to monetary items are presented in the statement of comprehensive income under "financial revenues"; in addition, losses are presented in the statement of comprehensive income under "financial expenses".

- **Rates used**

Transactions and balances in foreign currency are translated at current exchange rates certified by Banco de la República in Colombia or official banks from the countries where the Group makes transactions.

Exchange rates used for the preparation of consolidated financial statements as of December 31, 2018 and 2017, expressed in Colombian pesos, were as follows:

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Average rate: for translation of comprehensive income statement balances:

CURRENCY	CODE	2018	2017
US Dollar	USD	2.956,55	2.951,15
Nuevos Soles	PEN	899,35	904,38
Bolivian Peso	BOB	424,79	424,02
Brazilian Real	BRL	808,25	924,56
Chilean Peso	CLP	4,61	4,55

Closure rate: for translation of statement of financial position balances:

CURRENCY	2018	2017
COP / USD	3.249,75	2.984,00
COP / BRL	838,69	902,06
COP/ CLP	4,68	4,85
BRL / USD	3,87	3,31
CLP / USD	694,77	614,75

## 2.9 CLASSIFICATION OF BALANCES AS CURRENT AND NON-CURRENT

In the statement of financial position, balances could be classified according to their maturities, i.e., current are those with maturities equal to or below twelve months, except provisions for post-employment obligations and the like, and as non-current for maturities exceeding such period.

## 3. Main accounting policies

The main policies and accounting practices applied for the preparation of the accompanying consolidated financial statements are as follows:

### 3.1 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

ISA applies the equity method in its consolidated financial statements to account for investments in joint ventures and associates, in accordance with IAS 28.

Accounting policies of joint ventures and associates are applied on a basis that is consistent with policies of the Group, in order to ensure consistency in the Group's financial information, basis for the proper application of the equity method.

The equity method is an accounting method whereby the investment is initially recorded at cost and subsequently adjusted for changes in the net assets of joint ventures and associates, in accordance with the Company's interest. Income for the period and other comprehensive income of the Group include results of companies in which the Group has stake. Dividends received from companies where ISA and its companies have joint control or significant influence are recorded as a lower investment value.

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

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

### **3.2 BUSINESS COMBINATION AND SURPLUS VALUE**

A business combination should be accounted for by applying the acquisition method. The consideration for each acquisition is measured at fair value, which is calculated as the sum of the fair value on the acquisition date of assets transferred, minority interests in the acquisition, liabilities generated or accepted, and equity instruments issued by the Group, in exchange for the control of the entity acquired. Costs related to acquisition are recognized in profit or loss when incurred.

Identifiable acquire assets and liabilities assumed are recognized at fair value at the acquisition date, except that:

- Deferred tax assets and liabilities, and liabilities or assets related to the benefit agreements to employees, are recognized and measured according to IAS 12 -Income Tax, and IAS 19 -Benefits to Employees, respectively;
- Liabilities or equity instruments related to payment agreements based on shares

from the acquired company or payment agreements based on Group shares, made in replacement of agreements with payment based on shares from the acquired company, are measured in accordance with IFRS 2 -Share-based Payments at the acquisition date; and

- Assets or asset groups for disposal, classified as held assets for their sale in accordance with IFRS 5 Non-Current Assets held for sale and discontinued operations, are measured according to such standard.

If the initial accounting of a business combination is just temporary at the end of the period when the combination was made, since fair values to distribute to assets, liabilities and identifiable contingent liabilities of the acquired company or the combination cost can only be determined temporarily, then the combination will be estimated by using these values temporarily, which will be adjusted when fair values of assets and liabilities are objectively defined until a 12 month period after the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at fair value at the acquisition date and it is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against the surplus value. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period, which cannot exceed one year from the acquisition date, about facts and circumstances that existed on the acquisition date.

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The subsequent recording of changes in the fair value of the contingent consideration which do not qualify as measurement period adjustments depends on how the contingent consideration is classified. The contingent consideration classified as equity is not measured again on subsequent reporting dates and its subsequent cancellation is recorded in equity. Contingent consideration classified as asset or liability is measured again on its reporting date according to IAS 39, or IAS 37, when appropriate, in which the corresponding profit or loss is recognized in income.

In cases of business combinations carried out in stages, the equity of the Group in the acquired company is re-measured at its fair value at the acquisition date (i.e., the date on which the Group obtained control) and the resulting profit or loss, if any, is recognized in income. Amounts resulting from the acquired company's equity prior to the acquisition date, previously recognized in other comprehensive income are reclassified in income, provided that such treatment was adequate in the event of selling such interest.

See business combination presented in 2018 in [Note 2.1.1](#).

### **3.2.1 SURPLUS VALUE**

When the company Group acquires control of a business, the difference between the consideration transferred and the fair value of identifiable assets, liabilities assumed and any non-controlling interest in the business obtained is recorded as goodwill.

Goodwill is not amortized and is subject to annual impairment tests or whenever there are indications that its value has impaired. Impairment losses applied to surplus value are recorded in income for the period and its effect is not reversed.

If the net amounts of identifiable assets acquired and liabilities assumed exceed the amount of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the interest previously held by the acquiring company in the acquired entity, then said excess or negative surplus value is recognized directly in income for the period purchase profit.

### **3.3 INVENTORIES**

Inventories are recorded at cost or net realizable value, the lower value of either.

For ISA's companies, inventories correspond to materials used in internal maintenance and conservation activities of operating assets. They are initially recognized at acquisition cost, which includes all costs incurred in the purchase. Consumption of inventories is determined based on the weighted average cost method.

Inventories are annually tested for impairment or lost value, based on a specific analysis made by management. If impairment takes place, it is recognized in profit or loss of the period.

### **3.4 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are valued at acquisition cost (historical cost) or construction cost, less accumulated depreciation and impairment losses, if any. In addition to the price paid for the acquisition of each element, the cost also includes the following concepts:

- Import tariffs and non-recoverable indirect taxes imposed on the acquisition, after deducting trade discounts and rebates.
- All costs directly related to the placing of the asset and the necessary conditions for its operation in the manner intended by Management.

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- Loan costs directly attributable to the acquisition of a qualifying asset.
- The initial estimate of element dismantling or withdrawing costs as well as the rehabilitation of the place on which it is based, when they constitute obligations incurred by the Group, as a result of using such item during a certain period.

Expenditures for maintenance, preservation and repair of these assets are recorded directly at income as an expense in the period incurred.

Additions and costs of expansion, modernization or improvements are capitalized as higher value of the relevant property, provided they increase their useful life, expand their production capacity and operational efficiency, improve the quality of services, or allow significant reduction costs.

An item from property, plant and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an asset is determined as the difference between net sales revenues, if any, and the book value of the asset. This effect is recognized in income.

- **Safety and environment assets**  
 Certain items from property, plant and equipment may be acquired for safety or environmental purposes. Although the acquisition of this type of properties, plant and equipment does not increase economic benefits provided by the existing property, plant, and equipment, it may be necessary for the companies to obtain economic benefits derived from the rest of assets. Security assets are depreciated on a straight-line basis over their estimated useful life.

- **Assets under construction and assembly**  
 Assets used during construction for management, production, supply, or non-

defined purposes, are recorded at cost, less any recognized impairment loss. Such assets are classified in the appropriate categories of property, plant, and equipment when they are ready for their intended use, from which time depreciation of these assets begins i.e., when they are in the location and under the required conditions for operating as intended.

- **Loan costs**  
 Loan costs directly attributed to the acquisition, construction, or production of qualifying assets, which are assets that require a substantial period of time for use before being ready for their use, are added to the cost of those assets until such time as they are ready for use. In general, for ISA, a substantial period will be considered, and it would be appropriate to capitalize the interest costs if the construction of an asset lasts for six (6) months or more. However, in case of periods shorter than such necessary for the construction of a qualifying asset, ISA's management will financially support the generation of future profits.

Specific loans are those entered into with the specific purpose of obtaining a qualifying asset, and consequently, costs due to real loans entered into could be directly capitalized, deducting financial yields obtained because of the temporary investment in funds, as long as the activities to prepare the asset for its use are being conducted. Determining whether loans are specific requires an assessment of the circumstances and evidence or internal documentation supporting this purpose.

The capitalization rate is based on generic loan costs, divided by the weighted average of the loans received by the Group, which have been outstanding during the accounting period, excluding loans considered specific.

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All other loan costs are recognized in the income during the period they are generated.

- **Remaining useful life estimate**

Every year, the Companies review the residual value, the depreciation method and the remaining life of the assets and its elements, for which a methodology was set, based on the rate of impairment of each asset associated with an instantaneous rate of failure, which in turn is associated with its effective age. Aging rate is calculated based on the effective life to estimate life expectancy and remaining life based on international survival curve rates. This methodology has enabled obtaining more reliable values to estimate the remaining life of the assets, useful input for assets renewal plan and basis of valuation thereof.

Lands are not depreciated as they have an indefinite useful life. Depreciation of the other property, plant and equipment elements is calculated using the straight-line method on the cost, based on the estimated useful life of assets.

- **Residual value**

It is the estimated amount that would be obtained by asset disposal after deducting costs estimated for such disposal, if such asset would have already reached its disposal age and other expected conditions at the end of its useful life.

- **Components of assets**

A component of a fixed asset is an item that can be seen as part of other asset, but due to its own characteristics, its purpose, and the type of strategies or activities followed during its technical life of service, it may be classified as a separate asset.

Each element of properties, plant and equipment shall be identified and separated

from other assets to depreciate them during their useful life and make their treatment and accounting control easier. Important spare parts and permanent maintenance equipment that the company is expected to use for more than one accounting period, normally comply with specifications to be labeled as property, plant, and equipment. Similarly, if spare parts and assisting equipment of a fixed asset could only be used for such asset, they will be recorded as property, plant and equipment.

### **3.5 NON-FINANCIAL ASSETS**

It includes prepaid expenses, communication services and other assets, which are amortized through the straight-line depreciation method during the periods on which economic benefits are expected. Prepaid expenses mainly include money transactions such as payment of insurances premiums, among others, and they could be also amortized pursuant to the validity of the corresponding policies.

### **3.6 INTANGIBLES**

An intangible asset is recognized as such when the conditions of being identifiable and separable are met, when the item will generate future economic benefits, and when the Group is able to control such benefits.

Intangible assets are initially recognized at their production or acquisition cost, and then they are valued at their corresponding accumulated amortization net cost and from the impairment losses such assets have had, if any.

An intangible asset is derecognized upon its disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset, measured as the difference between net revenues from the sale and the carrying amount of the asset, are recognized in the income when the asset is derecognized.

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Residual values, useful lives and amortization methods are reviewed at each annual period and are applied prospectively if necessary.

- **Easements**

Easements are rights obtained for the use of a strip of land for the installation of a transmission line. It involves restrictions by the owner on land use and authorizations to the line owner for construction, operation and maintenance operations.

Such intangibles are permanent rights with an indefinite term for use; although transmission lines related to these easements do have limited life. The Group has the possibility to either replace transmission lines when their useful life ends or use the right of easements acquired for any other service related to energy and communications transmission, which are described in the purposes of creation of the easements. Easements have indefinite useful life and are not amortized, but are tested for impairment on an annual basis.

- **Software and licenses**

Software is amortized by the straight-line method over a maximum period of three years. Licenses are amortized by the straight-line depreciation method for the periods for which it is expected to receive benefits, according to feasibility studies for their recovery.

- **Research and development costs**

Research costs are recognized as expenses as they are incurred. Disbursements for development in a project are recognized as intangible assets when the Group is able to prove:

- The technical feasibility to complete the intangible asset for becoming available for use or sale.

- Its purpose is to complete the asset and its ability to use or sell the asset.
- The ability to use or sell the intangible asset.
- How the asset will generate economic benefits in the future.
- The availability of resources to complete the asset.
- The ability to measure in a reliable manner the disbursement during development.

### **3.7 CONCESSIONS**

IFRIC 12 (Service concession agreements) for those utility concession agreements where grantor controls or regulates:

- The services to be provided by the concessionaire by using the infrastructure, to whom the services are provided and at what price; and
- Through ownership, the right of usufruct or, otherwise, any residual interest on the infrastructure, when the concession agreement expires.

IFRIC 12 is also applied to infrastructures:

- Built or acquired by the operator to third parties;
- Already existing infrastructures, to which the operator has access to use them.

This interpretation establishes the generic principles of recognition and measurement of rights and obligations under the Concession Agreements and defines the following models:

- **Financial asset model:** when the operator has an unconditional and contractual right to receive cash or other financial asset from the grantor for the specific amounts for the service and the grantor has little or no power to avoid paying under the agreement.

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The recognized financial asset is classified in the category of loans and receivables under IFRS 9 and presented in the statement of financial position in current and non-current debtors. This asset bears interest using the effective interest rate method. (See Note 22).

- **Contractual asset model:** the contractual asset originates as a concessionaire meets its obligation to build and implement the transmission infrastructure; the value of said asset is calculated by discounting cash flows of the concession at a fixed rate defined at the beginning of each project and recognizes the variation in construction costs in the income.

According to this methodology, the yield is recognized by the market interest rate, which reflects the economic volatility on the future cash flow, which compensates the investment in the transmission infrastructure. The discount rate is represented by a market rate that takes into account specific risks and rewards of the transmission business.

- **Intangible asset model:** When the operator receives from the grantor the right to charge a fee based on the use of infrastructure, the operator will recognize an intangible asset to the extent that it receives a right -a license- to charge utility users. The right to charge is not an unconditional right to receive cash because the amounts are conditioned by the level of public use of the utility.

The intangible asset generated by the concession agreements is amortized by the straight-line depreciation method during the validity term of such contract. The amortization expense of intangible assets with limited useful lives is recognized at the comprehensive income statement in the category, guaranteeing coherence with the function of such intangible assets.

- **Mixed model:** When the agreement simultaneously includes remuneration commitments guaranteed by the grantor and remuneration commitments that depend on the level of use of the concession infrastructure.

Expansions of infrastructure are recorded as additions to the intangible asset because the generation of future economic benefits for ISA and its companies is expected.

Replacements and significant maintenance that the company Group must perform to the energy transmission system infrastructure to keep standards of quality and reliability of service, required in the concession agreement, which do not generate future economic flows for the Group, are accounted as part of the provision for significant replacements and maintenance.

The costs of renewals, improvements and additions are capitalized, while routine maintenance and repairs that do not extend the useful life of goods are recognized in the income of the period to which they correspond.

In general, at ISA's companies holding concessions for the delivery of utilities, it is understood that the construction of infrastructure made by the operator is a service provided to the grantor, other than operation and maintenance service, and as such it is remunerated by the same.

In accordance with the contents, and following IFRIC 12, income related to construction remuneration as well as the costs and expenses incurred and hired with suppliers for construction are accrued in income of the period; the difference between revenues and cost associated to construction corresponds to the construction margin that in certain concessions of ISA and its companies was negotiated in terms of operation.

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ISA group periodically tests for impairment those assets related to the concession, or earlier, in case that the events or circumstances indicate that the book value exceeds the recoverable value of the assets under the concession. If there is any difference, this is immediately recognized in the income statement of the period.

The Cash Generating Units defined for this treatment are directly associated with each concession agreement with their corresponding extensions, if any, that is, the assets assigned to the concession, belong to the same cash generating unit.

### 3.8 IMPAIRMENT OF ASSET VALUE

- **Non-financial assets**

An asset value is impaired when its carrying amount exceeds its recoverable amount, and consequently at the end of each period reported, or earlier if there is any indication of impairment, the Company Group evaluates the recoverable amount and compares it with the carrying amount, including intangible assets of undefined useful life, to determine whether there is an indication that those assets have suffered any impairment loss.

The recoverable amount of an asset or of a Cash Generating Unit is the greater between its fair value less disposal costs and its value in use. Under these conditions, whenever the fair value or recoverable amount is lower than the book value of assets, ISA and its companies must record the impairment.

The impairment loss is recognized as a lower cost of the asset or asset component that generated it and as an expense of the period where it was determined.

The recovery of impairment losses on assets cannot exceed the book value that would have been determined, net of depreciation, if the impairment loss for the same, had not been recognized in previous periods.

- **Financial assets**

To calculate expected loss impairment, reasonable and well-founded information on past events, current conditions and reasonable forecasts about future economic conditions must be used, provided that obtaining such information does not entail excessive costs or efforts. Additionally, the use of certain practical solutions to estimate the expected loss is being assessed, if they are consistent with principles included in the standard.

The amount of the expected loss must maintain the analysis of the following variables, which are based on information available from each of the counterparts about the historic payment performance of their obligations, the geographic location of the counterpart, as well as guarantees offered by said counterpart to cover any eventual noncompliance with its obligations.

Generally, the expected loss can be expressed as follows:

$$\begin{array}{ccccccc}
 & & \% & & \$ & & \% \\
 \text{Expected Loss} & = & \text{Probability of Default} & \times & \text{Exposed Balance} & \times & \text{Loss Given Default (LGD)}
 \end{array}$$



Where:

- **Exposed Balance:** the exposed balance of the asset is the current balance of capital, interest and other accounts receivable from the obligations or the portfolio analyzed.
- **Probability of Default:** Probability that, in a period of twelve (12) months, debtors of a certain obligation or portfolio default.
- **Loss Given Default (LGD):** It is the entity's downturn in the event that any of the default situations materializes. LGD for debtors within the default category will increase gradually according to the number of days elapsed after their classification in said category.

To determine the Investment and Goodwill impairment, ISA and its companies, at the end of each year, assess the existence of impairment of their investments in subsidiaries, associates and joint ventures, with the purpose of not recognizing them at an amount higher than the amount expected to be obtained from their sale or use.

Thus, all the companies of the Group perform an annual test searching for evidence of impairment of their assets' value. Additionally, all the companies that hold goodwill, associates which assets' useful life is indefinite, or which assets present impairment evidence, perform an impairment test to their goodwill and equity investments.

The impairment test consists of estimating the recoverable amount, which will be the higher between its value in use and its fair value, less costs of sale.

To determine the recoverable amount, the generating unit is the company as a whole. Regarding companies that hold goodwills, these are distributed among each of the

investments in subsidiaries, which are expected to benefit from synergies from the business combination in the impairment estimate.

The value in use is determined by discounting cash flows expected from and generated by operations in the long term, at the weighted cost of debt and equity capital resources, reflecting the value of the money over time and the risk associated with the business.

The fair value is determined by using the valuation technique that is most appropriate and consistent with market conditions of the companies.

When the book value of investments in subsidiaries and goodwills assigned to them exceeds their recoverable value, ISA and its companies initially reduce the book value of the goodwill, and once this is exhausted, they decrease the book value of non-financial assets, prorating based on the book value of each of them, with respect to impairment losses. They recognize an expense in the income statement of the period as offsetting entry.

When the book value of investments in associates and joint ventures exceeds their recoverable value, ISA and its companies verify the impairment at the level of the assets of the associate in order to obtain impairment losses through the equity method. In the event this is not appropriate, they reduce the carrying amount of the investment regarding impairment losses, and recognize an expense in the income statement of the period.

If the estimated amount of an impairment loss exceeds the carrying amount of the goodwill and the investment to which it was assigned, ISA and its companies recognize a provision.

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Impairment losses recognized previously for assets other than goodwills will be reversed when their service potential increases due to sale or use. The reversal will be limited in such a way that its book value does not exceed its recoverable amount, nor exceed the book value that would have been determined, if no impairment loss had been recognized in previous years. Such reversal will be recognized in the income statement.

### **3.9 LEASES**

Leases are classified as operating and finance lease. Leases that transfer all risks and rewards incidental to ownership of the asset are classified as finance leases; otherwise, they are classified as operating leases.

#### **3.9.1 Finance leases**

- **When a Group company is the lessee**

When ISA and its companies are the lessees of a property in finance lease, the cost of leased assets is disclosed in the separate statement of financial position, depending on the nature of the asset under lease and, simultaneously, a liability is recorded in the separate statement of financial position for the same value; which is the lower value between the fair value of the leased property or the present value of minimum lease payments payable to lessor plus, if applicable, the exercise of the purchase option.

These assets are amortized using the same criteria applied to the items of property, plant, and equipment for own use. Lease payments are divided between interest and decrease in debt. Financial expenses are recognized in the income statement.

- **When a Group company is the lessor**

When ISA and its companies are the lessor of an asset under finance lease, assets

are not presented as property, plant and equipment since the associated risks have been transferred to the lessee and instead a financial asset is recognized at the present value of the minimum lease payments received from the lease and any unwarranted residual value.

#### **3.9.2 Operating lease**

Leases in which the ownership of the asset leased and all substantial risks and rewards of the asset remain with the lessor.

Payments for operating leases are recognized as expenses -or revenues- in the income statement linearly over the lease term. Contingent payments are recognized in the period in which they occur.

- **When a Group company is the lessee**

When ISA and its companies make advance lease payments related to the use of property, these payments are recorded as prepaid expenses and amortized over the term of the lease.

- **When a Group company is the lessor**

When ISA and its companies are the lessor, they continue recognizing the asset at the separate financial position statement and applying the procedures established within the policy of properties, plant, and equipment to properly manage accounting. The carrying amount of the asset includes the initial direct costs incurred during the negotiation and contracting stage of the operating lease. These costs are deferred in the lease term on the same basis as lease revenues.

Revenues coming from the lease are recognized during the lease term, pursuant to a systematic allocation basis which properly shows the temporal pattern of the

benefits from the use of the leased asset. Costs generated during the collection of revenues due to lease, including property depreciation, will be recognized as expenses.

### **3.10 FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

#### **3.10.1 Financial assets**

Their classification depends on the business model used to manage the financial assets and the characteristics of contractual cash flows of the financial asset; this classification is determined at the time of initial recognition.

- **Financial assets at fair value with changes in income**

They are incurred mainly for managing liquidity with frequent instrument sales. These instruments are measured at fair value and variations in their value are recorded in income when generated.

- **Accounts receivable and others**

Accounts receivable and others are valued at amortized cost and correspond to non-derivative assets, with known payments and fixed maturities, under which the Group Management has the intent and ability to collect the contractual cash flows of the instrument.

Amortized cost is calculated by adding or deducting any premium or discount over the remaining life of the instrument and using the effective interest method. Gains and losses are recognized in the income statement if there were objective evidence of impairment, or when assets are recognized through amortization.

Account receivables are financial assets issued or acquired by the Group in exchange of cash, goods or services handed over a debtor. Accounts receivable due to sales are recognized by the original invoice value, net of accumulated impairment losses and when all risks and benefits are transferred to the third party.

- **Financial assets at fair value with changes in other comprehensive income**

They correspond to investments in variable income not held for trading or not corresponding to a contingent consideration from an acquirer in a business combination. For these investments, ISA and its companies may choose at initial recognition and irrevocably, to disclose gains or losses on subsequent measurement at fair value in other comprehensive income.

These instruments are measured at fair value. Gains and losses arising from the new measurement at fair value are recognized at the other comprehensive income up to the derecognition at the asset accounts. In these cases, gains and losses that were previously recognized in equity are reclassified to retained income.

- **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position of the Group include all cash balances and cash held in banks. For purposes of preparing the cash flow statement and for its liquidity, temporary investments with original maturity of less than 90 days are considered cash equivalents. These accounts are not subject to a significant risk of changes in their value.

Bank overdrafts payable on demand and that are an integral part of cash management of ISA and its companies are included as an element of cash and cash equivalents for purposes of the cash flow statement. For the statement of financial position, the financial accounts disclosing overdrafts are classified as financial obligations.

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Restricted cash is a money resource which is independently classified to use it for specific purposes and previously established, such as: debt payment, acquisition of capital equipment, or to be used under emergencies and/or unforeseen losses. Therefore, it has certain limitation for its availability, which could be legal or contractual, and it cannot be freely used to cover current financial commitments, as a result of the Group normal activities.

- **Derecognition of financial assets**

A financial asset or a portion thereof is derecognized when sold, transferred, expired, or its control is lost over the contractual rights or cash flows of the instrument. When all the risks and benefits of the property are retained by the Group, the financial asset is still recognized in the financial position for its total value.

### 3.10.2 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable transaction costs, except in the case of loans which are initially recognized at fair value of cash received less directly attributable transaction costs.

ISA and its companies establish the classification of their financial liabilities at their initial recognition, which include: financial liabilities at fair value with changes in income or at amortized cost.

- **Financial liabilities at fair value with changes in income**

They include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value with changes in the income statement.

- **Financial liabilities at amortized cost**

They include loans received and bonds issued, which are initially recognized at the amount of cash received, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate, recognizing interest expenses based on the effective profitability.

- **Derecognition of financial liability**

The Group will derecognize a financial liability if, and only if, it expires, is canceled, or the obligations originating it have been met. The difference between the financial liability carrying amount and the consideration paid is recognized in the income.

### 3.10.3 Derivative financial instruments and hedging operations

Derivative financial instruments are initially recorded at fair value at the date of the transaction and on subsequent measurements. The recognition of gains or losses arising from variations in their fair value depends on the designation made of the derivative financial instruments.

ISA and its companies designate certain financial instruments, which include derivatives, embedded derivatives, and non-derivatives with respect to foreign currency risk as a fair value hedge, or cash flow hedge.

At the inception of the hedge, the holding documents the hedging ratio and the objective and risk management strategy for undertaking the hedge; such documentation will include how the Group will measure the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or to changes in cash flows attributable to the hedged risk.

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- **Fair value hedging:**

Changes in fair value of derivatives designated and qualified as fair value hedges are recognized immediately in income, along with any changes in fair value of the hedged asset or liability attributable to the hedged risk. The change in the hedged item attributable to the hedged risk is recognized in gains or losses in the item related to the hedged item.

The Group interrupts the hedge accounting when: the hedging relation is revoked, the hedging instrument expires or is sold, finalized, or exercised, or the criteria for hedging accounting is no longer complied.

Any adjustment to the carrying amount of a hedged financial instrument is amortized to income for the period.

- **Cash flow hedging:**

Changes in the fair value of derivatives established as an effective cash flow hedge will be recognized in other comprehensive income and will be accumulated under the heading of cash flow hedge reserve. The ineffective part of gains or losses of the hedge instrument will be immediately recognized in the income of the period, under "other gains or losses".

Amounts previously recognized in other comprehensive income and accumulated in equity, are reclassified at the period income in which the hedged item, in the same line of the comprehensive income statement of the hedged item recognized. However, if the hedge of a forecast transaction subsequently generated the recognition of a non-financial asset or non-financial liability, losses or gains previously accumulated in the equity are transferred and directly included in the initial cost or other item of the non-financial asset or liability.

The hedge accounting will be interrupted when the Group revokes the hedge relation, when the hedge instrument expires, or is sold, resolved, or exercised or the hedge no longer meets the requirements established for hedge accounting. The gain or loss that has been recognized in other comprehensive income and accumulated in equity will continue in equity and is recognized when the transaction is recognized in the income. When it is no longer expected that the forecast transaction occurs, any cumulative gain or loss in equity is immediately reclassified in gains or losses.

- **Hedges of a net investment in a foreign operation:**

Hedges of a net investment in a foreign operation are accounted for, similarly to cash flow hedges. Any gain or loss on the hedging instrument determined to be an effective hedge is recognized in other comprehensive income and accumulated in the foreign operation translation reserve. Gains or losses related to the ineffective portion will be recognized in the income and included in "other gains and losses".

Gains and losses on hedging instruments related to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to income at the time of disposal of the business abroad.

### 3.10.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the financial statements, only if, there is a legally enforceable right to the closing date requiring receiving or canceling the amounts recognized for their net amount, and when there is an intention to offset on a net basis to realize the assets and settle the liabilities simultaneously.

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**3.11 FAIR VALUE MEASUREMENT**

The fair value of an asset or liability is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the primary market, i.e., the market with higher volume and level of activity for the asset or liability. In the absence of a main market, it is assumed that the transaction takes place in the most advantageous market the Group has access to, in other words, the market which maximizes the amount to be received to sell the asset or minimizes the amount to be paid to transfer the liability.

To determine the fair value, the Company group uses valuation techniques that are appropriate to the circumstances and on which there are sufficient data for measuring, maximizing the usage of relevant observable input data and minimizing the usage of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified in the following levels:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: valuation techniques for which the data and variables having a significant effect on the determination of fair value recorded are observable, either directly or indirectly.
- Level III: internal valuation techniques, using Group estimated variables not observable for the asset or liability (there is no observable information in the market).

When measuring the fair value, the Company group considers the characteristics of the asset or liability, in particular:

- For non-financial assets, measurement of fair value considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to other market's participant that would use the asset in its highest and best use.
- For liabilities and own equity instruments, the fair value assumes that the liability will not be settled, and the equity instrument will not be canceled, nor otherwise will be extinguished on the measurement date. The fair value of the liability reflects the effect of default risk, i.e. the risk that a company does not fulfill an obligation, which includes but is not limited to own credit risk of the company.
- In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the offsetting entry, it is allowed to measure the fair value on a net basis, consistently with how market participants would price net risk exposure at the measurement date.

**3.12 OPERATIONS FROM THE WHOLESALE ENERGY MARKET**

Developing management activities of the energy trading system (Sistema de Intercambios Comerciales de Energía Eléctrica, (ASIC)) in the wholesale market and acting as agent with representation of the participants in the Colombian electricity market, ISA group through its subsidiary XM, collects on behalf of third parties those monies related to transactions performed by the principals in that market and distributes them to the beneficiary agents.

XM defined the following accounting criteria for recognition of regulated revenues:

- Revenues from operating cost: revenues from operating costs are recorded at the time of service.
- Revenues from investment cost: the current methodology for recognition of regulated revenues of XM provides the approval of investment revenues, which is

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subject to meeting the five-year investment program. The total revenue received and corresponding to the remuneration from investments and projects is treated as deferred revenue at the moment billed. This deferred revenue is amortized according to expenses related to depreciation, amortization and studies and period projects, in the proportion resulting from dividing the deferred revenue by the investment on the fixed and intangible assets (net) of the statement of financial position from former period. The value of investments not executed are transferred to the following year, this means, they are decreased at the amount billed in the following period.

- Remuneration of shareholders' equity. This revenue is recognized at the time that the regulated service is provided.
- Remuneration of the adjustment to the maximum regulated revenues: the total revenues received for this concept is recognized as deferred revenue, which is amortized in the proportion additional approved expenses are executed. The adjustment value of the maximum regulated revenue not executed and linked to the implementation of new resolutions and legal defense expenses, is transferred to the next year, this means, the amount billed is reduced in the next period.

### **3.13 PROVISIONS**

They comprise provisions which are recognized when the Group has a present obligation -be it legal or implicit- as the result of a passed event, it is then probable that a resource outflow is needed to settle such obligation, and a reliable estimate can be made regarding the obligation amount.

The amount recognized as provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period, considering the risks and associated uncertainties. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount represents the present value of the cash flow, -when the effect of the value of money over time is material-.

Certain contingent conditions may exist at the date of issuance of the statement of financial position. They may result in a loss for ISA and its companies, and will only be resolved in the future, when one or more events occur or may occur; such contingencies are estimated by the management of the Group and its legal counsels. The loss contingencies estimate necessarily involves an exercise of judgment and it is a matter of opinion.

If the assessment of a contingency indicates that it is probable that a material loss will occur and the amount of the liability can be estimated, then it is recorded in the statement of financial position. In addition, if the assessment indicates that a potential loss is not probable, and the amount is known, or is probable but the amount of the loss cannot be estimated, and then the nature of the contingency is disclosed in a note to the statement of financial position, with an estimate of the potential range of loss. Remote loss contingencies are not disclosed.

### **3.14 INCOME TAX**

The expense for income tax from the period comprises current and deferred income tax. Taxable assets and liabilities are measured at the amount expected to be recovered or paid to tax authorities. The expense for income tax is recognized in income, except in the case related to items recognized directly in equity, in which case it is recognized in equity.

#### **3.14.1 Current tax**

The current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the profit reported at the income statement, due to the items of income or expenses taxable or deductible in other years and items which are never taxable or deductible. The current tax liability is calculated using tax rates in force at the end of the period.

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The Group management periodically evaluates positions taken in tax returns with respect to situations in which tax laws are subject to interpretation. ISA and its companies, when appropriate, establish provisions on the amounts they expect to pay to tax authorities.

### **3.14.2 Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the statement of financial position and the corresponding tax basis used for determining taxable income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities by current tax and are related to income taxes applied by the same tax authority on the same taxable company.

Deferred tax assets are recognized by all deductible temporary differences, including tax losses, to the extent that it is likely to be taxable income against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be recovered.

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable income available to allow the use of all or part of the deferred tax asset. The deferred tax, related to items recorded directly in equity, is recognized in equity and not in the statement of comprehensive income.

## **3.15 EMPLOYEE BENEFITS**

Employee benefits include all compensation to employees and former employees related to the provision of services to the entity. These are salaries, short and long-term benefits, termination benefits and post-employment benefits.

### **3.15.1 CURRENT BENEFITS**

Obligations from current employee benefits are recognized as expenses as the related service is provided. Employment obligations are adjusted at the end of each period, based on laws and labor agreements in force.

This benefit is recognized when a current legal or implicit obligation should be paid, as a result of a service provided by the employee in the past and at the time the obligation can be estimated with reliability. The obligation is recognized by the amount expected to be paid within the next year after the cut-off.

### **3.15.2 NON-CURRENT BENEFITS**

Some companies of the Group provide their employees with benefits associated with their time of service, such as seniority premium and five-year period payments (quinquennium).

The fair value of any related asset is deducted from the present value of the obligation by benefits defined when establishing deficit or surplus. The calculation is annually performed by certified independent actuaries, using the projected unit credit method to make a reliable estimate of the final cost for ISA and its companies. Any actuarial profit or loss is recognized in income in the period concerned.

### **3.15.3 POST-EMPLOYMENT BENEFITS**

- **Defined contribution plans**

The defined contribution plan is a post-employment benefit in which the Group pays fixed contributions to a pension fund, and which has no legal obligation to pay additional amounts. The obligations for payment of contributions to defined benefit pension plans are recognized as an expense for employment benefits into income in the periods in which services are rendered by employees.

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- **Defined benefit plans**

In the case of defined benefit plans, the obligation and the cost of such benefits is determined by using the projected unit credit method with independent actuarial valuations on an annual basis.

The liability recognized in the statement of financial position regarding defined benefit pension plans is the present value of the obligation set at the date of the statement of financial position, less the fair value of the plan assets. The present value of the defined benefit obligation is determined by discounting the estimated cash outflow, using interest rates calculated from the yield curve of Colombian Government bonds (TES B curve), denominated in Actual Value Units (Unidades de Valor Real (UVR)) with periods near to the terms of pension obligation until maturity.

Actuarial profits and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless changes in the pension plan are conditional on the employee to continue in service for a specific period of time –a period granting the right–. In this case, the past service costs are amortized using the straight-line method during the period that grants the right.

- **Other post-employment obligations**

Some Group companies grant their retired pension employees, benefits such as complementary health plan, health assistance, education assistance, and calamity loan, after the employment relation. The right to access these benefits depends on the conditions defined in individual and collective contracts.

The obligation and the cost of such benefits are determined through a projected unit credit methodology. Actuarial profits and losses arising from changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise. Qualified independent actuaries annually value these obligations.

- **Plan assets**

Plan assets correspond to the set of assets used by the Group, in virtue of the legal provisions in effect or by own initiative to comply with pension obligations. These resources are recognized following the same policies that would apply if they were classified in the other kind of assets, and their restatement is recognized in the income of the period. This minimum reserve amounts should correspond to the pension liability supported by the actuarial estimate.

### **3.15.4 Termination benefits**

These benefits are established by using the Projected Unit Credit (PUC), with actuarial valuations held at the end of each annual period during the report. The new measurement, which includes actuarial profits and losses, is immediately reflected in the statement of financial position, with a charge or credit recognized in other comprehensive income during the period.

### **3.16 ONEROUS CONTRACTS**

Present obligations arising from an onerous contract are recognized as a provision when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under the same. To date of the statement of financial position, ISA and its companies have no provisions for onerous contracts.

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### **3.17 RECOGNITION OF REVENUES, COSTS, AND EXPENSES**

Revenues, costs and expenses are recorded based on the principle of accrual.

#### **3.17.1 Revenues**

The Company will recognize revenues from ordinary activities to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled when exchanging for those goods or services.

Revenues are recognized only when all the following criteria are met:

Step 1: Identifying the contract with the client.

Step 2: Identifying the performance obligations in the contract.

Step 3: Determining the transaction price.

Step 4: Allocating the transaction price to the performance obligations in the contract.

Step 5: Recognizing ordinary revenues when (or as) the entity satisfies a performance obligation.

The following criteria apply for the recognition of revenues:

- **Revenues from energy transmission and other associated services contracts with clients**

Colombian companies: ISA, ISA INTERCOLOMBIA, ISA TRANSELCA and XM— providers of the energy transmission and other related services, are regulated by the Gas and Energy Regulatory Commission (Comisión de Regulación de Energía y Gas (CREG)). Revenues by operating costs are recorded when performance obligations are met.

- **Revenues from concession agreements**

Revenues from concession applicable to energy transmission companies in Brazil, Bolivia, Peru, and Chile roads are measured by the fair value of the consideration received

or receivable, taking into account the contractually defined conditions of payment. The following specific criteria must be met to recognize revenue in accordance with the application of IFRIC 12:

- **Construction services:**

Revenues and costs for construction services of projects are recognized in the comprehensive income statement, according to the method of percentage of completion of projects at the date of statement of financial position. Some Group companies do not recognize any profit margin in the provision of these services because these are provided, managed, and/or monitored by a related company which recognizes such margin in its financial statements. In Brazil, it was determined that the fair value of construction assets considers a sufficient margin to cover costs and expenses incurred in the construction stage. Assets consider a sufficient margin to cover costs and expenses incurred in the construction stage.

- **Operations and maintenance services**

Revenues from operation and maintenance service to third-party facilities are recognized as service is delivered.

- **Financial returns of concessions recorded as financial asset**

The companies that recognized their concessions as financial assets according to IFRIC 12, recognize interests of the account receivable credited to the income, by using the effective interest rate method.

- **Revenues from construction agreements**

When the outcome of a construction agreement can be estimated reliably, the revenues from ordinary activities and their associated costs should be recognized based on measurements of progress until the completion of a performance obligation. The measurement is performed based on the Company's efforts to meet the performance

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obligation regarding the total resources estimated to meet the obligation, except that such ratio is not representative of the completion status. Variations in contract works, claims and incentive payments are included to the extent their amount can be measured reliably and their reception is considered probable.

When the outcome of a construction agreement cannot be estimated reliably, the revenues from ordinary activities should be recognized only to the extent that it is probable recovering costs incurred in virtue of the contract. Contract costs should be recognized as expenses for the period in which they are incurred. In the case of a possibility that the total contract costs will exceed total revenues, the expected loss is recognized as an expense immediately.

For agreements where billings based on work progress exceed the contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as amounts owed to clients for the work contract. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as an advance payment received. Amounts billed due to the work performed but not paid yet by the client, are included in the statement of financial position in commercial accounts receivable and other accounts receivable.

- **Revenues from dividends and interest**

Revenues from dividends are recognized once shareholders' rights to receive the payment have been established –provided that the economic benefits will flow to the Group and ordinary revenues can be measured reliably–.

Revenues from interest are recognized when it is probable that ISA and its companies will receive economic benefits associated with the transaction. Revenues from interest are recorded on a time basis, by reference to the outstanding principal and the effective interest rate applicable, which is the discount rate that exactly matches the cash flow

receivable or payable estimated throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

### 3.17.2 Government grants

Government grants are only recognized when there is reasonable assurance that the entity meets the conditions attached to the grant and that the grant will be received.

Other government grants must be recognized as gain or loss on a systematic basis over the periods necessary to match them with the related costs. Government grants whose primary condition is that the Group purchases, constructs or otherwise acquires non-current assets are recognized as deferred revenues in the consolidated statement of financial position and transferred to income on a systematic and rational basis over the useful life of related assets.

In the case of Chilean concessionaires Ruta del Bosque Sociedad Concesionaria S.A., and Ruta de los Ríos Sociedad Concesionaria S.A., the grant is recognized as a lower value of accounts receivable, given that concessions classify under the financial assets model. These Government grants include the following characteristics:

- One month after the fourth year of concession and provided that the Provisional Commissioning has been granted for the entire work under concession, the Ministry of Public Works of Chile (MOP) will pay to the concessionaire an annual amount expressed in UF and calculated on the bases described by them.
- If completed the fourth year of concession, Provisional Commissioning has not been granted for the entire work, such payment will be made one month after such approval, at the UF value on the last day of the month before payment date.
- In the remaining years, the payment will be made on the same date each year. For the last concession year, if less than 12 months are considered, grant payment will be according to the ratio of the months effectively operated.

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The benefit of a government loan at an interest rate below the market is treated as a government grant, measured as the difference between the benefits received and the fair value of the loan based on the exchange rate in effect on the date.

### **3.18 OPERATION SEGMENTS**

The Group has defined the segment of linear infrastructure management, through which it has business lines: management of linear infrastructure investments, energy transmission, and connection to grid and construction services. The Parent company's corporate strategy is defined by business and management is performed per Company.

The business lines of the Group are described below:

- **Management of investments in linear infrastructure:** consists in the management of investments related to linear infrastructure in Energy Transmission, Information and Telecommunication Technologies, Road Concessions and Management of Real-Time Systems.
- **Energy transmission service:** consists in energy transmission through transmission systems and in the operation, maintenance, and expansion of transmission systems, either national or regional.
- **Connection to grid:** lines, substations and associated equipment that interconnect the regions.
- **Construction service:** construction services for third party-owned projects.

### **3.19 EARNINGS PER BASIC AND DILUTED SHARE**

Basic earnings per share is calculated by dividing the profit attributable to the parent company by the weighted average of common shares outstanding in the year, excluding common shares acquired by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the average number of common shares outstanding to simulate the conversion of all dilutive potential common shares. During the 2018 and 2017 periods, the Group did not perform any potential dilutive effect operations that entail diluted earnings per share other than the basic benefit per share.

### **3.20 DISTRIBUTION OF DIVIDENDS**

Distribution of dividends to shareholders is recognized as a liability in the financial position of the Parent Company, in the period in which the Shareholders' Meeting approves dividends, or when the corresponding obligation is in place according to the applicable legal provisions or policies established by the Shareholders' Meeting.

### **3.21 SHARE CAPITAL**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options, are shown in the equity as a deduction from the amount received, net of taxes.

The repurchase of own equity instruments of the Parent Company is recognized and deducted directly in equity at acquisition cost and the difference with the face value is recognized as a higher or lower value of the premium for placement of shares. Own shares are repurchased and their rights are suspended and, therefore, they do not participate in the distribution of dividends.

The Parent Company is listed on the Colombia Stock Exchange.

### **3.22 PREMIUM FOR PLACEMENT OF SHARES**

Issue premium corresponds to the overpricing in the placement of shares, generated in capital increase operations.

**3.23 RECLASSIFICATIONS****Employee benefits - Long-term bonuses**

ISA and its companies reclassified balances presented to December 2017 related to employee benefits, transferring executive incentive payments made in the short term to the current portion.

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Employee benefits - non-current (1)	492.616	(2.486)	490.130
Employee benefits - current	75.534	8.156	83.690
Provisions - current (2)	126.676	(5.670)	121.006

(1) Reclassified to the current portion since executive incentive payments are made in the short term.

(2) Provisions reclassified to employee benefits.

**Cash and cash equivalent - Financial assets**

Reclassification of bank balances and fixed income investment fund balances with maturity of less than 90 days as cash equivalents.

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Cash and cash equivalent	1.529.470	12.081	1.541.551
Financial assets - Current	4.402.971	(12.081)	4.390.890

**Non-financial assets - Intangibles**

Reclassification from other financial assets concepts to intangibles

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Non-financial assets - non-current	65.102	(87)	65.015
Intangibles	6.424.407	87	6.424.494

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## II. NOTES TO FINANCIAL INFORMATION

### 4. Cash and cash equivalent

The composition of the item as of December 31, 2018 and 2017 is as follows:

		2018	2017
Cash and banks		519.530	604.624
<b>TOTAL CASH</b>		<b>519.530</b>	<b>604.624</b>
Fixed income investments	(1)	832.114	801.750
Other variable income investments	(2)	170.416	135.177
<b>TOTAL CASH EQUIVALENTS</b>		<b>1.002.530</b>	<b>936.927</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		<b>1.522.060</b>	<b>1.541.551</b>

(1) They include term deposits and purchase transactions agreements with repurchase, both with a maturity of less than 90 days from the investment date.

(2) Basically, they include deposits for easy-to-liquidate marketable securities, such as: Ruta del Maule, COP54.210 (2017: COP34.067); INTERVIAL CHILE, COP41.799 (2017: COP67.482) and Ruta de los Ríos, COP21.546 (2017: COP14.289).

#### 4.1 RESOURCE MANAGEMENT

XM as administrator of the Commercial Exchange System from Wholesale Energy Market and usage fee of the National Interconnected System receives from paying agents the respective monies to be distributed to beneficiary agents. Therefore,

these monies do not belong to XM, since it is just an administrator, so that, as they are not own assets, they should not be included in the presentation of the statement of financial position.

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Balance of assets and liabilities of third parties as of December 31, 2018 and 2017 are represented in:

		2018	2017
<b>ASSETS</b>			
Cash and cash equivalents	(1)	295.765	178.003
<b>TOTAL ASSETS</b>		<b>295.765</b>	<b>178.003</b>
<b>LIABILITIES</b>			
Collections in favor of agents		295.757	177.984
GMF Reserve	(2)	8	19
<b>TOTAL LIABILITIES</b>		<b>295.765</b>	<b>178.003</b>
<b>NET</b>		<b>-</b>	<b>-</b>

(1) Balances in bank accounts. The use of these monies is restricted to stock transactions in accordance with the provisions of the current regulation.

(2) This balance is due to an account payable to XM and established as provision in bank accounts to cover possible bank expenses and GMF for the first days of the following month.

## 5. Financial assets

The balance of this item as of December 31, 2018 and 2017 is composed by accounts receivable and other financial assets, as shown below:

	NOTE	2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Accounts receivable	<u>5.1</u>	3.677.499	17.136.689	20.814.188	3.705.820	17.609.166	21.314.986
Other financial assets	<u>5.2</u>	912.335	6.111	918.446	685.070	-	685.070
<b>TOTAL FINANCIAL ASSETS</b>		<b>4.589.834</b>	<b>17.142.800</b>	<b>21.732.634</b>	<b>4.390.890</b>	<b>17.609.166</b>	<b>22.000.056</b>

**5.1 ACCOUNTS RECEIVABLE**

		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Clients and concessions	(1)	3.577.753	15.655.005	19.232.758	3.553.306	16.168.486	19.721.792
Accounts receivable Law 4819	(2)	-	1.630.877	1.630.877	-	1.651.903	1.651.903
Other debtors	(3)	99.563	252.252	351.815	138.630	229.144	367.774
VAT accounts receivable (MOP)	(4)	70.526	-	70.526	74.780	-	74.780
Loans to employees	(5)	10.867	33.058	43.925	13.536	27.315	40.851
Interest receivable		96	-	96	80	8	88
Loans to economic related parties		31	335	366	335	2	337
<b>TOTAL ACCOUNTS RECEIVABLE</b>		<b>3.758.836</b>	<b>17.571.527</b>	<b>21.330.363</b>	<b>3.780.667</b>	<b>18.076.858</b>	<b>21.857.525</b>
Less - impairment	(6)	(81.337)	(434.838)	(516.175)	(74.847)	(467.692)	(542.539)
<b>TOTAL ACCOUNTS RECEIVABLE, NET</b>		<b>3.677.499</b>	<b>17.136.689</b>	<b>20.814.188</b>	<b>3.705.820</b>	<b>17.609.166</b>	<b>21.314.986</b>

(1) This item includes the following balances:

- Financial asset for Road Concessions in Chile for COP6.753.208 (2017: COP7.370.651).
- Financial asset for Energy Transmission in Brazil for COP4.377.424 (2017: COP3.342.973). The increase in the account receivable with respect to 2017 is mainly due to the change in the valuation of the contractual assets of ISA CTEEP and its companies.
- Accounts for the administration of the Wholesale Energy Market, which corresponds 100% to XM, for COP13.809 (2017: COP13.191).
- Account receivable from the Basic Network of the existing System (RBSE) of ISA CTEEP COP7.606.611 (2017: COP8.508.306), which variation is due to the following events:

- ANEEL, by means of Document N° 1.484, recognized an adjustment in the Net Remuneration Basis, increased from BRL3.896.328 thousand to BRL4.094.440 thousand, basis date of December 31, 2012.
- In June 2017, ANEEL issued by means of Document N° 1.779 and Technical Note N° 170, which in compliance with the court ruling excludes the portion corresponding to the equity capital cost of the unpaid values between January 2013 and June 2017 in the 2017 - 2018 revenue cycle, by temporarily decreasing such Receita Anual Permitida (RAP) from BRL1.738.154 thousand to BRL1.502.128 thousand, until it is enforced. Under the standardizing resolution N° 2408/18 the RAP RBSE represents BRL1.461.152 thousand and considers the linearization of the economic component planned for the next five years.

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In this way, bills corresponding to equity capital cost considered in the cash reception flow of the financial asset regarding installation of the existing system related to the 2017 - 2018 and 2018 - 2019 tax cycle, are recognized as non-current assets.

(2) Accounts receivable of ISA CTEEP from São Paulo state for labor benefits covered by Law 4819 of 1958 for BRL1.942.338 thousand (2017: BRL1.829.046 thousand), the increase in the account receivable with respect to the previous year is a result of compliance with the court ruling N° 49 of the labor court, in which ISA CTEEP requests the reimbursement of complementary benefits paid to state pensioners covered by the Law.

(3) Other debtors mainly include: Consorcio Transmataro COP253.570 (2017: COP226.553) for private agreements for energy transmission signed with third parties, which are seen as finance lease contracts; the disbursements made by Consorcio Transmataro for the construction of the related asset are recognized as account receivable, as long as the energy

transmission lines are under construction, and become an account receivable equal to the outstanding lease installments when the construction has been completed.

(4) Account receivable to the Ministry of Public Works of Chile (MOP), corresponding to VAT paid by concessionaire companies to their operation and maintenance service providers, as well as by construction services charged to MOP Concessionaires are entitled to recover such tax by issuing a sales invoice to MOP from the construction and/or exploitation services.

(5) Loans to employees mainly comprise credits granted for acquisition of housing, vehicles, and education loans.

(6) The movement of credit losses expected over the life of the credit that has been recognized for commercial accounts receivable and others, in accordance with the simplified approach defined by IFRS 9 is as follows:

	<b>EFFECT OF EXPECTED CREDIT LOSSES</b>
Consolidated balance sheet as of 31 December 2017 under IAS 39	(542.539)
<b>TOTAL IMPAIRMENT AS OF DECEMBER 31, 2017</b>	<b>(542.539)</b>
Initial effect of the application of IFRS 9	(14.457)
Change in the provision for expected losses 2018	(7.226)
Currency translation effect	(21.898)
Movements of provision 2018	69.945
<b>TOTAL IMPAIRMENT UNDER IFRS 9 AS OF DECEMBER 31, 2018</b>	<b>(516.175)</b>

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There are no restrictions to the disposal of such accounts receivable of significant amount.

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The Group does not have any clients with whom it records sales representing 10% or more of its ordinary revenues for the period ended December 31, 2018 and 2017.

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As of December 31, 2018 and 2017, the analysis of accounts receivable, overdue and unpaid, is as follows:

	2018	2017
<b>CLIENTS</b>		
Current	19.102.338	19.595.758
<b>OVERDUE</b>		
Overdue between 1 and 90 days	59.095	43.804
Overdue between 91 and 180 days	4.063	4.241
Overdue between 181 and 360 days	1.443	19.871
Overdue between 1 and 3 years	57.759	48.756
Overdue between 3 and 5 years	7.097	1.099
Overdue above 5 years	963	8.263
<b>TOTAL OVERDUE</b>	<b>130.420</b>	<b>126.034</b>
<b>TOTAL ACCOUNTS RECEIVABLE FROM CLIENTS</b>	<b>19.232.758</b>	<b>19.721.792</b>

ISA and its companies charge interest on overdue accounts to its clients at the maximum rate authorized by law in each country.

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**5.2 OTHER FINANCIAL ASSETS**

		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Rights on trusts	(1)	576.648	4.090	580.738	550.266	-	550.266
TDs over 90 days	(2)	335.687	2.021	337.708	134.804	-	134.804
<b>TOTAL</b>		<b>912.335</b>	<b>6.111</b>	<b>918.446</b>	<b>685.070</b>	<b>-</b>	<b>685.070</b>

(1) They mainly include resources from DI Bandeirantes investment fund COP215.634 (2017: COP237.066), managed by Banco Bradesco, from DI Xavantes Investment Fund COP220.799 (2017: COP169.488), managed by Banco Itaú Unibanco, and from Fondo de Inversión Assis COP140.424 (2017: COP143.818), managed by Banco de Santander.

The non-current portion corresponds to autonomous equity used to pay works taxes in ISA INTERCOLOMBIA COP4.090 (2017: COP 0).

(2) The balance as of December 31, 2018 includes TD over 90 days of Ruta del Maipo, COP266.073 (2017: COP 0), XM COP23.820 (2017: COP18.980), among others.

**6. Non-financial assets**

Balances as of December 31 comprise the following:

		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
<b>NON-FINANCIAL ASSETS</b>							
Prepaid expenses	(1)	124.358	10.387	134.745	47.476	1.598	49.074
Prepayment for purchase of goods and services	(2)	120.282	7.601	127.883	46.264	3	46.267
Deposits delivered	(3)	878	65.572	66.450	839	59.964	60.803
Other		1.104	10.116	11.220	778	3.450	4.228
<b>TOTAL</b>		<b>246.622</b>	<b>93.676</b>	<b>340.298</b>	<b>95.357</b>	<b>65.015</b>	<b>160.372</b>

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- (1) Prepaid expenses of: insurance, leases, fees, travel expenses, among others.
- (2) Advances granted to suppliers to purchase supplies and equipment to be used in company projects, especially Proyectos de Infraestructura del Perú for COP81.378 (2017: COP3.559), linked to advances granted by the affiliate acting as controller for the Carapongo 500/220 kV Substation project and associated lines (CARA), Mantaro-Nueva Yanango - Carapongo 500 kV Connection and associated Substations (COYA) and Nueva Yanango - Nueva Huánuco 500 kV Connection and associated Substations (YANA) and INTERNEXA BRAZIL for COP13.337 (2017: COP 0) for the submarine cable project.
- (3) Mainly includes in ISA CTEEP for COP55.642 (2017: COP59.888), from legal deposits created to cover labor, tax and regulatory contingencies.

### 7. Restricted cash

The composition of the item as of December 31, 2018 and 2017 is as follows:

	2018	2017
Restricted cash	339.007	78.204
<b>TOTAL RESTRICTED CASH</b>	<b>339.007</b>	<b>78.204</b>

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		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
<b>INVENTORIES</b>							
Materials for provision of services	(1)	101.035	64.287	165.322	86.520	86.628	173.148
Inventory in transit		440	-	440	-	-	-
<b>TOTAL INVENTORIES</b>		<b>101.475</b>	<b>64.287</b>	<b>165.762</b>	<b>86.520</b>	<b>86.628</b>	<b>173.148</b>
Provision	(2)	(3.204)	(928)	(4.132)	(3.039)	(850)	(3.889)
<b>TOTAL INVENTORIES NET</b>		<b>98.271</b>	<b>63.359</b>	<b>161.630</b>	<b>83.481</b>	<b>85.778</b>	<b>169.259</b>

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Restricted cash mainly includes: ISA INTERCHILE COP279.459 (2017: COP7.832) for syndicated loans held by the company, which are used mainly for property, plant and equipment and VAT payments; IENNE COP14.558 (2017: COP14.722) for the guarantee granted to Banco del Nordeste, ISA CTEEP COP11.038 (2017: COP6.977) for the creation of the financing guarantee reserve with Banco BNDES; ISA BOLIVIA COP10.811 (2017: COP9.828), for reserves for financing contracts entered into with Banco Interamericano de Desarrollo (BID) and Corporación Andina de Fomento (CAF) and ISA COP10.461 (2017: COP16.901) for trusts created for the execution of FAER and FAZNI delegated management contracts, and management and payments trusts created for Unidad de Planeación Minero Energética (UPME) projects. It also includes resources to develop the Conexión Jaguar (Jaguar Connection) project.

### 8. Inventories - net

ISA and its companies perform actions to secure due preservation and safeguard of their inventories, and they are insured by a combined material damage policy; they also perform periodical physical inventories and have not found any significant differences in the counting. Inventories have no restrictions, liens or pledges limiting the use or realization.

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- (1) They correspond to inventories for delivering energy services and project construction services to ensure continuity of the service and allowing compliance with system availability indicators.
- (2) The recognized provision for inventories is the result from the evaluation of inventory impairment conducted by the companies. The following is the movement of the provision for inventories:

	2018	2017
Initial balance	(3.889)	(4.322)
Charge in income	(199)	(10)
Inventories write-off	(252)	408
Exchange rate effect	208	35
<b>FINAL BALANCE</b>	<b>(4.132)</b>	<b>(3.889)</b>

As of December 31, 2018 and 2017 there are no pledges on inventories.

## 9. Investments in associates, joint ventures and financial instruments

The composition of investments in joint ventures, associates and financial instruments as of December 31, 2018, and 2017 are detailed below:

			2018	2017	BALANCES AS OF DECEMBER 2018	BALANCES AS OF DECEMBER 2017	
	MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS	STAKE (%)				
<b>INVESTMENTS WITH JOINT CONTROL (1)</b>							
	Interligação Elétrica do Madeira S.A., (IE MADEIRA)	Energy Transmission	Brazil	51,00	51,00	1.202.868	1.234.164
	Interligação Elétrica Sul S.A., (IESUL) *	Energy Transmission	Brazil	100,00	50,00	-	111.924
	Interligação Elétrica Garanhuns S.A., (IE GARANHUNS)	Energy Transmission	Brazil	51,00	51,00	306.835	334.523
	Interligação Elétrica Paraguaçu S.A.	Energy Transmission	Brazil	50,00	50,00	12.161	4.545
	Interligação Elétrica Aimorés S.A.	Energy Transmission	Brazil	50,00	50,00	9.191	3.301
	Interligação Elétrica Ivaí S.A.	Energy Transmission	Brazil	50,00	50,00	18.916	8.169
	Transmissora Aliança de Energia Elétrica S.A.	Energy Transmission	Brazil	14,88	14,88	864.943	920.641
	Interconexión Eléctrica Colombia Panamá S.A.	Energy Transmission	Panama	50,00	50,00	8.395	7.844
	Interconexión Eléctrica Colombia Panamá S.A.S., E.S.P.	Energy Transmission	Colombia	1,17	1,17	3	3
	Transnexa S.A. (2)	Communications Transmission	Ecuador	50,00	50,00	-	-

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			2018	2017	BALANCES AS OF DECEMBER 2018	BALANCES AS OF DECEMBER 2017	
	MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS	STAKE (%)				
<b>INVESTMENTS WITH JOINT CONTROL (1)</b>							
	Derivex S.A.	Derivative Financial Instruments	Colombia	49,98	49,95	289	314
	Parques de Río S.A.S.	Road Concessions	Colombia	33,00	33,00	72	83
<b>TOTAL INVESTMENTS WITH JOINT CONTROL</b>					<b>2.423.673</b>	<b>2.625.511</b>	
<b>INVESTMENTS IN ASSOCIATES</b>							
	ATP Tower Holdings LLC	Communications Transmission	United States	24,89	26,50	448.108	468.331
<b>TOTAL INVESTMENTS IN ASSOCIATES</b>					<b>448.108</b>	<b>468.331</b>	
<b>FINANCIAL INSTRUMENTS (3)</b>							
	Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,48	0,48	-	-
	Empresa Propietaria de la Red (EPR)	Energy Transmission	Costa Rica	11,11	11,11	12.524	12.524
	Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,00	0,00	-	3
	Cámara de Riesgos Central de Contraparte de Colombia	Operations Settlement and Compensation System	Colombia	8,07	7,18	2.954	2.863
	Red Centro Americana de Telecomunicaciones (REDCA)	Communications Transmission	Costa Rica	11,11	11,11	-	945
<b>TOTAL FINANCIAL INSTRUMENTS</b>					<b>15.478</b>	<b>16.335</b>	

(1) The Group has joint control in these companies according to Colombian Financial Reporting and Accounting Standards (NCIF) and at the statutory level. These investments are updated using the equity method.

\* As of September 2018 Society IESUL became 100% controlled.

(2) TRANSNEXA is currently undergoing a liquidation process; the investment is 100% impaired.

(3) ISA and its companies hold these investments as the development of the strategic business mobilization plan in different countries. Electrificadora del Caribe was received as transfer payment. Electrificadora del Caribe was received as transfer payment and is totally impaired.

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## 10. Property, plant and equipment - net

The following is the balance of property, plant and equipment:

		2018	2017
<b>PROPERTY, PLANT AND EQUIPMENT IN OPERATION</b>			
Grids, lines and cables	(1)	10.273.461	9.651.732
Plants and ducts	(1)	6.005.143	5.679.890
Buildings		416.725	408.043
Lands		245.765	244.123
Machinery and equipment		304.482	287.246
Communication and computing equipment		155.672	139.672
Transportation, traction and lifting equipment		37.883	38.086
Furniture, chattels and office equipment		55.874	53.141
<b>SUBTOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<b>17.495.005</b>	<b>16.501.933</b>
Less – cumulative depreciation		(10.684.676)	(10.570.336)
Less - impairment		(2.769)	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT IN OPERATION</b>		<b>6.807.560</b>	<b>5.931.597</b>
Construction in progress and machinery, plant and assembly equipment	(2)	3.409.637	3.113.862
Machinery and equipment in transit		431	18.344
<b>TOTAL NET PROPERTY, PLANT AND EQUIPMENT</b>		<b>10.217.628</b>	<b>9.063.803</b>

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• **Property, plant and equipment movement**

		BALANCES AS OF DECEMBER 2017	ADDITIONS AND/OR TRANSFERS	SALES AND/ OR WRITE- OFFS	DEPRECIATION	IMPAIRMENT	EXCHANGE DIFFERENCE	BALANCES AS OF DECEMBER 2018
Grids, lines and cables	(1)	2.989.748	556.952	1.724	102.578	-	66.140	3.508.538
Plants and ducts	(1)	2.158.369	473.894	7.635	157.648	-	41.625	2.508.605
Buildings		337.809	12.267	2.611	6.389	-	355	341.431
Lands		244.123	1.568	309	-	-	383	245.765
Machinery and equipment		112.332	25.432	5.026	17.383	2.668	(2.106)	110.581
Communication and computing equipment		51.196	20.040	241	15.539	-	2.711	58.167
Transportation, traction and lifting equipment		16.125	1.178	124	3.638	-	(104)	13.437
Furniture, chattels and office equipment		21.896	3.098	43	3.693	-	(222)	21.036
On-going constructions	(2)	3.132.205	1.047.993	903.560	-	-	133.430	3.410.068
<b>TOTAL</b>		<b>9.063.803</b>	<b>2.142.422</b>	<b>921.273</b>	<b>306.868</b>	<b>2.668</b>	<b>242.212</b>	<b>10.217.628</b>

ISA and its companies' investment for December 2018 totaled COP2.137.306.

(1) This investment in grids, lines and cables for COP430.909 and in plants and pipelines for COP397.751 is related to the activation of the following projects in 2018 in ISA INTERCHILE:

- Nueva Cardones-Nueva Maitencillo 2x500 kV New Line
- Nueva Maitencillo - Nueva Pan de Azúcar 2x500 kV New Line

- Nueva Cardones-Nueva Cardones 2x220 kV New Line
- Nueva Maitencillo - Nueva Maitencillo 2x220 kV New Line
- Pan de Azúcar - Nueva Pan de Azúcar 2x220 kV New Line
- Nueva Cardones Substation, 500/220 kV, 750 MVA Autotransformer Bank
- Nueva Maitencillo Substation, 500/220 kV, 750 MVA Autotransformer Bank
- Nueva Pan de Azúcar Substation, 500/220 kV, 750 MVA Autotransformer Bank

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(2) The balance of on-going constructions mainly includes:

In ISA INTERCHILE, COP502.527 related to the following on-going energy transmission projects:

- P001-L0001 Cardones - Maitencillo 500 kV - 220 kV Connections.
- P001-S0001 Nueva Cardones 500/220 kV Substation.
- P002 Encuentro – Lagunas.
- P003 Encuentro-Lagunas second circuit.
- P004 Nueva Cardones 500/220 kV ATR.
- P005 Expansion of Barras Nueva Cardones 500KV Substation.
- P006 Expansion of Nueva Maitencillo Nueva Pan de Azúcar
- P007 New ATRs Car-Mai-Paz 500/220.
- P008 Expansion of Compensación NPaz Pol .

In ISA, COP532.938, the following on-going projects stand out:

- UPME 03-2014 Project Northwestern Interconnection 230/500 kV for COP973.309 (2017: COP532.010), which scope comprises design, supply, civil works, assembly and commissioning of Antioquia and Medellin Substations, expansion of Substations and related Transmission Lines at 500 kV - 547 km. Expected date for entry into service: December 2019.
- Costa Caribe 500 kV Interconnection project for COP233.309 (2017: COP176.710), which scope comprises design, supply, civil works, assembly and commissioning of Cerrmatoso - Chinú 500 kV - 352 Km transmission lines and substations expansions. Expected date for entry into service: January 2021.
- UPME 07-2013 Project Chinú-Montería Urabá 230 kV Line for COP225.862 (2017: COP170.224), which comprises the design, supply, civil works, assembly and commissioning of Montería Substation 230 kV and related Trans-

mission Lines (Chinú - Montería - Urabá) 195 km. Expected date for entry into service: March 2019.

- UPME 03-2016 San Antonio 230 kV Substation and related Transmission Lines for COP64.408 (2017: COP12.236), which includes the design, acquisition, construction, testing, and commissioning of two-line bays and two transformation lines for the San Antonio 230 kV Substation, two bay lines for the Sochagota 230 kV Substation (existing) and a 230 kV line double circuit between the San Antonio and Sochagota Substations. Expected date for entry into service: May 2019.
- UPME 09-2016 Copey - Cuestecitas 500 kV and Copey - Fundación 220 kV for COP52.777 (2017: COP7.081), which includes design, acquisition of supplies, construction, testing, commissioning, operation and maintenance of the works linked to the Copey - Cuestecitas 500 kV and Copey - Fundación 220 kV Transmission Lines project. Expected date for entry into service: May 2021.

ISA and its companies currently hold insurance policies for combined material damages, terrorism and consequential losses, intended to ensure the loss and damage of its fixed assets, except transmission lines and towers.

There are no restrictions or pledges or mortgaging on assets for any obligations.

As of December 31, 2018 and 2017, ISA's management, through its affiliates and subsidiaries, stated that there is no operating and/or economic indications identified, revealing that the net book value of property, plant and equipment cannot be recovered.

## 11. Intangibles

		2018	2017
<b>INTANGIBLES</b>			
Software		141.518	114.196
Licenses		80.319	76.787
Easements	(1)	207.104	116.150
Concessions	(2)	7.886.010	7.021.958
Rights		666.248	678.712
Other		58.519	62.941
Goodwill and brands		1.303.590	1.459.705
<b>SUBTOTAL INTANGIBLES</b>		<b>10.343.308</b>	<b>9.530.449</b>
Less – intangible amortization		(3.515.967)	(3.105.955)
<b>TOTAL INTANGIBLES</b>		<b>6.827.341</b>	<b>6.424.494</b>

(1) Easements correspond to rights acquired by the Group for transferring its operating assets, mainly the transmission lines. These assets are acquired in perpetuity, this is, there is not a fixed term or contract and the right remains over time.

(2) The rights include the concessions in Peru, Bolivia, and Colombia, which are treated as intangibles according to their characteristics (See Note 22).

### • Intangible assets movement

NAME	BALANCES AS OF DECEMBER 2017	ADDITIONS		DERECOGNITION	IMPAIRMENT	AMORTIZATIONS	EXCHANGE RATE EFFECT	BALANCES AS OF DECEMBER 2018
		INTERNAL DEVELOPMENT	ACQUIRED SEPARATELY					
Software	57.436	-	27.227	304	-	7.574	(587)	76.198
Licenses	17.528	-	6.429	-	-	5.752	(649)	17.556
Easements	(1) 116.150	-	83.654	-	-	-	7.299	207.103
Concessions and rights	(2) 5.814.770	-	222.812	-	-	292.027	460.775	6.206.330
Intangibles related to client list	47.476	-	11	-	-	4.893	(3.641)	38.953
Goodwill and brands	(3) 371.134	-	385	-	69.190	4.773	(16.355)	281.201
<b>TOTAL</b>	<b>6.424.494</b>	<b>-</b>	<b>340.518</b>	<b>304</b>	<b>69.190</b>	<b>315.019</b>	<b>446.842</b>	<b>6.827.341</b>

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- (1) In ISA INTERCHILE the increase for COP68.181 was related to cost capitalization for the acquisition of easements for Cardones-Maitencillo and Maitencillo – Pan de Azúcar projects; and in ISA the increase for COP23.900 million was related to the entry into commercial operation of UPME 06-2013 Sabanalarga – Caracolí – Flores 220 kV Interconnection.
- (2) Acquisitions in Consorcio Transmantaro for COP182.633 million, related to the investment in MAMO, YANA, COYA, ORCO, TRUJILLO CHICLAYO REINFORCEMENT, FRIMO, CARAPONGO projects; and COP35.093 in ISA REP related to the investment in AMP 13 (MILESTONE B), AMP 19 (MILESTONE 1), AMP 18, AMP 19, AMP 20 projects.
- (3) As every year at the end of the accounting period, ISA and its companies update free cash

flows estimates expected to be received in the future from their investments in the different subsidiaries.

To estimate free cash flows, an economic model that considers both internal variables (history and projection of Revenues increases, Ebitda and CAPEX) and external variables (macroeconomic, financial and market variables) is used. Results for 2018 showed a goodwill decrease in INTERNEXA BRAZIL of BRL85,3 million. This caused a decrease in this item as well as an impact on results of the period.

Amortization corresponds to the systematic distribution of the goodwill amount for the term of the concession.

## 12. Financial liabilities

The balance of this item as of December 31, 2018 and 2017 is composed of bonds and financial obligations, as shown below:

	2018			2017		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Bonds	430.739	9.375.014	9.805.753	673.223	8.574.905	9.248.128
Financial obligations	1.320.606	6.064.227	7.384.833	930.616	5.510.284	6.440.900
<b>TOTAL</b>	<b>1.751.345</b>	<b>15.439.241</b>	<b>17.190.586</b>	<b>1.603.839</b>	<b>14.085.189</b>	<b>15.689.028</b>

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## 12.1 OUTSTANDING BONDS

As of December 2018, the debt represented in bonds reached COP9.805.753 (2017: COP9.248.128).

FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)	2018		2017	
						NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>COLOMBIA</b>						<b>3.523.000</b>	<b>3.549.121</b>	<b>3.023.000</b>	<b>3.046.817</b>
<b>ISA</b>									
Program Tranche 4 Lot 1	COP	07/04/2006	07/04/2026	20	CPI + 4,58	118.500	120.812	118.500	121.115
Program Tranche 4 Lot 2	COP	07/04/2006	07/04/2026	20	CPI + 4,58	104.500	99.354	104.500	98.951
Program Tranche 7 Series A	COP	01/12/2011	01/12/2023	12	CPI + 4,47	180.000	181.389	180.000	181.299
Program Tranche 7 Series B	COP	01/12/2011	01/12/2041	30	CPI + 4,84	120.000	120.888	120.000	120.789
Program Tranche 8 Series C9	COP	22/05/2013	22/05/2022	9	CPI + 2,84	120.000	120.727	120.000	120.925
Program Tranche 8 Series C15	COP	22/05/2013	22/05/2028	15	CPI + 3,25	100.000	100.696	100.000	100.872
Program Tranche 9 Series C10	COP	07/05/2015	07/05/2025	10	CPI + 3,80	100.000	100.822	100.000	100.972
Program Tranche 9 Series C15	COP	07/05/2015	07/05/2030	15	CPI + 4,14	120.000	121.024	120.000	121.222
Program Tranche 9 Series C20	COP	07/05/2015	07/05/2035	20	CPI + 4,34	280.000	282.456	280.000	282.929
Program Tranche 10 Series C8	COP	16/02/2016	16/02/2024	8	CPI + 4,73	115.000	115.625	115.000	115.753
Program Tranche 10 Series C12	COP	16/02/2016	16/02/2028	12	CPI + 5,05	152.000	152.805	152.000	153.021
Program Tranche 10 Series C25	COP	16/02/2016	16/02/2041	25	CPI + 5,38	133.000	133.514	133.000	133.737

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)		NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Program Tranche 11 Series A7	COP	18/04/2017	18/04/2024	7	Fixed rate	6,75	260.780	263.980	260.780	263.960
Program Tranche 11 Series C15	COP	18/04/2017	18/04/2032	15	CPI +	3,81	196.300	198.412	196.300	198.934
Program Tranche 11 Series C25	COP	18/04/2017	18/04/2042	25	CPI +	4,00	242.920	245.590	242.920	246.260
Program Tranche 12 Series A8	COP	28/11/2017	28/11/2025	8	Fixed rate	6,99	150.080	150.818	150.080	150.802
Program Tranche 12 Series C14	COP	28/11/2017	28/11/2031	14	CPI +	3,75	120.100	120.581	120.100	120.781
Program Tranche 12 Series C30	COP	28/11/2017	28/11/2047	30	CPI +	3,98	229.820	230.766	229.820	231.169
Program Tranche 13 Series C9	COP	25/07/2018	25/07/2027	9	CPI +	3,49	156.500	158.201	-	-
Program Tranche 13 Series C15	COP	25/07/2018	25/07/2033	15	CPI +	3,89	142.063	143.708	-	-
Program Tranche 13 Series C25	COP	25/07/2018	25/07/2043	25	CPI +	4,07	201.437	203.829	-	-
<b>TOTAL</b>							<b>3.343.000</b>	<b>3.365.997</b>	<b>2.843.000</b>	<b>2.863.491</b>
<b>TRANSELCA S.A. E. S. P.</b>										
Third issue Series A10	COP	11/10/2011	11/10/2021	10	CPI +	4,20	80.000	81.374	80.000	81.474
Third issue Series A15	COP	11/10/2011	11/10/2026	15	CPI +	4,48	100.000	101.750	100.000	101.852
<b>TOTAL</b>							<b>180.000</b>	<b>183.124</b>	<b>180.000</b>	<b>183.326</b>

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)	NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE	
<b>PERU</b>							<b>1.925.240</b>	<b>1.928.046</b>	<b>1.879.258</b>	<b>1.882.442</b>
<b>RED DE ENERGÍA DEL PERÚ (REP)</b>										
2P 4th Issue (Series A)	USD	16/02/2007	16/02/2019	12	Libor(3M) + 0,75	1.589	1.594	7.290	7.310	
2P 17th Issue (Series A)	USD	20/01/2011	19/01/2018	7	Fixed rate	-	-	59.680	60.345	
2P 20th Issue (Series A)	USD	20/01/2011	19/01/2026	15	Fixed rate	123.575	124.550	113.392	114.720	
3P 4th Issue (Series A)	USD	19/10/2012	19/04/2031	19	Fixed rate	130.079	130.936	119.360	120.743	
3P 1st Issue (Series A)*	PEN	07/11/2012	08/11/2022	10	Fixed rate	100.492	101.081	95.912	96.656	
3P 3rd Issue (Series A)	USD	07/02/2013	07/02/2018	5	Fixed rate	-	-	29.840	30.388	
3P 1st Issue (Series B)*	PEN	07/02/2013	07/02/2023	10	Fixed rate	74.597	75.952	71.197	72.646	
3P 7th Issue (Series A)	USD	14/07/2014	14/07/2021	7	Fixed rate	32.520	32.980	39.787	40.475	
<b>TOTAL</b>							<b>462.852</b>	<b>467.093</b>	<b>536.458</b>	<b>543.283</b>
<b>CONSORCIO TRANSMANTARO S.A.</b>										
Consortio Transmantaro International Bonds 144A	USD	07/05/2013	07/05/2023	10	Fixed rate	1.462.388	1.460.953	1.342.800	1.339.159	
<b>TOTAL</b>							<b>1.462.388</b>	<b>1.460.953</b>	<b>1.342.800</b>	<b>1.339.159</b>

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						NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>BRAZIL</b>						<b>1.418.643</b>	<b>1.421.477</b>	<b>1.182.928</b>	<b>1.184.926</b>
<b>COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA (CTEEP)</b>									
Debentures 3ª Emissão	BRL	26/12/2013	26/12/2018	5	116,00% CDI	-	-	153.349	152.846
Debentures 4ª Emissão	BRL	15/07/2016	15/07/2021	5	IPCA + 6,04	133.723	136.142	138.857	139.985
Debentures 5ª Emissão	BRL	30/03/2017	15/02/2024	7	IPCA + 5,37	264.925	272.614	275.070	278.842
Debentures 6ª Emissão	BRL	15/12/2017	13/12/2020	3	106% CDI	293.541	293.818	315.719	315.823
Debentures 7ª Emissão	BRL	02/05/2018	15/04/2025	7	IPCA + 4,70	532.717	526.281	-	-
<b>TOTAL</b>						<b>1.224.906</b>	<b>1.228.855</b>	<b>882.995</b>	<b>887.496</b>
<b>ISA INVESTIMENTOS E PARTICIPAÇÕES</b>									
Tranche 1	BRL	12/06/2017	12/06/2022	5	CDI + 1,68	193.737	192.622	299.933	297.430
<b>TOTAL</b>						<b>193.737</b>	<b>192.622</b>	<b>299.933</b>	<b>297.430</b>
<b>CHILE</b>						<b>2.945.633</b>	<b>2.630.870</b>	<b>3.013.290</b>	<b>2.738.812</b>
<b>RUTA DEL MAIPO SOCIEDAD CONCESIONARIA S.A.</b>									
Bond 144A **	USD	29/08/2001	15/06/2022	21	Fixed rate 7,37	514.966	505.481	619.116	604.579
Bond Series A1 and A2	UF	13/10/2004	15/06/2025	21	Fixed rate 4,85	-	-	754.519	664.317
Bond Series B1 and B2	UF	20/12/2006	15/12/2030	24	Fixed rate 3,20	-	-	1.103.746	945.910
Bond Series C	UF	01/08/2018	15/06/2025	7	Fixed rate 4,85	747.838	639.722	-	-
Bond Series D	UF	01/08/2018	15/12/2030	12	Fixed rate 3,20	1.127.971	934.040	-	-
Bond Series E	UF	01/08/2018	15/12/2024	6	Fixed rate 2,30	128.938	129.676	-	-
<b>TOTAL</b>						<b>2.519.713</b>	<b>2.208.919</b>	<b>2.477.381</b>	<b>2.214.806</b>

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)	NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE	
<b>RUTA DEL BOSQUE SOCIEDAD CONCESIONARIA S.A.</b>										
Bond Series A	UF	26/02/2001	15/09/2020	20	Fixed rate	6,30	220.821	220.940	335.799	333.193
Bond Series B	UF	16/11/2006	15/03/2020	13	Fixed rate	3,40	205.099	201.011	200.110	190.813
<b>TOTAL</b>							<b>425.920</b>	<b>421.951</b>	<b>535.909</b>	<b>524.006</b>
<b>TOTAL BONDS</b>							<b>9.812.516</b>	<b>9.529.514</b>	<b>9.098.476</b>	<b>8.852.997</b>
<b>DERIVATIVE INSTRUMENTS SUPPORTED BY BONDS (Note 12.3)</b>										
							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	COMPANY				NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE	
Fair Value Swap	USD	Red de Energía del Perú (REP)				39.311	39.459	33.175	33.175	
Fair Value Swap	USD	Red de Energía del Perú (REP)				32.940	32.744	33.175	28.121	
Fair Value Swap	USD	Ruta del Maipo Sociedad Concesionaria S.A.				204.035	204.036	333.835	333.835	
<b>TOTAL DERIVATIVE INSTRUMENTS SUPPORTED BY BONDS</b>							<b>276.286</b>	<b>276.239</b>	<b>395.131</b>	<b>395.131</b>
<b>TOTAL BONDS</b>							<b>10.088.802</b>	<b>9.805.753</b>	<b>9.493.607</b>	<b>9.248.128</b>

\* Bonds issued in PEN and a SWAP was carried out into USD.

\*\* Bonds issued in USD and a SWAP was carried out into UF.

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The following relevant events took place in 2018, which explain the variation in balance for the outstanding bonds:

### ISA

In July, the company conducted the Thirteenth Tranche of the Securities Program in the amount of COP500.000, of which COP156.500 were placed in Series C9 with maturity in July 2027, COP142.063 in Series C15 with maturity in July 2033, and COP201.437 in Series C25 with maturity in July 2043. Resources from this placement were used to finance the investment plan.

### ISA REP

- In January, repayments for USD20 million were made to the Seventeenth Issue (Series A) of the Second Corporate Bonds Program.
- In January, and July, repayments for USD3,3 million were made to the Seventh Issue (Series A) of the Third Corporate Bonds Program.
- In February, repayments for USD10 million were made to the Third Issue (Series A) of the Third Corporate Bond Program.
- In February, May, August and November, repayments for USD1,9 million were made to the Fourth Issue (Series A) of the Second Corporate Bond Program.

### ISA CTEEP

In May, green debentures were issued for BRL621 million, with maturity in April 2025. Resources from placement will be exclusively used to finance energy transmission infrastructure projects through which conventional and non-conventional renewable energies will be transmitted.

In December, the amortization of debentures for BRL170 million was carried out.

### ISA INVESTIMENTOS E PARTICIPAÇÕES

In February, June and August it made amortizations to holders of debentures for BRL101,5 million.

### RUTA DEL MAIPO

In June and December, it made payment to holders of Bonds 144A for a total of USD49 million.

In August, a redemption operation of Series A and B Bonds was carried out for UF14,4 million, then exchanging them for series C and D bonds, with the same original conditions, giving flexibility to the concessionaire to enter into new complementary agreements and execute new investments with the ministry of public works. In addition, Series E bonds worth UF1 million were issued in order to finance costs of the exchange transaction.

### RUTA DEL BOSQUE

In March and September, a payment to holders of Series A for UF868.898 was made.

The following is the detail of maturities for outstanding bonds:

<b>SHORT-TERM</b>	<b>430.739</b>
<b>LONG-TERM</b>	<b>9.375.014</b>
2020	839.284
2021	476.044
2022	587.657
2023 and after	7.472.029
<b>TOTAL</b>	<b>9.805.753</b>

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**12.2 FINANCIAL OBLIGATIONS**

As of December 2018, debt represented in financial obligations reached COP7.384.833 (2017: COP6.440.900).

The following relevant events took place in 2018, which explain debt change:

FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)	2018		2017	
						NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>COLOMBIA</b>						<b>1.452.907</b>	<b>1.465.974</b>	<b>1.347.372</b>	<b>1.363.234</b>
<b>INTERCONEXIÓN ELÉCTRICA S.A. E.S.P. (ISA)</b>									
Banco de Bogotá	COP	26/02/2015	26/02/2022	7	CPI + 3,60	155.703	159.169	200.189	204.875
BBVA	COP	23/02/2016	23/02/2023	7	CPI + 2,99	225.000	228.393	250.000	253.591
BBVA	COP	09/10/2017	09/10/2027	10	CPI + 4,80	50.000	50.877	50.000	50.993
Banco Davivienda	COP	09/10/2017	09/10/2027	10	CPI + 4,80	50.000	50.877	50.000	50.993
BBVA	COP	07/11/2017	07/11/2027	10	CPI + 4,80	90.000	90.938	90.000	91.165
Banco Davivienda	COP	07/11/2017	07/11/2027	10	CPI + 4,80	90.000	90.938	90.000	91.165
BBVA	COP	14/12/2017	14/12/2027	10	CPI + 4,80	60.000	60.073	60.000	60.244
Banco Davivienda	COP	14/12/2017	14/12/2027	10	CPI + 4,80	260.000	260.315	260.000	261.058
Scotiabank	USD	27/12/2018	27/12/2023	5	LIBOR (6M) + 1,20	162.487	162.559	-	-
<b>TOTAL</b>						<b>1.143.190</b>	<b>1.154.139</b>	<b>1.050.189</b>	<b>1.064.084</b>

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									2018	2017		
	FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)			NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>COLOMBIA</b>												
<b>INTERNEXA S.A.</b>												
Strategy	Banco Itaú BBA Colombia S.A.	COP	11/02/2014	11/02/2019	5	DTF + 3,30			-	-	13.333	13.487
	Helm Bank	COP	11/04/2014	11/04/2021	7	DTF + 3,50			-	-	5.600	5.711
Stakeholders	Banco de Bogotá	COP	21/12/2016	21/12/2021	5	IBR (90) + 3,75			-	-	30.000	29.998
	Banco Popular	COP	15/05/2017	09/05/2018	1	DTF + 1,50			-	-	4.000	4.034
Corporate Government	Banco Popular	COP	08/06/2017	08/06/2024	7	IBR (90) + 3,75			14.000	14.069	28.000	28.122
	Banco Popular	COP	10/08/2017	10/08/2024	7	IBR (90) + 3,75			32.000	32.319	32.000	32.362
Energy Transmission	Banco Popular	COP	26/12/2017	26/12/2024	7	IBR (90) + 3,75			10.000	10.003	10.000	10.011
	Bancolombia	COP	11/05/2018	11/05/2028	10	IBR (180) + 2,20			59.467	60.002	-	-
Road Concessions	Bancolombia	COP	26/06/2018	26/06/2019	1	IBR (90) + 1,78			12.000	12.009	-	-
	Bancolombia	COP	02/11/2018	02/11/2028	10	IBR (180) + 2,20			23.000	23.217	-	-
	<b>TOTAL</b>								<b>150.467</b>	<b>151.619</b>	<b>122.933</b>	<b>123.725</b>
<b>TRANSELCA S.A. E.S.P.</b>												
Information and Telecommunication Technologies	Banco de Bogotá	COP	12/11/2015	12/11/2020	5	CPI + 2,87			82.500	83.077	82.500	83.127
	BBVA	COP	25/08/2015	25/08/2020	5	CPI + 2,45			26.250	26.388	41.250	41.517
Real-Time Systems Management	Banco de Bogotá	COP	28/12/2015	28/12/2020	5	CPI + 2,87			5.500	5.489	5.500	5.483
	Banco de Occidente	COP	18/10/2016	18/10/2023	7	CPI + 5,25			24.000	24.314	24.000	24.347
	Banco Davivienda	COP	30/11/2016	30/11/2023	7	CPI + 4,99			21.000	20.948	21.000	20.951
	<b>TOTAL</b>								<b>159.250</b>	<b>160.216</b>	<b>174.250</b>	<b>175.425</b>

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)		NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>PERU</b>							<b>1.548.476</b>	<b>1.541.637</b>	<b>1.254.432</b>	<b>1.241.998</b>
<b>RED DE ENERGÍA DEL PERU (REP)</b>										
Scotiabank	USD	27/03/2017	27/03/2019	2	Fixed rate	2,60	129.990	132.602	119.360	120.745
Scotiabank	USD	26/03/2018	26/03/2019	1	Fixed rate	2,60	90.993	92.162	-	-
<b>TOTAL</b>							<b>220.983</b>	<b>224.764</b>	<b>119.360</b>	<b>120.745</b>
<b>CONSORCIO TRANSMANTARO S.A.</b>										
Banco de Crédito del Perú	USD	18/03/2015	18/03/2027	12	Fixed rate	5,55	748.298	735.562	734.221	720.952
Interbank	USD	19/11/2015	03/11/2024	9	Fixed rate	4,64	284.622	284.378	298.400	297.420
Citibank NA	USD	24/01/2018	24/01/2019	1	Fixed rate	2,75	87.743	88.222	-	-
Scotiabank	USD	26/03/2018	26/03/2019	1	Fixed rate	2,60	113.741	116.035	-	-
<b>TOTAL</b>							<b>1.234.404</b>	<b>1.224.197</b>	<b>1.032.621</b>	<b>1.018.372</b>
<b>ISA PERÚ S.A.</b>										
Interbank	USD	16/10/2015	09/09/2022	7	Fixed rate	5,02	62.758	62.263	74.600	11.996
Banco de Crédito del Perú	USD	01/07/2016	02/01/2019	3	Fixed rate	2,85	12.999	12.901	11.936	74.845
<b>TOTAL</b>							<b>75.757</b>	<b>75.164</b>	<b>86.536</b>	<b>86.841</b>
<b>INTERNEXA S.A. (PERU)</b>										
Bancolombia Panamá	USD	05/02/2016	28/07/2024	8	Libor(6M) +	3,22	17.332	17.512	15.915	16.040
<b>TOTAL</b>							<b>17.332</b>	<b>17.512</b>	<b>15.915</b>	<b>16.040</b>

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)		NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>BRAZIL</b>							<b>1.342.338</b>	<b>1.382.033</b>	<b>1.509.748</b>	<b>1.521.771</b>
<b>COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA (CTEEP)</b>										
ELETRORBRAS	BRL	08/01/1990	15/11/2021	32	Fixed rate	8,00	58	58	100	101
BNDES III (FINEM)	BRL	29/01/2014	15/03/2029	15	TJLP +	1,80	164.624	164.971	193.001	193.247
BNDES III (PSI)	BRL	29/01/2014	15/01/2024	10	Fixed rate	3,50	43.533	43.469	56.033	55.861
BNDES PSI Santander	BRL	13/01/2014	15/08/2018	5	Fixed rate	4,00	-	-	46	46
BNDES PSI Santander II	BRL	30/12/2014	15/11/2019	5	Fixed rate	6,00	1.768	1.772	3.975	3.985
BNDES III (Social)	BRL	29/01/2014	15/03/2029	15	TJLP +	0,00	1.368	20	1.605	8
BTMU	USD	17/07/2017	17/07/2018	1	Libor(3M) +	0,28	-	-	149.200	151.279
BTMU	USD	20/07/2018	20/07/2020	2	Fixed rate	3,34	232.151	246.492	-	-
Citibank	USD	24/08/2018	24/08/2020	2	Fixed rate	2,70	232.151	244.919	-	-
Citibank	USD	08/11/2018	08/11/2019	1	CDI	102,50	190.526	195.523	-	-
BNDES IV	BRL	08/08/2017	15/03/2032	15	TJLP +	2,62	127.101	126.631	140.576	140.366
<b>TOTAL</b>							<b>993.280</b>	<b>1.023.855</b>	<b>544.536</b>	<b>544.893</b>
<b>INTERLIGAÇÃO ELÉTRICA DE MINAS GERAIS S.A., (IEMG)</b>										
BNDES (FINEM)	BRL	27/03/2009	15/04/2023	14	TJLP +	2,39	18.415	19.140	24.377	25.174
<b>TOTAL</b>							<b>18.415</b>	<b>19.140</b>	<b>24.377</b>	<b>25.174</b>

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)		NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>INTERLIGAÇÃO ELÉTRICA PINHEIROS S.A., (IE PINHEIROS)</b>										
BNDES (PSI)	BRL	28/01/2011	15/01/2021	10	Fixed rate	5,50	15.911	17.558	24.744	27.593
BNDES (FINEM)	BRL	28/01/2011	15/05/2026	15	TJLP +	2,62	20.188	22.662	25.327	27.957
BNDES (PSI)	BRL	13/08/2013	17/04/2023	10	Fixed rate	3,50	6.480	6.581	4.685	4.985
BNDES (FINEM)	BRL	13/08/2013	15/02/2028	15	TJLP +	2,06	3.928	4.206	8.578	8.714
<b>TOTAL</b>							<b>46.507</b>	<b>51.007</b>	<b>63.334</b>	<b>69.249</b>
<b>INTERLIGAÇÃO ELÉTRICA SERRA DO JAPI S.A., (IE SERRA DO JAPI)</b>										
BNDES (FINEM)	BRL	28/10/2013	15/05/2026	13	TJLP +	1,95	22.237	23.928	27.142	28.995
BNDES (FINEM)	BRL	28/10/2013	15/05/2026	13	TJLP +	1,55	19.249	20.678	23.495	25.055
<b>TOTAL</b>							<b>41.486</b>	<b>44.606</b>	<b>50.637</b>	<b>54.050</b>
<b>INTERLIGAÇÃO ELÉTRICA NORTE E NORDESTE S.A., (IENNE)</b>										
Banco do Nordeste	BRL	19/05/2010	19/05/2030	20	Fixed rate	10,00	143.565	143.986	163.642	164.737
Banco do Brasil	BRL	23/07/2012	02/01/2018	5	CDI +	0,56	-	-	8.432	8.477
<b>TOTAL</b>							<b>143.565</b>	<b>143.986</b>	<b>172.074</b>	<b>173.214</b>

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<b>INTERLIGAÇÃO ELÉTRICA SUL S.A., (IESUL)</b>										
BNDES	BRL	21/12/2010	15/05/2025	14	TJLP	+ 2,58	6.335	6.350	-	-
BNDES	BRL	21/12/2010	15/01/2021	10	Fixed rate	5,50	4.325	4.336	-	-
BNDES	BRL	28/07/2013	15/02/2028	15	TJLP	+ 2,58	4.083	4.096	-	-
BNDES	BRL	28/07/2013	15/04/2023	10	Fixed rate	3,00	1.952	1.958	-	-
<b>TOTAL</b>							<b>16.695</b>	<b>16.740</b>	<b>-</b>	<b>-</b>
<b>ISA CAPITAL DO BRASIL S.A.</b>										
Preferential Shareholders	BRL	09/03/2010	28/12/2020	11	CDI	+ 1,50	-	-	571.320	571.320
<b>TOTAL</b>							<b>-</b>	<b>-</b>	<b>571.320</b>	<b>571.320</b>
<b>INTERNEXA BRAZIL OPERADORA DE TELECOMUNICAÇÕES S.A.</b>										
Helm Bank	USD	13/12/2013	13/12/2020	7	Libor(6M)	+ 3,50	16.249	16.322	22.380	22.448
Itaú	BRL	16/04/2014	16/04/2019	5	CDI	+ 2,60	3.224	3.230	17.414	17.431
BNDES	BRL	15/10/2014	15/10/2019	5	Fixed rate	6,00	525	526	1.181	1.184
Banco Santander	BRL	21/11/2016	18/11/2019	3	CDI	+ 5,40	8.349	8.448	15.433	15.640
Banco Safra	BRL	17/11/2017	17/11/2022	5	CDI	+ 1,80	25.161	25.269	27.062	27.168
Banco ABC	BRL	03/01/2018	14/12/2021	4	CDI	+ 3,90	12.240	12.240	-	-
Banco ABC	BRL	25/06/2018	25/06/2022	4	CDI	+ 3,40	12.580	12.601	-	-
Itaú Panamá	BRL	19/12/2018	27/06/2019	1	Libor(6M)	+ 1,75	4.062	4.063	-	-
<b>TOTAL</b>							<b>82.390</b>	<b>82.699</b>	<b>83.470</b>	<b>83.871</b>

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<b>BOLIVIA</b>							<b>7.840</b>	<b>8.100</b>	<b>21.597</b>	<b>22.276</b>
<b>ISA BOLIVIA S.A.</b>										
BID	USD	15/08/2005	15/02/2019	14	Fixed rate 9,71	3.875	4.019	10.674	11.071	
CAF	USD	15/08/2005	15/02/2019	14	Libor(6M) + 5,00	2.875	2.958	7.919	8.115	
BID	USD	07/05/2009	15/02/2019	10	Fixed rate 8,16	616	635	1.697	1.751	
CAF	USD	07/05/2009	15/02/2019	10	Libor(6M) + 5,00	474	488	1.307	1.339	
<b>TOTAL</b>							<b>7.840</b>	<b>8.100</b>	<b>21.597</b>	<b>22.276</b>
<b>CHILE</b>							<b>3.172.791</b>	<b>3.020.810</b>	<b>2.403.839</b>	<b>2.306.084</b>
<b>INTERNEXA CHILE S.A.</b>										
BBVA	CLP	28/01/2015	28/07/2022	8	TAB (180) + 1,40	12.496	12.754	12.967	13.220	
BCI	CLP	08/03/2017	04/03/2022	5	TAB (180) + 1,50	17.774	18.085	18.445	18.733	
<b>TOTAL</b>							<b>30.270</b>	<b>30.839</b>	<b>31.412</b>	<b>31.953</b>

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							2018		2017		
	FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)	NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE	
<b>CHILE</b>											
<b>RUTA ARAUCANÍA SOCIEDAD CONCESIONARIA S.A.</b>											
Strategy	Banco de Chile Tranche A2	UF	17/03/2014	15/09/2022	9	Fixed rate	4,04	11.984		33.942	
	Banco de Chile Tranche A3	UF	15/03/2012	15/09/2022	11	Fixed rate	4,53	46.961		63.293	
Stakeholders	Banco de Chile Tranche B1	UF	15/03/2017	15/09/2022	6	TAB (360) +	0,95	58.775		63.075	
	Banco de Chile Tranche B2	UF	15/09/2012	15/09/2022	10	TAB (360) +	0,95	43.001	268.866	51.047	
Corporate Government	Banco de Chile Tranche C1	UF	15/03/2017	15/09/2022	6	TAB (360) +	0,95	38.677		41.018	331.651
	Banco de Chile Tranche C2	UF	15/09/2016	15/09/2022	6	TAB (360) +	0,95	34.525		38.521	
Energy	Banco de Chile Tranche D1	UF	15/03/2017	15/09/2022	6	TAB (360) +	0,95	18.485		20.718	
Transmission	Banco de Chile Tranche D2	UF	15/09/2016	15/09/2022	6	TAB (360) +	0,95	15.773		20.162	
Road Concessions	Banco de Chile Tranche F1	CLP	03/10/2018	03/03/2025	6	TAB (30) +	1,33	3.015	1.182	-	
	Banco Corpbanca A2	UF	17/03/2014	15/09/2022	9	Fixed rate	4,04	5.757		16.305	
Information and	Banco Corpbanca A3	UF	15/03/2012	15/09/2022	11	Fixed rate	4,53	7.537		10.159	
Telecommunication	Banco Corpbanca B1	UF	15/03/2011	15/09/2022	12	TAB (360) +	0,95	28.235		30.301	
Technologies	Banco Corpbanca B2	UF	15/09/2012	15/09/2022	10	TAB (360) +	0,95	20.657		24.523	
	Banco Corpbanca C1	UF	15/03/2017	15/09/2022	6	TAB (360) +	0,95	6.208	110.710	6.583	136.562
Real-Time Systems	Banco Corpbanca C2	UF	15/09/2016	15/09/2022	6	TAB (360) +	0,95	5.541		6.183	
Management	Banco Corpbanca D1	UF	15/03/2017	15/09/2022	6	TAB (360) +	0,95	8.880		9.953	
	Banco Corpbanca D2	UF	15/09/2016	15/09/2022	6	TAB (360) +	0,95	7.577		9.686	
<b>Financial results</b>	Banco Corpbanca E1	UF	17/03/2014	15/09/2022	9	Fixed rate	2,85	1.959			3.250

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FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)		NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE	
<b>CHILE</b>											
<b>RUTA ARAUCANÍA SOCIEDAD CONCESIONARIA S.A.</b>											
Banco Corpbanca E2	UF	16/09/2013	15/09/2022	9	Fixed rate		3,06	5.552	6.874		
Banco Corpbanca E3	UF	15/03/2017	15/09/2022	6	TAB (360) +		0,95	6.186	6.561		
Banco Corpbanca E4	UF	15/09/2016	15/09/2022	6	TAB (360) +		0,95	5.522	6.161		
Banco Corpbanca F1	CLP	03/10/2018	03/03/2025	6	TAB (30) +		1,33	1.241	-		
Banco del Estado A2	UF	17/03/2014	15/09/2022	9	Fixed rate		4,04	5.757	16.305		
Banco del Estado A3	UF	15/03/2012	15/09/2022	11	Fixed rate		4,53	22.561	30.405		
Banco del Estado B1	UF	15/03/2011	15/09/2022	12	TAB (360) +		0,95	28.235	30.301		
Banco del Estado B2	UF	15/09/2012	15/09/2022	10	TAB (360) +		0,95	20.657	24.523		
Banco del Estado C1	UF	15/03/2017	15/09/2022	6	TAB (360) +		0,95	18.580	19.705		
Banco del Estado C2	UF	15/09/2016	15/09/2022	6	TAB (360) +		0,95	16.586	18.505	182.082	
Banco del Estado D1	UF	15/03/2017	15/09/2022	6	TAB (360) +		0,95	8.880	9.953		
Banco del Estado D2	UF	15/09/2016	15/09/2022	6	TAB (360) +		0,95	7.577	9.686		
Banco del Estado E1	UF	17/03/2014	15/09/2022	9	Fixed rate		2,85	1.959	3.250		
Banco del Estado E2	UF	16/09/2013	15/09/2022	9	Fixed rate		3,06	5.552	6.874		
Banco del Estado E3	UF	15/03/2017	15/09/2022	6	TAB (360) +		0,95	6.186	6.561		
Banco del Estado E4	UF	15/09/2016	15/09/2022	6	TAB (360) +		0,95	5.522	6.161		
Banco del Estado F1	CLP	03/10/2018	03/03/2025	6	TAB (30) +		1,33	1.656	-		
<b>TOTAL</b>								<b>531.756</b>	<b>529.506</b>	<b>650.544</b>	<b>650.295</b>

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							2018		2017	
FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DATE OF MATURITY	TERM YEARS	INTEREST RATE (%)	NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE	
<b>CHILE</b>										
<b>RUTA DE LOS RÍOS SOCIEDAD CONCESIONARIA S.A.</b>										
Banco BCI	UF	21/09/2016	15/09/2022	6	Fixed rate	3,67	141.423	141.728	129.592	129.430
Banco BICE	UF	21/09/2016	15/09/2022	6	Fixed rate	3,67	52.133	52.245	110.977	110.838
<b>TOTAL</b>							<b>193.556</b>	<b>193.973</b>	<b>240.569</b>	<b>240.268</b>
<b>RUTA DEL MAULE SOCIEDAD CONCESIONARIA S.A.</b>										
BCI	UF	24/03/2016	30/06/2018	2	Fixed rate	2,69	-	-	83.551	84.348
BCI	UF	25/07/2016	30/06/2018	2	Fixed rate	2,71	-	-	7.600	7.706
Scotiabank	UF	21/04/2017	27/09/2019	2	Fixed rate	2,65	-	-	12.006	11.476
<b>TOTAL</b>							<b>-</b>	<b>-</b>	<b>103.157</b>	<b>103.530</b>
<b>RUTA DEL MAIPO SOCIEDAD CONCESIONARIA S.A.</b>										
Banco del Estado	UF	30/10/2018	25/09/2019	1	TAB (90) +	0,50	6.443	6.460	-	-
Banco del Estado	UF	16/11/2018	14/02/2019	0	TAB (90) +	0,50	14.527	10.255	-	-
<b>TOTAL</b>							<b>20.970</b>	<b>16.715</b>	<b>-</b>	<b>-</b>

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<b>CHILE</b>										
<b>RUTA DEL LOA SOCIEDAD CONCESIONARIA S.A.</b>										
Banco Santander Chile	UF	27/09/2018	15/06/2050	32	Fixed rate 3,85	4.107	6.803	-	-	
Compañía de Seguros Euroamérica	UF	27/09/2018	15/06/2050	32	Fixed rate 3,85	41.041	29.442	-	-	
Compañía de Seguros Confuturo	UF	27/09/2018	15/06/2050	32	Fixed rate 3,85	12.314	8.833	-	-	
Compañía de Seguros Corpseguros	UF	27/09/2018	15/06/2050	32	Fixed rate 3,85	4.107	2.946	-	-	
Banco Santander Chile	CLP	27/09/2018	15/06/2022	4	TAB (30) + 1,10	6.917	2.946	-	-	
<b>TOTAL</b>						<b>68.486</b>	<b>50.970</b>	<b>-</b>	<b>-</b>	
<b>INTERCHILE S.A.</b>										
Banco Estado	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
Scotiabank Chile	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
BTMU	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	258.921	244.365	157.989		
CA-CIB	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
NATIXIS	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
SMBC	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	258.921	244.365	157.989	1.273.083	
KFW	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
LA CAIXA	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
SIEMENS	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	215.557	203.434	131.529		
SABADELL	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	151.801	143.270	92.626		
SUMITRUST	USD	24/05/2016	31/03/2031	15	Libor(3M) + 2,00	60.720	57.316	37.051		
Banco Estado	CLP	24/05/2016	31/03/2020	4	TAB (90) + 1,10	29.497	28.484	3.933		
BBVA	CLP	24/05/2016	31/03/2020	4	TAB (90) + 1,10	29.497	28.484	3.933	6.955	
BICE	CLP	24/05/2016	31/03/2020	4	TAB (90) + 1,10	29.497	28.485	3.933		
<b>TOTAL</b>						<b>2.327.753</b>	<b>2.198.807</b>	<b>1.378.157</b>	<b>1.280.038</b>	

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### DERIVATIVE INSTRUMENTS SUPPORTED BY FINANCIAL OBLIGATIONS (Note 12.3)

FINANCING SOURCE	ORIGINAL CURRENCY	COMPANY	2018		2017	
			FACE VALUE	AMORTIZED COST VALUE	FACE VALUE	AMORTIZED COST VALUE
Fair Value Swap	USD	Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	-	-	(3.870)	(3.870)
Fair Value Swap	USD	Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	(197)	(197)	-	-
Fair Value Swap	USD	INTERCHILE S.A.	(33.524)	(33.524)	(10.593)	(10.593)
<b>TOTAL DERIVATIVE INSTRUMENTS SUPPORTED BY FINANCIAL OBLIGATIONS</b>			<b>(33.721)</b>	<b>(33.721)</b>	<b>(14.463)</b>	<b>(14.463)</b>
<b>TOTAL FINANCIAL OBLIGATIONS</b>			<b>7.490.631</b>	<b>7.384.833</b>	<b>6.522.525</b>	<b>6.440.900</b>

The following relevant events took place in 2018, which explain debt change:

#### ISA

In February and August, a payment for COP44.486 was made to the loan from Banco de Bogotá.

In August, a payment for COP25.000 was made to the loan from Banco BBVA.

In December, a disbursement from Scotiabank for USD50 million was received to cover 2018-2019 investment plan needs.

#### ISA TRANSELCA

In February, May, August and November, payments for COP15.000 were made to the loan from Banco BBVA.

In August, a disbursement from a loan from Bancolombia treasury for COP9.000 was received, which was fully amortized in November.

#### INTERNEXA COLOMBIA

In February, a payment for COP2.667 was made to the loan from Banco Itaú.

In March, a payment for COP800 was made to the loan from Helm Bank.

In May, a debt replacement transaction was carried out, thus optimizing its debt portfolio in terms of maturity profile, cost, and average life, in which it received a disbursement from Bancolombia for COP59.466,7 used to prepay loans from Banco Itaú, Helm Bank, Banco de Bogotá and Banco Popular for COP10.666,7, COP4.800, COP30.000 and COP14.000, respectively. Likewise, the loan from Banco Popular treasury for COP4.000 was paid.

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In June, it received a disbursement for a loan from Bancolombia treasury for COP12.000.

In November, it received a disbursement for COP23.000 from Bancolombia for the capitalization of INTERNEXA BRAZIL.

### ISA REP

In February, it received a disbursement for USD10 million from Banco Scotiabank for cash flow, which was amortized in April.

In March, it received a disbursement for USD40 million from Banco Scotiabank, for cash flow. In addition, it renewed a loan for USD40 million, from this bank.

In July, it made a payment for USD12 million to a loan from Banco Scotiabank.

### CONSORCIO TRANSMANTARO

In January, it received a disbursement from Citibank NA for USD27 million to finance investment projects.

In March, June, August and December it made payments to Banco de Crédito del Perú and Interbank for USD15,7 million and USD12,4 million, respectively.

In March, it received a disbursement from Scotiabank for USD35 million to finance investment projects.

### ISA PERÚ

In January, April, July, September and December, it made payments to Interbank for USD5,6 million.

### ISA CTEEP

From January until December, it has made payments to BNDES for BRL38 million.

In July, it received a disbursement for USD75 million from BTMU; this includes a hedging transaction to mitigate the exchange rate risk ("cross currency swap") entered into with this bank. These resources will be used to finance cash flow and investments.

In August, it received a disbursement from Citibank for USD75 million. This includes a hedging transaction to mitigate the exchange rate risk ("cross currency swap") entered into with this bank. These resources will be used to finance cash flow and investments.

In November, it received a disbursement from Citibank for USD60 million. This includes a hedging transaction to mitigate the exchange rate risk ("cross currency swap") entered into with this bank. These resources will be used to finance cash flow and investments.

### IEMG

From January until December, it has made payments to BNDES for BRL5,1 million.

### IEPINHEIROS

From January until December, it has made payments to BNDES for BRL14,8 million.

### IE SERRA DO JAPI

From January until December, it has made payments to BNDES for BRL6,7 million.

### IENNE

In January, the loan from Banco do Brasil for BRL9,3 million was amortized, therefore fully paid.

From January until December, it has made payments to Banco do Nordeste for BRL19,6 million.

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**IESUL**

As a result of the inclusion of this ISA CTEEP's affiliate in the consolidation, a debt of BRL20,8 million was included in September.

From September until December, it has made payments to BNDES for BRL1,3 million.

**INTERNEXA BRAZIL**

In January and June, disbursements from Banco ABC that reached BRL30 million were received, mainly used to prepay the outstanding debt, as follows:

- In January, the loan from Banco Itaú for BRL7,86 million was prepaid.
- In July and December, a payment to Banco Itaú for BRL7,86 million was made.
- From January until December, it has made payments to BNDES for BRL683.764.
- In February, the loan from Banco Santander for BRL7,96 million was prepaid.
- In June and December, payments to Helm Bank Panamá (now Itaú Panamá) for USD2,5 million were made.
- In December, a payment to Banco ABC for BRL405.405 was made.

**ISA CAPITAL DO BRASIL**

In June, an amortization for BRL277 million was made to preferential shareholders. In December, an amortization for BRL356,2 million was made to preferential shareholders, therefore fully paid.

**ISA BOLIVIA**

In February and August, payments to IDB for USD2,8 million and to Corporación Andina de Fomento (CAF) for USD2 million were made.

**RUTA DE LA ARAUCANÍA**

In March and September, payments to the syndicated loan for UF922.837 were made.

In October and December, disbursements from Banco de Chile, Itaú Corpbanca and Banco Estado for CLP644 million, CLP354 million and CLP265 million, respectively, were received. These resources were to finance investments in new works of the Ad Referendum Agreement N° 5.

**RUTA DE LOS RÍOS**

In March and September, payments to the syndicated loan for UF348.249 were made.

**RUTA DEL MAULE**

In February, a disbursement from Scotiabank for UF54.168,88 was received.

In March, loans from BCI for UF700.740 were amortized, therefore fully paid.

In August, the loan from Scotiabank for UF146.464 was amortized, therefore fully paid.

**RUTA DEL LOA**

In September, it received disbursements as part of the senior loan to finance the project for UF477.500. Additionally, disbursements as part of the VAT line, for CLP1.478,7 million were received.

**RUTA DEL MAIPO**

In October and November, disbursements from Banco del Estado for UF162.621 were received to finance investments in the Ad Referendum Agreement N° 7.

**ISA INTERCHILE**

In February, May and October, disbursements as part of the senior loan to finance projects for USD264,8 million were received. In December, the first amortization installment for USD33,6 million was paid.

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In February, April, October and December, disbursements as part of the VAT line, for CLP16.488,3 million were received.

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The following chart shows financial obligations due dates per years:

#### Due dates in COP

Due dates in COP		
<b>SHORT-TERM</b>		<b>1.320.606</b>
<b>LONG-TERM</b>		<b>6.064.227</b>
2020	1.272.120	
2021	650.572	
2022	563.769	
2023 and after	3.577.766	
<b>TOTAL</b>		<b>7.384.833</b>

Some obligations are secured. [See Note 31.](#)

### 12.3 DERIVATIVE FINANCIAL INSTRUMENTS

Five subsidiaries of the Group had derivative hedging instruments, which are supported by bonds and financial obligations:

COMPANY		DERIVATIVE	SUBJACENT	ORIGINAL CURRENCY	2018	2017
Red de Energia del Perú (REP)	(1)	Fair Value Swap	Bonds	USD	39.459	33.175
Red de Energia del Perú (REP)		Fair Value Swap	Bonds	USD	32.744	28.121
Ruta del Maipo Sociedad Concesionaria S.A.	(2)	Fair Value Swap	Bonds	USD	204.035	333.835
INTERCHILE S.A.	(3)	Fair Value Swap	Financial obligations	USD	(33.524)	(10.593)
Companhia se Transmissão de Energia Elétrica Paulista (CTEEP)	(4)	Fair Value Swap	Financial obligations	USD	-	(3.870)
Companhia se Transmissão de Energia Elétrica Paulista (CTEEP)	(5)	Fair Value Swap	Financial obligations	USD	(197)	-
<b>TOTAL</b>					<b>242.517</b>	<b>380.668</b>

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(1) **ISA REP:** To mitigate the cash flow risk generated by debt coupons from the debt in soles resulting due to the potential volatility of the exchange rate, and taking into account that the functional currency of this company is the USD, cross currency swap hedging contracts have been signed, which were classified as cash flow hedging derivatives, since they have the purpose of eliminating uncertainties in the interest payment in Soles made by the company, as a result of exchange rate variations.

On November 8, 2012 and February 7, 2013, ISA REP entered into cross currency swap agreements with BBVA Banco Continental for an amount of S/.104.140.000 and S/.77.305.000, with due date November 2022 and February 2023, at an annual nominal rate of 5,375% and 5,1250%, respectively, thereby hedging the cash flows in soles resulting from the volatility of the exchange rate associated with the First Issue "A" Series and First Issue "B" Series of the Third Corporate Bond Program, for which it pays USD39.998.464 and USD29.999.224 at an annual nominal rate of 4,760% and 4,990%, respectively, which flows are liquidated on a semiannual basis. Critical deadlines of hedging contracts have been negotiated to match deadlines of their obligations. As of 31 December 2018, ISA REP has recognized in equity a market value of cross currency swap contracts for USD22.218.006 (2017: USD20.541.601); the effectiveness of these contracts has not been affected since no relevant ineffectiveness has emerged.

(2) **RUTA DEL MAIPO:** This company owns a cross currency swap as hedging instrument, which purpose is to reduce exposure to the variation in future cash flows caused by the variation in the exchange rate that affects the bond denominated in US dollars and the UF variation due to future flows from toll collection.

For these hedging operations, the gain or loss of the hedging instrument determined as effective hedging will be recognized in the net equity via other comprehensive income, while the ineffective portion of the gain or loss of the hedging instrument must be recognized in the income of the period.

In August 2001, the company issued a bond insured in the United States of America, for an amount of USD421 million. This instrument pays interest semiannually, in June and

December, and it started to pay capital on June 15, 2009 and it will end on June 15, 2022. The bond has an annual interest rate of 7,373%, at a face value of USD389.966.356. In May 2005, the company entered into this hedging agreement instrument with the Official Credit Institute of Spain (Instituto de Crédito Oficial de España (ICO)) in order to exchange flows in US dollars, originated by the bond, for certain flows in development units (Unidades de Fomento (UF)).

Accordingly, during the hedging period, ICO undertakes to deliver the flow in US dollars and the company undertakes to pay a fixed amount of UF for such US dollars. The fair value of the hedging instrument corresponds to the difference in the present value of the flow in UF and the flow in US dollars of the future semiannual payments. Present values are calculated using a projection of future interest rates, Unidades de Fomento (Development Units) and US dollars, respectively.

This swap is registered for an amount of USD62.785.032 as of December 31, 2018 (2017: USD111.874.947).

(3) **ISA INTERCHILE:** In February 2016, this company signed a debt contract in USD to finance works for the construction project and entry into operation of 917 kilometers of lines in Chile. This project has an initial construction period for three years and then an operation stage.

Therefore, during 2018, ISA INTERCHILE made an interest rate swap hedging transaction for USD92.899.546, to hedge market risks exposed by future commitments of debt operation disbursed during 2018 focusing on the Libor three-month interest rate. Such risk is directly materialized due to the positive variation of such rate. The swap operation was made with the following financial institutions: Banco Estado, Bank of Tokio, BBVA, Credit Agricole, Natixis and SMBC.

The total face value of this instrument is USD609.196.000, at a fixed interest rate of 2,45%.

(4) **ISA CTEEP:** The company signed three cross currency swap instruments for USD75.000.000 with The Bank Of Tokyo-Mitsubishi UFJ, LTD on July 20, 2018 due July 20, 2020; for USD75.000.000 with Citibank on August 24, 2018 due August 24, 2020;

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and for USD60.000.000 with Citibank on November 8, 2018, due November 8, 2019. The purpose of these operations was to mitigate the local exchange rate risk against the US dollar, to which loans taken out by the company with The Bank of Tokyo-Mitsubishi UFJ, LTD and Citibank for USD210.000.000 are exposed.

(5) **ISA CTEEP:** The affiliate agreed to USD/BRL exchange rate forward transactions for USD29,3 million to mitigate the foreign exchange risk from obligations undertaken in US dollars with suppliers of the IE Biguaçu Lot 01 project.

### 13. Accounts payable

The breakdown of this item as of December 31, 2018 and 2017 is as follows:

ACCOUNTS PAYABLE		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Suppliers	(1)	353.823	-	353.823	424.045	-	424.045
Creditors	(2)	133.206	51.877	185.083	145.759	54.975	200.734
Economic related parties		-	-	-	53	294	347
Dividends	(3)	6.571	-	6.571	2.811	-	2.811
Retention on agreements	(4)	21.118	4.088	25.206	26.528	6.771	33.299
Deposits received and sales paid in advance	(5)	129.944	828.403	958.347	179.870	933.252	1.113.122
<b>TOTAL ACCOUNTS PAYABLE</b>		<b>644.662</b>	<b>884.368</b>	<b>1.529.030</b>	<b>779.066</b>	<b>995.292</b>	<b>1.774.358</b>

(1) Accounts payable to suppliers and contractors originate mainly from the purchase of goods and services for the development of operations of the Group. These liabilities do not bear interest and are usually paid according to the payment schedule of each company.

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(2) Creditors include balances payable for finance lease, accounts payable for contributions to social security and parafiscal payments, complementary health plans and accounts payable fees, highlighting the following balances: ISA CTEEP, COP75.077 (2017: COP69.341), for resources arising from the Global Reversion Reserve (GGR); as well as interests and monetary updating from RBNI: INTERNEXA BRAZIL, COP19.985 (2017: COP32.884), for the subsidized price in NQT acquisition; Linear Systems RE LTD., COP8.278 (2017: COP27.832), for the decrease in reserves caused by loss incidents, which have not yet been canceled and/or paid.

(3) ISA CTEEP's dividends payable to non-controlling shareholders.

(4) Withholdings placed on agreements, highlighting those delivered by: ISA INTERCHILE, COP7.501 (2017: COP17.206); ISA CTEEP, COP5.516 (2017: COP6.895); Ruta del Maipo, COP4.155 (2017: COP2.843); Ruta del Maule, COP2.404 (2017: COP1.772), among others.

(5) It includes advance payments and advance payments received, third-party deposits from: Ruta del Maipo, COP804.291 (2017: COP878.366); Ruta de La Araucanía, COP127.952 (2017: COP154.840); Consorcio Transmantaro, COP10.976 (2017: COP784); INTERNEXA COLOMBIA, COP10.590 (2017: COP12.079), among others.

## 14. Risk management policy

Given the nature of its various businesses and companies, the geographic position where each of them is located and their various rights (revenues) and obligations (financial debt, acquisition of goods and services), ISA and its companies are exposed to different financial risks.

Accordingly, ISA and its companies seek to permanently monitor the financial markets in order to minimize the potential adverse effects of such risks on the financial results, both individual and consolidated.

### Risk management structure

ISA has in place a policy for comprehensive risk management, which provides the concept and action framework for the objective, systemic and approved implementation of actions aimed at proper management of risks in order to preserve the integrity of the corporate resources and the continuity and sustainability of business. Under this policy, ISA declares the strategic purpose of the Comprehensive Risk Management and assigns express responsibilities to all collaborators.

Below are the financial risks to which the Company is exposed:

#### 14.1 MARKET RISK

Market risk corresponds to unfavorable variations from expected fair value or future cash flows of a financial instrument caused by adverse changes in variables such as exchange rates, domestic and international interest rates, Price of indicators (macroeconomic variables), raw materials (commodities), among others.

##### 14.1.1 Interest rate risk and macroeconomic variables

This risk corresponds to unfavorable changes in fair value or future cash flows of financial instruments with respect to expectations, and it is caused by the variation (volatility) of domestic and international interest rates and macroeconomic variables that are indexed to these flows thus affecting their value. The objective of the interest rate and macroeconomic variable risk management is to reach a balance in the structure of revenues and expenditures that would minimize volatility in the financial statement of the Company.

- **Financial obligations and debt**

As of December 31, 2018, ISA and its companies keep indexation at interest rates and macroeconomic variables in their financial obligations and in most cases, indexation of these operations is offset with the structure of revenues of each Group company. Below, the interest rate composition for financial obligations:

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DEBT PARTICIPATION PER RATES		
RATE	BALANCE	PARTICIPATION (%)
CPI	4.624.815	26,2
Fixed rate	4.252.092	24,2
UF	3.520.372	20,0
Libor(3M)	2.207.132	12,6
CDI	739.359	4,2
TAB	562.823	3,2
TJLP	387.528	2,2
IPCA	931.365	5,3
IBR(3M)	68.000	0,4
Libor(6M)	203.480	1,2
IBR(6M)	82.467	0,5
<b>TOTAL</b>	<b>17.579.433</b>	<b>100</b>

It is important to highlight that, for February 2016, ISA INTERCHILE signed a bond indenture for USD738 million, for its investment plan. To mitigate the risk of variability in the 3M Libor rate and stabilize the project future cash flows, swap operations have been contracted for the cash flow, to translate variable flows into fixed rate flows. Given the above, at the end of 2018, hedging operations closed for USD609,19 million.

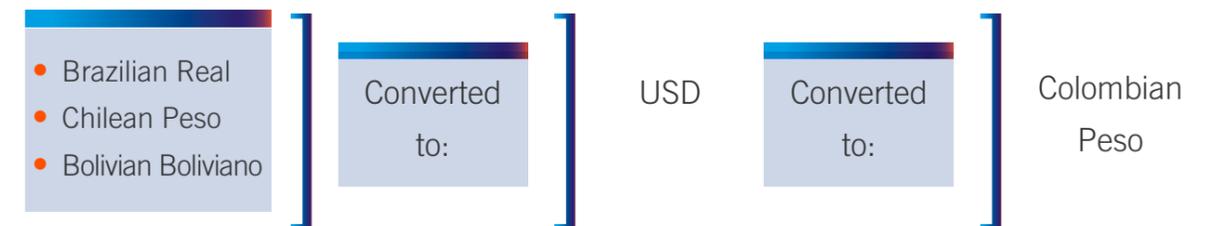
**Financial instruments - Liquidity surplus**

ISA and its companies make investments in financial instruments with their liquidity surplus and particularly they are acquired to keep them until their due date; therefore, they are not exposed to the interest rate risk.

**14.2 EXCHANGE RATE RISK**

This risk corresponds to unfavorable changes with respect to what is expected in the fair value or future cash flows of a financial instrument due to price variations in the foreign currency in which they are expressed.

ISA, on a consolidated basis, is exposed to the exchange rate risk, especially because of the effect of conversion into Colombian Pesos of investments in companies abroad (both in cash-in-hand and in the income statement) which are expressed in the following currencies:



Given that the US dollar is the functional currency used by companies in Peru, the consolidated effect will be related to such currency.

On the other hand, and in a lower proportion, some companies keep an exposure to the Exchange Rate, mainly in the category of expenses associated to the service of debt entered into currencies other than the functional currency of each company.

In cases where no hedging of a natural type exists against the exchange rate risk, ISA and its companies may carry out financial hedging operations that cover this risk.

**Mitigation measures**

Hedge operations for financial risks are considered as mitigation tools for market risk; their objective is to stabilize for a time horizon, the financial statements, and the cash flow before fluctuations of the aforementioned risk factors.

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As part of the Market Risk hedging (Exchange Rate, Interest Rate, Price), ISA and its companies can carry out standardized derivative operations (e.g. Exchange Rate and Commodity Future Agreements, among others) as well as non-standardized derivative operations such as forwards, swaps and options operations at terms, in agreement with the best conditions of each market, which qualify as financial hedging instruments to be registered in the financial statements.

Exchange rate hedging operations kept in force by ISA and its companies, are described in the Derivative financial instruments section.

It should be noted that some ISA's companies have performed hedging operations to mitigate the exchange rate effect in their financial statements, which are described below:

**ISA REP**

On November 08, 2012 and February 07, 2013, to mitigate the nuevos soles exchange rate risk effect, due to the volatility of this type of exchange and since the functional currency of the Company is the US dollar, it entered into "Cross Currency Swap" hedging agreements with BBVA Banco Continental for S/.104.140.000 and S/.77.305.000, with due date in November 2022 and February, 2023, thereby hedging the cash flows in soles related to the First Issue "A" Series and First Issue "B" Series of the Third Corporate Bond Program.

**RUTA DEL MAIPO**

In August 2001, the company issued a Bond (144A) in US dollars for USD421 million, where the company holds a "Cross Currency Swap" as hedging instrument, which purpose is to mitigate the exposure to the variation of future cash flows, caused by the exchange rate variation affecting the bond denominated in US Dollars and the UF variation due to future flows from toll collection.

In May 2005, this ISA subsidiary entered into this hedging agreement instrument with the Official Credit Institute of Spain (Instituto de Crédito Oficial de España (ICO), in order to exchange the flows in US dollars, originated by the bond, for certain flows in development units (Unidades de Fomento, UF). Accordingly, during the hedging period, ICO undertakes to deliver the flow in dollars and the company undertakes to pay a fixed amount in UF.

**ISA CTEEP**

On July 17, 2017, the company carried out a credit operation for USD50 million with the Tokyo-Mitsubishi UFJ Bank, which expired on July 17, 2018. In order to mitigate the exchange rate risk, a "Cross Currency Swap" operation was contracted simultaneously with the same financial entity, from US dollars to Brazilian reals, which is the functional currency of this affiliate.

Likewise, in order to benefit from debt cost conditions permitted by Brazilian Law 4131, ISA CTEEP carried out Cross Currency Swap operations for USD210 million in the second half of 2018 with Citibank and The Bank of Tokyo- Mitsubishi UFJ, Ltd.

In addition, the affiliate agreed to USD/BRL exchange rate forward transactions for USD29,3 million to mitigate the foreign exchange risk from obligations undertaken with suppliers of the IE Biguaçu Lot 01 project.

**14.3 CREDIT AND COUNTERPARTY RISK****14.3.1 Credit risk - clients:**

For ISA and its companies, this risk refers to the late payment, doubtful collection or not recovery of the portfolio from services rendered by the companies. In this regard, businesses and concessions in which companies take part are highly regulated and, in some cases, contractual measures that reduce such risk are maintained.

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It stands as a noticeable event, the event occurred on November 14, 2016, when the seizure of Electricaribe's property, assets and businesses was carried out, which was ordered by the Superintendence of Household Utilities, through Resolution N° SSDP - 20161000062785 which ordered the suspension of payments of all obligations generated up to the moment of such seizure. In consideration of this situation and following internal portfolio management guidelines from ISA and its companies, the respective provisions were created. As of December 31, 2018, such provisions amounted to COP15.866, COP20.277 and COP85 for ISA INTERCOLOMBIA, ISA TRANSELCA, and ISA, respectively.

Likewise, as part of the application of changes proposed by IFRS 9, ISA and its companies, for the end of 2018, included the expected loss methodology in their portfolio analysis.

The purpose of this methodology is to recognize possible impairment in advance, not being necessary that what is currently understood as an impairment event occurs. In general, all assets analyzed will have an expected impairment loss from the moment of their initial recognition, and will be recorded via a "provision for impairment" that will decrease their book value.

The design of the model, in cases where there is sufficient information, includes statistical and market variables, thus ensuring compliance with requirements of IFRS 9. In cases in which information is not available so it is only possible to perform analyzes based on statistics, or when the characteristics of the assets analyzed reflect that an expected loss provision does not apply, the exemption established in the same standard about the cost-benefit of obtaining the information will be fulfilled, and therefore simplified models will

be applied. On the other hand, each company of the group, according to its particular characteristics and information available, will perform the analysis and calculation periodically, which will affect its provisions based on the results of said process.

Details of the result of applying these new measures can be seen in [Note 5](#) - Financial Assets.

#### **14.3.2 Credit risk - liquidity excess:**

This risk is mainly mitigated through the selection of financial institutions of renowned strength and with a risk rating given by locally or internationally authorized agencies. On the other hand, a counterparty quota is to be evaluated through allocation models that analyze both quantitative (financial indicators) and qualitative (risk grading) variables.

At the end of December 2018, no financial institutions where ISA and its companies manage their liquidity excess materialized any breach.

#### **14.4 LIQUIDITY RISK**

Liquidity risk is defined as the incapacity to obtain sufficient funds for the fulfillment of obligations when due, without incurring in unacceptably high costs. ISA and its companies carry out constant monitoring of the short-term cash flow, which permits liquidity needs to be identified during the periods analyzed.

On the other hand, each company maintains tools to achieve additional liquidity, such as the issuing of commercial papers and credit facilities with local and foreign entities that enable the fulfillment of temporary requirements for funds when so required.

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## 15. Financial instruments

### 15.1 CLASSIFICATION OF ASSET FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY

#### Fair value of financial assets

The book value of financial assets measured at amortized cost is the reasonable approach to its fair value. The fair value is presented in the following table, based on the categories of financial assets, compared with its current and non-current book value included in the financial statements:

The detail of financial instruments of the asset, classified by nature and category, as of December 31, 2018 and 2017, is as follows:

	NOTE	2018		2017	
FINANCIAL ASSETS		AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Cash	<u>4</u>	-	519.530	-	604.624
Fixed income investments	<u>4</u>	832.114	-	801.750	-
Other variable income investments	<u>4</u>	-	170.416	-	135.177
Accounts receivable (*)	<u>5.1</u>	2.176.737	1.500.762	3.705.820	-
Other financial assets	<u>5.2</u>	335.687	576.648	134.804	550.266
<b>TOTAL CURRENT</b>		<b>3.344.538</b>	<b>2.767.356</b>	<b>4.642.374</b>	<b>1.290.067</b>
Restricted cash	<u>7</u>	-	339.007	-	78.204
Investments in financial instruments	<u>9</u>	-	15.478	-	16.335
Accounts receivable (*)	<u>5.1</u>	7.041.410	10.095.279	17.609.166	-
Other financial assets	<u>5.2</u>	-	6.111	-	-
<b>TOTAL NON-CURRENT</b>		<b>7.041.410</b>	<b>10.455.875</b>	<b>17.609.166</b>	<b>94.539</b>
<b>TOTAL</b>		<b>10.385.948</b>	<b>13.223.231</b>	<b>22.251.540</b>	<b>1.384.606</b>

(\*) The fair value of accounts receivable includes the contractual asset from concessions in Brazil and the account receivable from RBSE.

**15.2 CLASSIFICATION OF FINANCIAL INSTRUMENTS OF LIABILITIES BY NATURE AND CATEGORY****Fair value of financial liabilities**

The book value of financial liabilities measured at amortized cost is the approximation of its fair value. The fair value is presented in the following table, based on the categories of liabilities, compared with current and non-current book value included in the financial statements.

The detail of liability financial instruments, classified by nature and category, as of December 31, 2018 and 2017 is as follows:

FINANCIAL LIABILITIES	NOTE	2018		2017	
		AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Financial liabilities and bonds	<u>12.1</u>	1.755.051	-	1.607.663	-
Derivative instruments	<u>12.2</u>	-	(3.706)	-	(3.824)
Accounts payable	<u>12.3</u>	644.662	-	779.066	-
<b>TOTAL CURRENT</b>		<b>2.399.713</b>	<b>(3.706)</b>	<b>2.386.729</b>	<b>(3.824)</b>
Financial liabilities and bonds	<u>12.1</u>	15.193.018	-	13.700.697	-
Derivative instruments	<u>12.2</u>	-	246.223	-	384.492
Accounts payable	<u>12.3</u>	884.368	-	995.292	-
<b>TOTAL NON-CURRENT</b>		<b>16.077.386</b>	<b>246.223</b>	<b>14.695.989</b>	<b>384.492</b>
<b>TOTAL</b>		<b>18.477.099</b>	<b>242.517</b>	<b>17.082.718</b>	<b>380.668</b>

**15.3 FAIR VALUE OF FINANCIAL INSTRUMENTS****a. Fair value hierarchies**

The financial instruments recognized at fair value in the statement of financial position are classified hierarchically according to the criteria described in [Note 3.10](#).

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The following table shows the financial assets and liabilities measured at fair value as of December 31, 2018 and 2017:

Financial instruments	2018		Fair value measured at the end of period			
	AT FAIR VALUE	CURRENT	NON-CURRENT	LEVEL I	LEVEL II	LEVEL III
<b>FINANCIAL ASSETS</b>						
Cash		519.530	-	519.530	-	-
Other variable income investments		170.416	-	170.416	-	-
Restricted cash		-	339.007	339.007	-	-
Financial assets		1.500.762	10.095.279	-	11.596.041	-
Financial instruments		-	15.478	-	15.478	-
Other financial assets		576.648	6.111	582.759	-	-
<b>TOTAL</b>		<b>2.767.356</b>	<b>10.455.875</b>	<b>1.611.712</b>	<b>11.611.519</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>						
Derivative instruments		(3.706)	246.223	-	242.517	-
<b>TOTAL</b>		<b>(3.706)</b>	<b>246.223</b>	<b>-</b>	<b>242.517</b>	<b>-</b>
<b>2017</b>						
Financial instruments	2017		Fair value measured at the end of period			
	AT FAIR VALUE	CURRENT	NON-CURRENT	LEVEL I	LEVEL II	LEVEL III
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents		604.624	-	604.624	-	-
Other variable income investments		135.177	-	135.177	-	-
Restricted cash		-	78.204	78.204	-	-
Financial instruments		-	16.335	-	16.335	-
Other financial assets		550.266	-	550.266	-	-
<b>TOTAL</b>		<b>1.290.067</b>	<b>94.539</b>	<b>1.368.271</b>	<b>16.335</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>						
Derivative instruments		(3.824)	384.492	-	380.668	-
<b>TOTAL</b>		<b>(3.824)</b>	<b>384.492</b>	<b>-</b>	<b>380.668</b>	<b>-</b>

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## 16. Provisions

Provisions as of December 31, 2018 and 2017 are as follows:

ESTIMATED LIABILITIES AND PROVISIONS		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Disputes and claims	(1)	9.725	78.129	87.854	29.569	111.079	140.648
Tower repairs		-	-	-	4.004	-	4.004
Other estimated liabilities and Provisions	(2)	94.062	162.436	256.498	87.433	142.196	229.629
<b>TOTAL ESTIMATED LIABILITIES AND PROVISIONS</b>		<b>103.787</b>	<b>240.565</b>	<b>344.352</b>	<b>121.006</b>	<b>253.275</b>	<b>374.281</b>

(1) It corresponds to provisions for against and probable litigations. (See Note 30).

(2) This item also includes estimated liabilities for the acquisition of goods and services which merchandise is in transit, provision for non-invoiced expenses and environmental provisions. The increase is mainly due to the estimate of major maintenance provisions in ISA REP, COP142.121 (2017: COP128.428); and Consorcio Transmantaro, COP59.099 (2017: COP40.500), and provisions for goods and services received pending invoicing in ISA INTERCHILE, COP13.533 (2017: COP104).

## 17. Income tax

Relevant aspects of income tax applicable to ISA and its companies:

- a) In Colombia, current tax regulations applicable to the Companies state that:
- The nominal rate on income tax is 33% for the 2018 taxable year and 34% for the 2017 taxable year.
  - Law 1819 of 2016 created 4% surtax on income tax for the 2018 taxable year and 6% for the 2017 taxable year.
  - The basis for determining the income tax cannot be less than 3,5% of liquid equity on the last day of the immediately preceding taxable period, calculated by

deducting such items duly authorized in the tax laws.

- Law 1819 of 2016, established as of the 2017 taxable year the use of International Accounting Standards applicable in Colombia as the base for the calculation of taxable income for the income tax, and the different tax treatments remained explicit.
- As of the 2017 taxable year, an anti-deferral regime for passive income obtained abroad by Colombian residents is now enforced. It is called Empresas Controladas del Exterior (Controlled Foreign Corporations) (ECE), through which passive income obtained by corporations or other foreign corporations controlled by Colombian residents, has to be immediately declared in Colombia once ECE is enforced.
- Tax loss can be offset with taxable income of the following 12 periods.
- In addition, to determine the income tax the following must be considered:
- Decision N° 578 of the Andean Community of Nations (Comunidad Andina de Naciones (CAN)), seeks the elimination of double taxation for income earned in any of the member countries (Ecuador, Peru, Bolivia and Colombia) through the mechanism of the exoneration. miembros de la misma (Ecuador, Perú, Bolivia y Colombia), mediante el mecanismo de la exoneración.

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In determining the net income in the income tax for 2018 and 2017, the value of income obtained in countries member of the Andean Community of Nations (Peru, Ecuador and Bolivia) is included as exempt income. This amount results from subtracting the corresponding costs and deductions from income generated by the activity benefited with the exemption.

**b).** Occasional earnings are cleared separately from ordinary income. Occasional earnings are obtained from the disposal of fixed assets held for two or more years, income generated from the liquidation of companies, and income from inheritances, bequests and donations.

**Financing Law 2018**

The Financing Law (Law 1943) was approved in December 2018. Some of the most important aspects of this reform are:

A gradual reduction of the income tax general rate for companies is established.

CONCEPT	2018	2019	2020	2021	2022
Income tax (%)	33	33	32	31	30

- The rate used to determine presumptive income is gradually reduced: 1,5% for 2019 and 2020, and 0% thereafter.
- For sales tax payers, VAT paid for the acquisition, construction or formation, and importation of capital goods of any industry may be deducted from income tax. With respect to formed assets, the discount can only be considered from the moment the asset is activated and its depreciation begins.

- It is established that 50% of industry and commerce tax and tax on advertising signs and boards settled and paid by the taxpayers, may be taken as a tax deduction in the income tax. As from the taxable year 2022, said discount will be transferred to 100% of the value paid for these taxes.
- In the regime of entities controlled from abroad, presumption is established when 80% or more of the affiliate's revenues is active (operating) income, it will be understood that the totality of the income is active and, consequently, it will not be necessary to attribute any portion of passive income of the entity controlled from abroad.
- A regime of Colombian Holding Companies (CHC) was created for companies which main activities include securities holding, investment in shares or stakes abroad and investment management; some of its aspects are:
  - Decentralized entities, such as ISA, are understood to be included in the CHC regime.
  - To belong to the CHC regime, entities must have direct or indirect stake in at least 10% of the capital of two or more Colombian and/or foreign companies or entities, for a minimum period of 12 months.
  - They must have a real structure, with human and material resources that allow them to fulfill their business purpose completely.
  - CHC dividends received from abroad are considered exempt income.
  - Income from the sale or transfer of the stake of a CHC in entities not domiciled in Colombia is considered exempt income.
  - Dividends paid by the HCC to residents in Colombia that come from dividends from abroad are taxed at the general rate for income and dividends.
  - Dividends paid by the CHC to non-residents of Colombia and that come from dividends from abroad, are considered foreign income.
  - CHCs and their shareholders will be subject to the income tax general regime with respect to taxed activities carried out in the national territory.
  - CHCs will pay industry and commerce tax only for Colombian income.

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- A 7,5% withholding is established for dividends distributed to companies domiciled in Colombia. This withholding is calculated and paid for the distribution of dividends to the first company, and is credited until the final beneficiary. Companies that belong to the CHC regime will not be subject to this withholding, due to dividends received from national companies.
- The dividend tax rate, when paid to non-residents of Colombia, is now 7,5% (previously 5%).
- The dividend tax rate, when paid to natural persons in Colombia, is 15% for dividends exceeding COP10 million, and tax withheld at source of 7,5% will be deducted from this 15%.
- A mega investment regime was created for new investments of at least COP1 trillion in any industrial, commercial and/or service activity that generates at least 250 direct jobs, with the following considerations:
  - The investment must be made in property, plant, and equipment, and must be executed in a maximum period of five years.
  - Investments that qualify as mega investments will apply a 27% rate on income tax.
  - The depreciation of fixed assets would be made in two years, regardless of their useful life.
  - Presumptive income would not be applied.
  - It will be possible to enter into a legal stability contract, for which a premium of 0,75% must be paid from the investment executed in each year for a maximum period of five years in which the investment must be executed.

**b)** In Chile, current tax provisions stipulate that:  
To establish the income tax, two fiscal regimes exist: the attributed income regime and the partially integrated regime, to which taxpayers have the right to select. The first-category tax (IDPC) rates vary depending of the regime selected.

- **Integrated regime or income attributed:** company owners must pay taxes in the same year for all income generated by the company and not only on profits withdrawn. The income will be attributed in the way partners or shareholders agreed to distribute, and if not stated, the distribution percentage agreed in the corporate charter, bylaws or public deed reported to the Tax Service will applied.

Under this system, the first-category tax rate (IDPC) is 25%. Taxpayers will have the right to use 100% of the amount paid for the First Category Tax (IDPC) as credit against final taxes.

- **Partially and comprehensive regime or income received:** Final taxpayers will be levied with the Supplementary or Additional Comprehensive Taxes as appropriate, on the distributions actually carried out by companies where they hold interests. If no company's withdrawal of profits is held, there is not taxation for final taxpayers.

Under this system, the first-category tax rate (IDPC) is 27%. Taxpayers will be entitled to use only 65% of the amount paid for first Category Tax as credit against final taxes, except for taxpayers of the Additional Tax, domiciled in countries with which Chile has signed a double taxation agreement in force, who can use 100%. For these taxpayers, their tax burden will remain at 35%, whilst for other foreign investors it will be 44,45%

All the companies of the company group domiciled in Chile chose to apply the partially integrated regime.



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- c)** In Peru, current tax regulations state that:
- The income tax rate in force is 29,5% on taxable income, after deducting the participation of workers, which is calculated at a rate of 5% or 10%, on the taxable income.
  - Legal persons not domiciled in Peru and natural persons must pay an additional tax on any amount that can be considered an indirect disposal of profits, including amounts charged to expenses and revenues undeclared; that is, expenses likely to have benefited shareholders, participants, among others; private non-business expenses; expenses charged to shareholders, participants, among others, which are borne by the legal person. Dividend is understood as any credit to the limit of profits and unrestricted reserves that are granted on behalf of the partners, associates, or holders, regardless of the time limit set for their return.
  - Dividends and other forms of distribution of profits are taxed with the income tax at 5%.
  - In 2018, important changes have been made to tax matters seeking to implement OECD recommendations in order to prevent tax evasion, the most important one being the reactivation of an anti-evasion standard.
- d)** In Brazil, current tax regulations state:
- The Income Tax for Corporate Entities (IRPJ) and the Social Contribution on net profit are taxes under federal authority that affect the income of the corporate entity in its actual or presumed profit.
- **Actual profit:** The tax is established based on actual profit for each period, setting up the taxable basis based on accounting profit and making calculations provided by tax law. The calculation base is composed by all income and capital gains, whichever denomination they have. The net profit of the calculation period is the amount of operating profit, operating results and the shares at a 34% rate.

- **Presumed profit:** it is a form of simplified taxation for determining the calculation basis. It applies to corporate entities with gross income up to BRL78 million in the immediately preceding year. Under this system, the profit of each taxpayer is determined by applying rates of 1,6%, 8%, 16% and 32% to gross income; the application of the rate depends on the activity carried out by the taxpayer.
- e)** In Bolivia, current tax regulations state:
- The company is subject to the Business Profit Tax (Impuesto a las Utilidades de Empresas) (IUE) at a 25% rate on taxable income for each period, which is the result of adjusting the accounting profit according with the criteria defined in the tax provisions. This tax is settled and paid in annual periods, offset with the Transaction Tax (IT) generated in the following period, until its depletion or until the following due date of the IUE.
  - The distribution of company profits or payments of interest for the benefit of its shareholders or foreign related companies is subject to a withholding tax of 12,5% on the total amount accredited, paid, or remitted.
- f)** In Argentina, current tax regulations state:
- Law 27.430 of 27-12-2017 stipulated that the company is subject to the income tax, and the distribution of profits of the company is subject to income tax withheld on the total amount credited, paid or remitted.
  - A gradual reduction of the income tax general rate for companies, as well as an increase in dividend withholding, are established.

CONCEPT	2017	2018	2019	2020
Income tax (%)	35	30	30	25
Dividend withholding (%)	-	7	7	13

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An equalization tax on dividends distributed shall be applied for accumulated income until December 2017, established at 35% on the surplus of accounting profits distributed with respect to the accumulated tax gain.

### LEGAL STABILITY AGREEMENTS SIGNED BY ISA AND ITS COMPANIES

**In Colombia:** On June 27, 2008, ISA, and the Nation –Ministry of Mines and Energy–, signed the legal stability agreement for the activity of Energy Transmission for a 20-year period, whereby ISA paid a premium and agreed to make an investment. This agreement basically provided for stabilization of income tax regulations, including income tax rate, deduction of the inflationary element of financial expenses, special deduction of 40% for new investments in real productive fixed assets, tax discount by VAT paid at import of machinery for energy transmission and presumptive income as 3% of liquid assets, as well as the time limit of the equity tax.

This agreement ensures that, in the event of adverse changes to the rules stabilized in the agreement, those rules will continue to apply during the term thereof.

**In Peru:** The agreement mainly provides investors and the investment recipient with stability in the income tax regime regarding the income tax and stability in procurement regimes of employees.

The following are the Group companies located in Peru who signed legal stability agreements:

- **ISA REP:** On July 26, 2002, the company entered into a Legal Stability Agreement with the Peruvian State, which term is extended throughout the term of the

concession. This agreement is related to the investment that the Shareholders of the company must perform with capital contributions for an amount of USD20.000.000, an amount which was completed by December 31, 2002. Basically, the agreement provides investors and the investment recipient with stability in the tax regime regarding the income tax and stability in procurement regimes of employees. The income tax rate is 27% over taxable income, after deducting the participation of employees, which is calculated at a rate of 5% over the taxable income.

- **CONSORCIO TRANSMANTARO:** On February 24, 1998, this affiliate entered into a Legal Stability Agreement with the Peruvian State, which term is extended throughout the term of the concession. The agreement mainly provides investors and the investment recipient with stability in the tax regime regarding the income tax and stability in procurement regimes of employees. On October 27, 2006, the company signed an addendum to the tax stability agreement with the Peruvian State, which clarifies that the amount at that time of capital contributions amounted to USD43.005.250. The income tax rate is 30% over taxable income.
- **ISA PERÚ:** On March 29, 2001, this ISA's subsidiary signed a Legal Stability Agreement with the Peruvian State within the framework of Legislative Decrees N° 662 and N° 757 and Law N° 27342. The agreement term starts with the validity of the Concession Agreement and is extended throughout the agreement term. While this Agreement is in force, the Peruvian State agrees to ensure legal stability for the company in relation to stability for the income tax regime, thus, the regulations in effect at the time of signing the Agreement will remain in effect. Accordingly, the income tax rate is 20% plus additional 2%.

**In Chile:** Until 2015, foreign investors could enter into foreign investment agreements with the State under Decree-Law 600 (DL600), provided that the investment amount exceeds USD5.000.000. DL600 allows:

- **Access to Formal Exchange Market:** The foreign investor may remit capital or income abroad, without restrictions or limitations regarding capital amount or income.
- **Tax cost of shares or corporate rights:** This option is provided to the foreign investor so that, in the event of disposal or settlement of its investment in Chile, the foreign investor has an opportunity to value shares or rights in the receiving company in two different ways, the most appropriate at “acquisition cost” or “tax cost”.
- **Tax invariability:** It provides a rate of 42% as total effective income tax burden for a period of ten years counted from the start operation date of the respective company, which acts as a protection against possible future tax rate increases above 42%.
- **Non-discrimination:** It provides the foreign investor with the resource to claim standards that the foreign investor considers discriminatory.

ISA and INTERNEXA COLOMBIA, shareholders of ISA Inversiones Chile, ISA Inversiones Maule, ISA INTERCHILE and INTERNEXA CHILE, signed foreign investment agreements under DL600 in 2015.

- **In Bermuda:** Linear Systems Re Ltda is not required to pay income or capital gains taxes in Bermuda. The Minister of Finance of Bermuda granted the company a guarantee stipulating that, in the event that taxes are imposed, the Company will be exempt until 2035.

### **17.1 INCOME TAX RECOGNIZED IN INCOME OF THE YEAR**

The result for income tax recorded in the statement of comprehensive income corresponding to years 2018 and 2017, is as follows:

	2018	2017
Expense from current tax	635.188	558.985
Income (expense) from deferred tax	(20.634)	456.831
Previous years	(41.852)	(106.555)
Tax in their jurisdictions	11.025	7.037
<b>TOTAL EXPENSE FROM INCOME TAX</b>	<b>583.727</b>	<b>916.298</b>

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The reconciliation of the expense from income tax and the product of accounting profit multiplied by the nominal tax rate of each Group company in 2018 and 2017 is as follows:

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	2018	2017
<b>RECONCILIATION BETWEEN INCOME TAX EXPENSE AND ACCOUNTING PROFIT BY THE NOMINAL TAX RATE OF EACH COMPANY</b>		
Net profits before income tax	3.184.121	3.260.106
<b>INCOME TAX EXPENSE AT NOMINAL RATE FOR EACH COMPANY</b>	<b>983.908</b>	<b>1.844.406</b>
<b>INCREASE (DECREASE) IN THE PROVISION OF TAX AS A RESULT OF:</b>		
Tax effect of tax rates borne abroad	8.475	(4.335)
Non-taxable revenues	(230.445)	(635.091)
Non-deductible expenses	12.273	(152.347)
Effect of tax losses	(14.236)	(32.334)
Change in tax rates	(90.449)	6.025
Other tax effects (1)	(85.799)	(110.026)
<b>INCOME TAX EXPENSE AT EFFECTIVE RATE</b>	<b>583.727</b>	<b>916.298</b>

(1) It includes the effect of settling the income tax for presumed profit in Brazil and for presumptive income in ISA INTERVIAL COLOMBIA, as well as the application of the fixed assets benefit in ISA.

### **17.2 DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax balances are presented in the consolidated statement of financial position as the sum of deferred taxes recognized in each company, considering that current and deferred assets and liabilities amounts come from income tax corresponding to various tax administrations and different taxpayers.

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Deferred tax assets and liabilities as of December 31, 2018 and 2017 are as follows:

	2018		2017	
	BEGINNING OF THE PERIOD	END OF THE PERIOD	BEGINNING OF THE PERIOD	END OF THE PERIOD
<b>DEFERRED TAX ASSETS</b>				
Other financial and tax credits	80.388	301.120	105.045	80.388
Estimated liabilities and accounts payable	423.876	290.158	310.405	423.876
<b>TOTAL DEFERRED TAX ASSET</b>	<b>504.264</b>	<b>591.278</b>	<b>415.450</b>	<b>504.264</b>
<b>DEFERRED TAX LIABILITY</b>				
Property, plant and equipment	(1.296.180)	(938.430)	(697.020)	(1.296.180)
Goodwill and intangible assets	(100.157)	(104.397)	(129.837)	(100.157)
Other liabilities	(3.109.428)	(3.570.319)	(3.159.638)	(3.109.428)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(4.505.765)</b>	<b>(4.613.146)</b>	<b>(3.986.495)</b>	<b>(4.505.765)</b>
<b>NET DEFERRED TAX</b>	<b>(4.001.501)</b>	<b>(4.021.868)</b>	<b>(3.571.045)</b>	<b>(4.001.501)</b>

Balance annual variations in the deferred tax were recognized as showed below:

	2018	2017
<b>DEFERRED TAX VARIATION</b>		
Beginning of the period (net)	(4.001.501)	(3.571.045)
End of the period (net)	(4.021.868)	(4.001.501)
<b>VARIATION OF THE PERIOD</b>	<b>(20.367)</b>	<b>(430.456)</b>
Recognized in income	(20.634)	456.831
Recognized in other comprehensive income	3.515	3.123
Rate conversion effect	37.486	(29.498)
<b>DEFERRED TAX VARIATIONS</b>	<b>20.367</b>	<b>430.456</b>

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According to the provisions of IAS 12, a deferred tax asset by tax losses is recognized when a company considers that the existence of future taxable income is probable, on which it is possible to attribute these losses.

The following companies have tax losses that could be offset in the future and resulted in the recognition of deferred tax asset.

	COUNTRY	Balance 2018
<b>TAX LOSSES</b>		
Ruta de la Araucanía Sociedad Concesionaria S.A.	Chile	840.383
Ruta del Maipo Sociedad Concesionaria S.A.	Chile	2.721.315
Ruta del Bosque Sociedad Concesionaria S.A.	Chile	302.964
Ruta del Maule Sociedad Concesionaria S.A.	Chile	33.229
Ruta del Loa Sociedad Concesionaria S.A.	Chile	17.042
INTERCHILE S.A.	Chile	754
INTERNEXA CHILE S.A.	Chile	71.804
INTERVIAL CHILE S.A.	Chile	7.798
ISA INVERSIONES MAULE LTDA.	Chile	26.865
<b>TOTAL TAX LOSSES</b>		<b>4.022.154</b>

The management of ISA and its companies considers that projections of future profits of various companies cover what is needed to recover the balance due to accumulated tax losses for COP4.022.154, recognizing the deferred tax. Additionally, there is a balance of tax losses for COP461.080 on which deferred tax was not recognized since there is not a

reasonable expectation that these companies obtain enough net income to compensate such losses:

	COUNTRY	Balance 2018
<b>TAX LOSSES</b>		
Ruta del Bosque Sociedad Concesionaria S.A.	Chile	201.939
Ruta del Maule Sociedad Concesionaria S.A.	Chile	83.046
INTERVIAL COLOMBIA S.A.S.	Colombia	2.014
ISA Capital do Brasil S.A.	Brazil	107
Internexa Brazil Operadora de Telecomunicações	Brazil	147.541
Internexa Participações	Brazil	26.433
<b>TOTAL TAX LOSSES</b>		<b>461.080</b>

ISA and its companies are potentially subject to tax audits on the income tax by the tax authorities in each country. These audits are limited to a number of annual tax periods, which usually give rise to expiration of the term of such inspections.

Given their nature, tax audits are usually complex and may require several years. Due to the varying interpretations that can be given to tax rules, the inspection results that could be held in the future by tax authorities, for the years subject to verification, could lead to tax liabilities which amounts cannot be quantified today in an objective manner.

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**Expected nominal income tax rate by country**

The expected nominal income tax rate is the one established by tax regulations in each country. The nominal rate applicable to group companies according to their jurisdiction is:

	2018	2017
COUNTRY	(%)	(%)
Colombia	37,0	40,0
Brazil	34,0	34,0
Peru	29,5	29,5
Chile	27,0	27,0
Bolivia	25,0	25,0
Bermuda	0,0	0,0
Argentina	30,0	35,0

**Expected nominal income tax rate**

The expected nominal income tax rate for the Group is the result of multiplying the weight of the participation of each country in the consolidated income before taxes of ISA. Given the above, the expected nominal income tax rate for 2018 was 33,01%; and 33,72% in 2017.

	2018				2017			
COUNTRY	INCOME BEFORE TAX (WITHOUT NON-CONTROLLING)	(%) CONSOLIDATED	COUNTRY NOMINAL RATE	PARTICIPATION IN RATE BY COUNTRY	INCOME BEFORE TAX (WITHOUT NON-CONTROLLING)	(%) CONSOLIDATED	COUNTRY NOMINAL RATE	PARTICIPATION IN RATE BY COUNTRY
Colombia	583.429	32,28	37,00%	11,94%	537.994	27,60	40,00%	11,04%
Brazil	638.258	35,31	34,00%	12,00%	795.409	40,81	34,00%	13,87%
Peru	290.404	16,06	29,50%	4,74%	254.717	13,07	29,50%	3,86%
Chile	248.974	13,77	27,00%	3,72%	314.054	16,11	27,00%	4,35%
Bolivia	42.700	2,36	25,00%	0,59%	37.643	1,93	25,00%	0,48%
Chile	2.772	0,15	0,00%	0,00%	2.570	0,13	0,00%	0,00%
Argentina	1.268	0,07	30,00%	0,02%	6.796	0,35	35,00%	0,12%
<b>TOTAL</b>	<b>1.807.805</b>	<b>EXPECTED NOMINAL RATE</b>	<b>33,01%</b>		<b>1.949.183</b>	<b>EXPECTED NOMINAL RATE</b>	<b>33,72%</b>	

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**Income tax effective rate**

The consolidated effective income tax rate in 2018 was 15,68% and 29,39% for 2017. This rate resulted from the ratio between the income tax and the income before tax applicable to ISA in the consolidated statement, considering the participation in each company.

**Effective rate vs. nominal income tax rate**

	2018				2017			
COUNTRY	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	TAX PROVISION (WITHOUT NON-CONTROLLING)	EFFECTIVE RATE (%)	COUNTRY NOMINAL RATE (%)	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	TAX PROVISION (WITHOUT NON-CONTROLLING)	EFFECTIVE RATE (%)	COUNTRY NOMINAL RATE (%)
Colombia	583.429	68.356	11,72	37,00	537.994	144.974	26,95	40,00
Brazil	638.258	141.693	22,20	34,00	795.409	188.295	23,67	34,00
Peru	290.404	77.922	26,83	29,50	254.717	84.529	33,19	29,50
Chile	248.974	(16.238)	(6,52)	27,00	314.054	81.535	25,96	27,00
Bolivia	42.700	10.533	24,67	25,00	37.643	9.560	25,40	25,00
Bermuda	2.772	-	0,00	0,00	2.570	-	0,00	0,00
Argentina	1.268	1.157	91,25	30,00	6.796	2.357	34,68	35,00
<b>TOTAL</b>	<b>1.807.805</b>	<b>283.423</b>	<b>15,68</b>	<b>33,01</b>	<b>1.949.183</b>	<b>511.250</b>	<b>29,39</b>	<b>33,72</b>
			<b>CONSOLIDATED RATE</b>				<b>CONSOLIDATED RATE</b>	

The effective rate in 2018 was 15,68% compared to an expected nominal rate of 33,01%, and in 2017 it was 29,39% against an expected nominal rate of 33,72%, due to the following reasons:

- In Colombia, in 2018 the effective rate is lower due to the application of special deduction for fixed assets investment and the reduction of the income rate used to recognize deferred tax. In 2018, 30% was recognized compared with 33% in 2017.
- In Brazil, in 2018 and 2017, there is a lower rate in relation to the nominal rate

since ISA CTEEP's affiliates establish their tax by applying the presumed profit, except for IESUL and the accounting recognition of the equity method is not a basis for the determination of the income tax; likewise, in 2018 in ISA CTEEP, the payment of Juros Capital Propio result in a reduction of the income tax, and in ISA Capital do Brasil, the use of tax losses also allows the reduction of the effective rate.

- In Peru, in 2018, the decrease of the effective rate in relation to the nominal rate was due to the fact that ISA REP, Consorcio Transmantaro and ISA PERÚ calculate income tax with different nominal rates (27%, 30%, and 22%, respectively),

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under the legal stability agreements that each of these companies has signed. In 2017, the increase in the effective rate in relation to the nominal rate was due to the non-deductibility of some expenses.

- In Chile, in 2018, the lower effective rate is due to the fact that some companies

present tax losses, over which deferred tax assets and their corresponding monetary adjustment have been recognized.

- In Argentina, the effective rate is much higher than the nominal rate due to the devaluation, which does not have fiscal effects, causing a higher taxable income.

### **17.3 OTHER ASSETS FROM TAXES, RATES, AND CONTRIBUTIONS**

	2018			2017		
	CURRENT (1)	NON-CURRENT (2)	TOTAL	CURRENT (1)	NON-CURRENT (2)	TOTAL
Other assets from taxes and contributions	317.589	27.241	344.830	309.451	46.870	356.321

(1) This item includes withholding tax advance payments of different taxes that will be offset in subsequent periods, credit balance in tax return, sales tax, and municipal taxes.

(2) This item corresponds to ISA and XM's balances from deferred withholding tax advance payments that will be offset in subsequent periods, and also contains the ISA's industry and commerce credit balance from some of the municipalities in which the company is a taxpayer; and the VAT amount discounted for the acquisition and import of heavy machinery for basic industries (Article 258-2 Tax Statute) which will be taken as tax discount in future taxable periods.

### **17.4 OTHER LIABILITIES FROM TAXES, RATES, AND CONTRIBUTIONS**

		2018			2017		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contributions payable	(1)	51.576	1.003.992	1.055.568	64.773	1.035.228	1.100.001
Other taxes	(2)	130.448	-	130.448	100.894	-	100.894
Income tax provision	(3)	80.144	-	80.144	242.245	19.177	261.422
<b>TOTAL</b>		<b>262.168</b>	<b>1.003.992</b>	<b>1.266.160</b>	<b>407.912</b>	<b>1.054.405</b>	<b>1.462.317</b>

(1) (1) Current liabilities contain contributions of several companies located in Peru, Colombia, Bolivia and Brazil, and non-current liabilities contain the contribution payable by PIS, CONFIS of ISA CTEEP, and controlled entities.

(2) Other taxes payable, including withholding tax, territorial taxes and VAT.

(3) The decrease is mainly due to higher net income and the fact that some companies had net income instead of tax losses.

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## 18. Employee benefits

The Group grants its active and retired employees benefits subject to actuarial calculation.

The composition of benefits as of December 31, 2018 and 2017 is as follows:

	NOTE	2018	2017
<b>BENEFIT</b>			
<b>POST-EMPLOYMENT BENEFITS</b>			
Retirement pensions	<u>18.1.1</u>	222.473	225.042
Prepaid medical assistance plans	<u>18.1.2</u>	221.714	214.905
Education assistance	<u>18.1.3</u>	25.428	23.168
Energy assistance	<u>18.1.4</u>	5.516	5.763
Pension contribution and social security assistance	<u>18.1.5</u>	5.330	5.618
Plan assets	<u>18.1.6</u>	(99.158)	(7.558)
<b>NON-CURRENT BENEFITS</b>			
Quinquennium payments and seniority premium	<u>18.2.1</u>	17.062	15.897
Severance	<u>18.2.3</u>	5.168	5.128
<b>TERMINATION BENEFITS</b>			
Termination benefits	<u>18.3</u>	2.412	2.167
<b>TOTAL ACTUARIAL CALCULATION</b>		<b>405.945</b>	<b>490.130</b>
<b>TOTAL EMPLOYEE BENEFITS - NON-CURRENT</b>		<b>390.147</b>	<b>490.130</b>
<b>TOTAL EMPLOYEE BENEFITS - CURRENT</b>		<b>15.798</b>	<b>-</b>

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## 18.1 POST-EMPLOYMENT BENEFITS

### 18.1.1 Retirement pensions

ISA, TRANSELCA and XM, according to the collective and individual employment contracts, ISA, ISA INTERCOLOMBIA, ISA TRANSELCA y XM must pay retirement pensions to those employees who meet certain requirements of age and length of service. The Social Security Institute (Instituto de Seguros Sociales (ISS)), today called Colpensiones and the pension management companies assume the major portion of this obligation, according to the compliance with legal requirements.

The present value of the pension obligation, as of December 31, 2018 and 2017 was determined based on actuarial studies in accordance with IAS 19 using the actuarial valuation method. The projected unit credit was used to obtain the present

value of the defined benefit obligation and, if applicable, current service costs and past service costs.

Under this method, the benefits are attributed to periods in which the obligation to provide benefits is created by directly applying the formula of the benefit of the service-based plan on the valuation date. When the benefit is based on compensation or salary or salary increases, they are applied until the date on which the participant is expected to end the service. However, if the service in recent years leads to significant additional benefits in previous years, benefits are linearly attributed from the date when service by the employee entitles to benefits under the plan, until such date when subsequent services lead to no additional material amount of benefits under the plan.

The primary actuarial assumptions used in the valuation were:

<b>2018</b>			
<b>VARIABLES</b>	<b>INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.</b>	<b>TRANSELCA S.A. E.S.P.</b>	<b>XM S.A. E.S.P.</b>
Discount rate	7,30%	7,30%	7,40%
Future salary increase	4,00%	4,00%	4,00%
Future pension increase	3,50%	3,50%	3,50%
Inflation rate	3,50%	3,50%	3,50%
Minimum salary increase	4,00%	4,00%	4,00%
Rate of return on assets	0,00%	0,00%	0,00%
Mortality chart	2008 valid rentiers	2008 valid rentiers	2008 valid rentiers
Number of people covered by pension plan	407	191	19
Number of people covered by contributions plan	-	-	-

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### 18.1.2 Prepaid medical assistance plans

ISA, ISA INTERCOLOMBIA, ISA TRANSELCA and XM, will pay the following percentages on premiums related to health plans corresponding to prepaid medical assistance and hospitalization policy:

For salaries and pensions up to four point three (4,3) legal monthly minimum salaries (SMLMV) in force, 90% of the premium value.

For salaries and pensions above four point three (4,3) and up to five point five (5,5) legal monthly minimum salaries (SMLMV), eighty percent (80%) of the premium value.

For salaries and pensions above five point five (5,5) legal monthly minimum salaries (SMLMV), seventy percent (70%) of the value of the premium.

On the other hand, ISA and ISA INTERCOLOMBIA recognize a health assistance benefit of 1,70 SMLMV and 1,54 SMLMV. This benefit is granted to the employee and its beneficiaries.

The obligation for health plans, current service cost and past service cost, were established through the projected unit credit methodology, as of December 31, 2018 and 2017.

The primary actuarial assumptions used in the valuation were:

VARIABLES	2018			
	INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.	INTERCOLOMBIA S.A. E.S.P.	TRANSELCA S.A. E.S.P.	XM S.A. E.S.P.
Discount rate	7,30%	7,50%	7,10%	7,50%
Salary increase	4,00%	4,00%	4,00%	4,00%
Initial increase rate for benefit cost	6,17%	6,17%	4,50%	6,17%
Final increase rate for benefit cost	4,50%	4,50%	4,50%	4,50%
Rate of return on assets	0,00%	0,00%	0,00%	0,00%
Mortality chart	2008 valid rentiers	2008 valid rentiers	2008 valid rentiers	2008 valid rentiers
Turnover chart	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%
Number of people covered by medical plan	1.043	474	442	219

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**18.1.3 Education assistance**

Employees of ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, and XM are entitled to education assistance for each child of active employees and pensioned personnel, up to 25 years old, provided that they are single and are not working.

The assistance will be paid per year or early school semester and must be made in education centers duly approved by the competent entity.

Values to be recognized will be provided in the collective agreements in force:

**ISA and ISA INTERCOLOMBIA**

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD	
	BENEFICIARIES OF THE COLLECTIVE LABOR CONVENTION	BENEFICIARIES OF THE LABOR COLLECTIVE PACT
Daycare, kindergarten, primary and secondary, for each child.	2,7 SMLMV (annual)	4,5 SMLMV (annual)
Technology, technical, professional and specialization in technology, for each child.	1,5 SMLMV (per semester)	2,25 SMLMV (per semester)
Children with learning disabilities, whatever age.	3,0 SMLMV (annual)	4,5 SMLMV (annual)

**ISA TRANSELCA**

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD
Maternity aid, kinder garden and/or primary	COP276.026 (annual)
Financial aid for secondary studies and/or technical courses	COP391.024 (annual)
University and/or intermediate degrees aid	COP553.975 (semiannual)
Physical and mental rehabilitation	COP553.075 (annual)

**XM**

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD
Worker	3 SMLMV (semiannual)
Daycare / Preschool Primary / Secondary (children)	4 SMLMV (annual)
Technology / Professional Technician / Specialization studies (children)	4 SMLMV (annual, payable semi-annually)
Specially	3.2 SMLMV (annual)

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The obligation for the education assistance benefit, current service cost and past service cost was calculated through the projected unit credit methodology, as of December 31, 2018 and 2017.

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The primary actuarial assumptions used in the valuation were:

### 2018

VARIABLES	INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.	INTERCOLOMBIA S.A. E.S.P.	TRANSELCA S.A. E.S.P.	XM S.A. E.S.P.
Discount rate	7,40%	7,40%	7,10%	7,50%
Minimum salary increase	4,00%	4,00%	3,50%	4,00%
Rate of return on assets	N/A	N/A	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover chart	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%
Number of people covered by education plan	213	411	49	159

#### 18.1.4 Energy assistance

In ISA TRANSELCA, the energy assistance is a contribution of up to 80% of the residential consumption of the employee's permanent housing.

The obligation for the energy assistance benefit, current service cost and past service cost was calculated through the projected unit credit methodology, as of December 31, 2018 and 2017.

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The primary actuarial assumptions used in the valuation were:

VARIABLES	2018
Discount rate	7,10%
Inflation rate	3,50%
Rate of return on assets	0,00%
Mortality rate	2008 valid renters
Turnover chart	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%
Number of people covered by energy assistance	157

### 18.1.5 Pension contribution and social security assistance

It consists of the payment of contribution for pension and social security to the provisional system and on behalf of the employee by ISA TRANSELCA, from the time the employee leaves the company and until the employee is retired and included in the Colombian Social Security system.

The obligation for pension contribution and social security assistance, current service cost and past service cost was established through the projected unit credit methodology, as of December 31, 2018 and 2017.

The primary actuarial assumptions used in the valuation were:

VARIABLES	2018
Discount rate	7,30%
Future salary increase	4,00%
Future pension increase	3,50%
Inflation rate	3,50%
Minimum salary increase	4,00%
Rate of return on assets	N/A

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Below is the reconciliation of movements in post-employment benefits carried out during 2018 and 2017:

	PENSION	MEDICAL AS- SISTANCE PLAN	EDUCATION ASSISTANCE	ENERGY ASSISTANCE	CONTRIBU- TIONS TO SO- CIAL SECURITY	TOTAL
<b>BALANCE AS OF DECEMBER 31, 2016</b>	<b>218.682</b>	<b>191.505</b>	<b>20.528</b>	<b>6.404</b>	<b>5.742</b>	<b>442.861</b>
Current period service costs	-	2.869	988	-	-	3.857
Interest expense	15.453	13.708	1.486	457	410	31.513
Actuarial profits/losses from experience	3.779	9.729	355	606	544	15.013
Actuarial losses from change in demographic assumptions	-	3.898	-	-	-	3.898
Actuarial losses from financial assumptions	2.929	595	170	-	-	3.694
Benefits directly paid by the company	(15.801)	(7.399)	(359)	(1.704)	(1.078)	(26.341)
<b>BALANCE AS OF DECEMBER 31, 2017</b>	<b>225.042</b>	<b>214.905</b>	<b>23.168</b>	<b>5.763</b>	<b>5.618</b>	<b>474.495</b>
Current period service costs	-	3.002	1.053	-	-	4.055
Interest expense	15.399	15.135	1.663	397	373	32.967
Actuarial losses from experience	3.267	2.674	616	(185)	179	6.551
Actuarial profit/(loss) from financial assumptions	(4.702)	(4.589)	(664)	(116)	(111)	(10.182)
Benefits directly paid by the company	(16.085)	(9.145)	(372)	(343)	(729)	(26.674)
Other changes	(448)	(268)	(36)	-	-	(751)
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b>222.473</b>	<b>221.714</b>	<b>25.428</b>	<b>5.516</b>	<b>5.330</b>	<b>480.461</b>

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On the other hand, a quantitative sensitivity analysis was conducted in relation to changes in different key assumptions. The effect on benefit obligation to retired employees is as follows:

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ASSUMPTIONS	PENSION	MEDICAL ASSISTANCE PLAN	EDUCATION ASSISTANCE	ENERGY ASSISTANCE	CONTRIBUTIONS TO SOCIAL SECURITY
<b>CHANGE IN DISCOUNT RATE</b>					
Increase in discount rate in +1%	(21.185)	(25.591)	(3.346)	(524)	(497)
Decrease in discount rate in -1%	25.317	31.625	4.211	624	597
<b>CHANGE IN BENEFIT INCREASE</b>					
Increase in benefit increase in +1%	-	-	4.463	643	-
Decrease in benefit increase in -1%	-	-	(3.580)	(547)	-
<b>CHANGE IN MEDICAL TREND</b>					
Increase in medical trend in +1%	-	28.652	-	-	-
Decrease in medical trend in -1%	-	(23.433)	-	-	-
<b>OBLIGATION BASE</b>	<b>222.473</b>	<b>221.714</b>	<b>25.428</b>	<b>5.516</b>	<b>5.330</b>
<b>AVERAGE DURATION OF THE PLAN</b>	<b>11,70</b>	<b>15,00</b>	<b>14,38</b>	<b>11,60</b>	<b>11,40</b>

**18.1.6 Plan assets**

	2018	2017
XM S.A. E.S.P. Plan assets (1)	(10.724)	(7.558)
Companhia de Transmissão de Energia Elétrica Paulista (CTEEP) Plan assets (2)	(88.434)	-
<b>TOTAL PLAN ASSETS</b>	<b>(99.158)</b>	<b>(7.558)</b>

**(1) XM:** The affiliate holds restricted cash and cash equivalents to support pension liability and long-term employee benefits, which are in the Autonomous Equity managed by Protección S.A. The value of the assets is present in the statement of financial position, offset by the statement of liabilities previously described.

**(2) ISA CTEEP:** The company sponsors a retirement benefit plan and pension benefits due to death for employees, former employees, and respective beneficiaries, administered by FUNCESP, whose purpose is to provide guaranteed benefits by Social Security.

Payments to retirement plan of defined contribution are recognized as expenses when services granting the right to such payments are rendered.

This evaluation is carried out every year, and the effects of restructuring plan commitments, which include actuarial profits and losses, caused by changes in the upper limit of the asset (if applicable) and the return on plan assets (excluding interests), are

immediately reflected in the general balance as a charge or credit recognized in other comprehensive income in the period of their occurrence. As of December 31, 2018, and 2017, ISA CTEEP did not hold actuarial assets or liabilities acknowledged in accordance to accounting.

As of December 31, 2018, ISA CTEEP had an actuarial surplus of COP421.462 (2017: COP532.939). This surplus is not recognized in accounting in 2017, since in compliance with regulations on decisions CVM N° 695 of 2012, the recognition of the asset is only allowed when the equity surplus represents a future economic benefit for the company, which was not verified on December 31, 2017.

As of December 31, 2018, the future economic benefit for the company is COP88.434, which corresponds to the economic benefit from the partial reduction in plan contributions.

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Movements of the benefit are as follows:

	2018	2017
<b>BALANCE</b>		
Defined benefit obligation	2.782.489	2.654.790
Fair value of the plan asset	(3.203.951)	(3.187.729)
<b>(SURPLUS) / DEFICIT</b>	<b>(421.462)</b>	<b>(532.939)</b>
Irrecoverable surplus (effect of limit on assets)	331.420	532.939
<b>NET LIABILITY / ASSET</b>	<b>(90.042)</b>	<b>-</b>
<b>MOVEMENT IN IRRECOVERABLE SURPLUS</b>		
Irrecoverable surplus at the end of the previous year	532.939	458.325
Interests on irrecoverable surplus	48.324	57.897
Change in the irrecoverable surplus during the period	(206.448)	(37.043)
Exchange rate effect	(43.395)	53.760
<b>IRRECOVERABLE SURPLUS AT THE END OF THE PREVIOUS YEAR</b>	<b>331.420</b>	<b>532.939</b>
<b>RECONCILIATION OF THE DEFINED BENEFIT OBLIGATION</b>		
Defined benefit obligation at the end of the previous year	2.654.790	2.633.221
Current service cost	8.962	9.916
Interest costs	232.768	281.677
Benefits paid by the plan	(164.979)	(188.261)
Participant's contribution	554	754
Actuarial profit/ (loss)	225.494	(27.282)
Exchange rate effect	(175.099)	(55.235)
<b>DEFINED BENEFIT OBLIGATION AT THE END OF THE PREVIOUS YEAR</b>	<b>2.782.490</b>	<b>2.654.790</b>
<b>RECONCILIATION OF FAIR VALUE OF THE PLAN ASSET</b>		
Fair value of the plan asset at the end of the previous year	(3.187.728)	(3.156.418)
Expected return on investments	(281.125)	(339.622)

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	2018	2017
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Contribution paid by the company	(960)	(520)
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Participant's contribution	(554)	(754)
Benefits paid by the plan	164.979	188.261
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(Profit) / loss over return on investments	(113.788)	54.978
Exchange rate effect	215.227	66.347
Strategy		
<b>FAIR VALUE OF THE PLAN ASSET AT THE END OF THE YEAR</b>	<b>(3.203.949)</b>	<b>(3.187.728)</b>

The movement in the other comprehensive income is as follows:

	2018	2017
Corporate Government		
<b>COSTS RECOGNIZED IN THE INCOME</b>		
Energy		
Current service cost	8.962	9.916
Transmission		
Interests in defined benefit obligation	232.768	281.677
Interests / return in the fair value of the plan asset	(281.125)	(339.622)
Road Concessions		
Interests on irrecoverable surplus	40.944	57.897
Exchange rate effect	59	-
Information and Telecommunication		
<b>COST OF THE DEFINED BENEFIT OBLIGATION INCLUDED IN THE COMPANY'S INCOME</b>	<b>1.608</b>	<b>9.868</b>
<b>MOVEMENT IN OTHER COMPREHENSIVE INCOME</b>		
Technologies		
Actuarial (profit) / loss	225.494	(27.282)
(Profit) / loss over return on investments	(113.788)	54.978
Real-Time Systems		
Change in the irrecoverable surplus during the period	(126.142)	(37.043)
Management		
Exchange rate effect	(545)	-
<b>BALANCE AT THE END OF THE YEAR</b>	<b>(14.981)</b>	<b>(9.347)</b>
<b>COST ESTIMATE FOR THE FOLLOWING PERIOD</b>		
Cost of the defined benefit obligation	1.577	10.214
<b>VALUE ESTIMATE FOR THE FOLLOWING PERIOD</b>	<b>1.577</b>	<b>10.214</b>
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On the other hand, a quantitative sensitivity analysis was conducted in relation to changes in different key assumptions, revealing the following results:

	2018	2017
<b>SENSITIVITY ANALYSIS</b>		
Decrease in discount rate in -1%	3.117.996	2.971.995
Increase in discount rate in +1%	2.504.296	2.391.455

## **18.2 NON-CURRENT BENEFITS**

ISA, ISA INTERCOLOMBIA, and XM grant their employees benefits associated to the length of service within the company, such as severance, seniority premium, and five-year period payments.

### **18.2.1 Quinquenniums (five-year period payments)**

The benefit consists of the five-year period payment of a fixed sum when the employee reaches five-year service in the company, and subsequently, every five-year service.

### **18.2.2 Seniority premium**

The benefit consists of the annual payment of one day's salary per each year of service with the company, in the month of completion of each year of service. The benefit begins when participant completes five years of service with the company.

### **18.2.3 Severance**

In ISA INTERCOLOMBIA, this benefit is granted by any cause for termination of the employment contract, including: retirement, disability, death, etc. It consists of the following fact: when employees retire from the company, they are paid a retroactive amount by severance after discounting advance payments. Severance retroactivity is settled to employees of an employment regime preceding Law 50 of 1990, who did not adopted changes in the defined contribution plan. This social benefit is settled for the entire working time based on the monthly salary average for each participant.

The main actuarial assumptions used in the valuation of the non-current benefits are:

VARIABLES	2018		
	INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.	INTERCOLOMBIA S.A. E.S.P.	XM S.A. E.S.P.
Discount rate	6,90%	6,70%	7,00%
Minimum salary increase	4,50%	4,00%	4,00%
Rate of return on assets	N/A	N/A	N/A
Mortality chart	2008 valid rentiers	2008 valid rentiers	2008 valid rentiers
Turnover chart	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%
Number of people covered by seniority premium and quinquennium	110	465	138
Number of people covered by severance	-	24	-

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These benefits are valued annually. Reconciliation movements are presented below:

	SEVERANCE	SENIORITY AND QUINQUENNIAL PREMIUM	TOTAL
<b>BALANCE AS OF DECEMBER 31, 2016</b>	<b>4.829</b>	<b>15.646</b>	<b>20.475</b>
Current period service costs	154	1.237	1.391
Interest expense/revenue	327	1.028	1.355
Actuarial (profits)/Losses from experience	(32)	164	132
Actuarial (profits)/Losses from financial assumptions	32	324	356
Benefits directly paid by the company	(182)	(2.502)	(2.684)
<b>BALANCE AS OF DECEMBER 31, 2017</b>	<b>5.128</b>	<b>15.897</b>	<b>21.025</b>
Current period service costs	156	1.300	1.456
Interest expense/revenue	336	987	1.323
Actuarial (profits)/Losses from experience	(382)	1.069	687
Actuarial (profits)/Losses from financial assumptions	171	505	676
Benefits directly paid by the company	(241)	(2.696)	(2.937)
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b>5.168</b>	<b>17.062</b>	<b>22.230</b>

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The quantitative analysis of sensitivity regarding a change in a key assumption will generate the following effect on the net obligation due to non-current benefits:

ASSUMPTIONS	SEVERANCE	SENIORITY/ QUINQUENNium
<b>CHANGE IN DISCOUNT RATE</b>		
Discount rate increase in +1%	(121)	(982)
Decrease in discount rate in -1%	130	1.108
<b>CHANGE IN SALARY INCREASE</b>		
Increase in salary increase in +1%	183	1.166
Decrease in salary increase in -1%	(174)	(1.050)
<b>CHANGE IN BENEFIT INCREASE</b>		
Increase in benefit increase in +1%	-	-
Decrease in benefit increase in -1%	-	-
<b>OBLIGATION BASE</b>	<b>5.168</b>	<b>17.062</b>
<b>AVERAGE TERM OF THE PLAN (YEARS)</b>	<b>3,10</b>	<b>6,87</b>

### 18.3 TERMINATION BENEFITS

Termination bonuses of the employment relationship in ISA TRANSELCA amount to COP2.412 million.

The primary actuarial assumptions used in the valuation are:

VARIABLES	2018
Discount rate	6,80%
Inflation rate	4,00%
Mortality rate	2008 valid rentiers
Turnover chart	"2003 SOA Pension Plan Turnover Study" with an adjustment factor at 50%
Number of people covered	140

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The following chart includes the reconciliation of movements made during 2018 and 2017:

	<b>RETIREMENT BONUS</b>
<b>BALANCE AS OF DECEMBER 31, 2016</b>	<b>1.806</b>
Current period service costs	84
Interest expense	129
Actuarial losses from experience	148
<b>BALANCE AS OF DECEMBER 31, 2017</b>	<b>2.167</b>
Current period service costs	95
Interest expense	147
Actuarial profits from experience	17
Actuarial profits / (losses) from financial assumptions	(14)
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b>2.412</b>

The quantitative analysis of sensitivity regarding a change in a key assumption will generate the following effect on the net obligation due to defined benefits:

<b>ASSUMPTIONS</b>	<b>RETIREMENT BONUS</b>
<b>CHANGE IN DISCOUNT RATE</b>	
Increase in discount rate in +1%	(131)
Decrease in discount rate in -1%	149
<b>CHANGE IN SALARY INCREASE</b>	
Increase in benefit increase in +1%	164
Decrease in benefit increase in -1%	(146)
<b>OBLIGATION BASE</b>	<b>2.412</b>
<b>TERM OF THE PLAN</b>	<b>6,20</b>

## 19. Other non-financial liabilities

<b>OTHER LIABILITIES</b>		<b>2018</b>			<b>2017</b>		
		<b>CURRENT</b>	<b>NON-CURRENT</b>	<b>TOTAL</b>	<b>CURRENT</b>	<b>NON-CURRENT</b>	<b>TOTAL</b>
Deferred revenues and credits	(1)	19.721	399.698	419.419	11.586	398.571	410.157
Collections in favor of third parties		35.581	29.775	65.356	64.016	1.442	65.458
Revenues received in advance from sales	(2)	34.451	70.161	104.612	39.161	90.634	129.795
<b>TOTAL OTHER LIABILITIES</b>		<b>89.753</b>	<b>499.634</b>	<b>589.387</b>	<b>114.763</b>	<b>490.647</b>	<b>605.410</b>

(1) The deferred revenues and credits mainly correspond to:

In ISA, they are related to deferred revenues from the National Transmission System (STN): COP173.232 (2017: COP191.812) by call for bids assets (UPME) and infrastructure use rights in INTERNEXA PERU COP124.511 (COP124.368) associated with the advances received from usufruct contracts signed with Telefónica.

(2) It mainly includes revenues received in advance in INTERNEXA, for COP92.004 (2017: COP117.494) in contracts for the right of use and network from the following clients: Avantel, Colombia Telecomunicaciones, Lazus, Empresa de Energía de Pacífico, Comunicación Celular -Telmex Colombia S.A., Transnexa, Colombia Móvil Contrato IRU NORTE, TV Azteca and LEVEL 3.

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## 20. Equity

### 20.1 SUBSCRIBED AND PAID-IN CAPITAL AND NUMBER OF SHARES

ISA's subscribed and paid-in capital, as of December 31, 2018 and 2017, reached COP36.916, represented in 1.125.498.016 shares, distributed as follows:

	2018		
SHAREHOLDER	NUMBER OF SHARES	COP MILLIONS	INTEREST (1) (%)
<b>STATE INVESTORS</b>			
Ministry of Finance and Public Credit	569.472.561	18.679	51,4114
Empresas Públicas de Medellín E.S.P., (EPM)	112.605.547	3.693	10,1659
<b>SUBTOTAL</b>	<b>682.078.108</b>	<b>22.372</b>	<b>61,5773</b>
<b>PRIVATE CAPITAL INVESTORS</b>			
Mandatory Pension Fund Porvenir Moderate	98.326.440	3.225	8,8768
Mandatory Pension Fund Protección Moderate	67.955.404	2.229	6,1349
Mandatory Pension Fund Colfondos Moderate	26.990.789	885	2,4367
Fondo Bursátil Ishares Colcap	21.002.149	689	1,8961
Mandatory Pension Fund Old Mutual Moderate	10.904.210	358	0,9844
Norges Bank-Cb New York	10.844.779	356	0,9791
Vanguard Emerging Markets Stock Index Fund	6.638.937	218	0,5994
Abu Dhabi Investment Authority J.P. Morgan	6.147.953	202	0,5550
Vanguard Total International Stock Index Fund	5.999.852	197	0,5417
Horizons Colombia Select De S&P Stock Fund	5.616.811	184	0,5071
Ishares Edge MSCI Min Vol Emerging Markets Etf	5.553.153	182	0,5013
Ishares Core Msci Emerging Markets Etf	3.792.111	124	0,3423
Severance Fund Porvenir	3.062.234	100	0,2765

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<b>2018</b>			
<b>SHAREHOLDER</b>	<b>NUMBER OF SHARES</b>	<b>COP MILLIONS</b>	<b>INTEREST (1) (%)</b>
<b>STATE INVESTORS</b>			
Msci Equity Index Fund B - Colombia	2.701.764	89	0,2439
Emerging Markets Core Equity Portfolio of Dfa Inve	2.504.033	82	0,2261
Ishares Msci Emerging Markets Etf	2.490.129	82	0,2248
Monetary Authority of Singapore State Street	2.402.546	79	0,2169
The Bank of Nova Scotia	2.131.154	70	0,1924
Other shareholders	140.535.338	4.608	12,6873
<b>SUBTOTAL</b>	<b>425.599.786</b>	<b>13.959</b>	<b>38,4227</b>
<b>TOTAL OUTSTANDING SUBSCRIBED CAPITAL</b>	<b>1.107.677.894</b>	<b>36.331</b>	<b>100,0000</b>
Own shares reacquired (2)	17.820.122	585	
<b>TOTAL SUBSCRIBED AND PAID-IN CAPITAL</b>	<b>1.125.498.016</b>	<b>36.916</b>	
<b>2017</b>			
<b>SHAREHOLDER</b>	<b>NUMBER OF SHARES</b>	<b>COP MILLIONS</b>	<b>INTEREST (1) (%)</b>
<b>STATE INVESTORS</b>			
Ministry of Finance and Public Credit	569.472.561	18.679	51,41140
Empresas Públicas de Medellín E.S.P., (EPM)	112.605.547	3.693	10,16590
<b>SUBTOTAL</b>	<b>682.078.108</b>	<b>22.372</b>	<b>61,5773</b>
<b>PRIVATE CAPITAL INVESTORS</b>			
Mandatory Pension Fund Porvenir Moderate	101.141.309	3.316	9,1309
Mandatory Pension Fund Protección Moderate	69.095.393	2.266	6,2379
Mandatory Pension Fund Colfondos Moderate	28.630.240	939	2,5847

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	2017			
	SHAREHOLDER	NUMBER OF SHARES	COP MILLIONS	INTEREST (1) (%)
Message from ISA's CEO	<b>STATE INVESTORS</b>			
Report Profile	Stock Fund Ishares Colcap	16.164.729	530	1,4593
Company profile	Mandatory Pension Fund Old Mutual Moderate	10.704.210	351	0,9664
Strategy	Norges Bank-Cb New York	10.617.842	348	0,9586
Stakeholders	Vanguard Emerging Markets Stock Index Fund	6.700.140	220	0,6049
Corporate Government	Abu Dhabi Investment Authority J.P. Morgan	5.505.236	181	0,4970
Energy	Ishares Edge Msci Min Vol Emerging Markets Etf	4.806.895	158	0,4340
Transmission	Horizons Colombia Select De S&P Stock Fund	4.743.195	156	0,4282
Road Concessions	Vanguard Total International Stock Index Fund	4.630.465	152	0,4180
Information and Telecommunication Technologies	Ishares Msci Emerging Markets Etf	2.810.216	92	0,2537
Real-Time Systems Management	Ishares Core Msci Emerging Markets Etf	2.767.563	91	0,2499
	Blackrock Institutional Trust Company N.A.	2.554.509	84	0,2306
	Monetary Authority of Singapore	2.387.797	78	0,2156
	Caxdac - Old-age	2.185.377	72	0,1973
	Emerging Markets Core Equity Portfolio of Dfa Inve	2.136.337	70	0,1929
	Pension Fund Protección Vol-Moder	2.031.959	67	0,1834
	Other shareholders	145.986.374	4.788	13,1795
	<b>SUBTOTAL</b>	<b>425.599.786</b>	<b>13.959</b>	<b>38,4228</b>
	<b>TOTAL OUTSTANDING SUBSCRIBED CAPITAL</b>	<b>1.107.677.894</b>	<b>36.331</b>	<b>100</b>
	Own shares reacquired (2)	17.820.122	585	
	<b>TOTAL SUBSCRIBED AND PAID-IN CAPITAL</b>	<b>1.125.498.016</b>	<b>36.916</b>	

(1) Percentage of interest on outstanding shares, which are common, registered and dematerialized.

(2) Shares belonged to CORELCA, and were reacquired by ISA in August 1998. To this date, all rights inherent thereto have been suspended, and consequently, they do neither participate in the distribution of dividends nor are part of the quorum to deliberate and decide.

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The Colombian Centralized Deposit of Securities (Depósito Centralizado de Valores de Colombia (DECEVAL), is an entity that receives securities in deposit, for their administration and custody, thereby contributing to facilitate and speed up market agents' operations.

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## **20.2 AUTHORIZED SHARES AND FACE VALUE**

As of December 31, 2018 and 2017, the authorized share capital included 1.371.951.219 common shares, with a nominal value of COP32,800000005352.

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All shares issued are totally paid.

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## **20.3 RIGHTS AND RESTRICTIONS OF SHAREHOLDERS**

Shareholders with common shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at the Company Shareholders' Meetings. The Parent Company is listed in the Colombia Stock Exchange.

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## **20.4 PREMIUM FOR PLACEMENT OF SHARES**

This item amounts to COP1.428.128 in 2018 and 2017. (See Note 3.22).

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## **20.5 DIVIDENDS**

Dividends declared in 2018 and 2017, on income from the previous year, are as detailed below:

Road Concessions

	2018	2017
Net income of previous period	1.442.708	2.141.460
Outstanding shares	1.107.677.894	1.107.677.894
Ordinary dividend per share (in COP)	266	248
Extraordinary dividend per share (in COP)	276	144
Total decreed dividends per share	542	392
Decreed dividends	600.361	434.210
Form of payment	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2018.	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2017.

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The detail of paid dividends in recent years is as follows:

ATTRIBUTED TO THE PERIOD	TYPE OF DIVIDEND	DATE OF PAYMENT	COP PER SHARE
2015	Ordinary	26-Jul-16	114
2015	Extraordinary	26-Jul-16	30
2015	Ordinary	15-Dec-16	114
2015	Extraordinary	15-Dec-16	30
2016	Ordinary	25-Jul-17	124
2016	Extraordinary	25-Jul-17	72
2016	Ordinary	12-Dec-17	124
2016	Extraordinary	12-Dec-17	72
2017	Ordinary	12-Jul-18	133
2017	Extraordinary	12-Jul-18	138
2017	Ordinary	04-Dec-18	133
2017	Extraordinary	04-Dec-18	138

## 20.6 RESERVES

		2018	2017
Legal	(1)	18.458	18.458
Legal under tax provisions		898.802	898.802
For equity strengthening	(2)	3.473.612	2.631.265
For rehabilitation and replacement of STN assets	(3)	37.434	37.434
<b>TOTAL</b>		<b>4.428.306</b>	<b>3.585.959</b>

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- (1) In accordance with Law, the Parent Company is required to set aside 10% of its net annual profits as legal reserve until the balance of this reserve equals 50% of the subscribed capital. The mandatory legal reserve may not be distributed before the liquidation of the Parent Company but may be used to absorb or reduce net annual losses. Reserve balances are freely available to shareholders if they do not exceed 50% of the subscribed capital.
- (2) In compliance with Article 47 of the Statutes, the General Shareholders' Meeting has established this reserve occasionally, so that the Parent Company keeps its financial strength, maintains the level of financial indicators required by credit rating agencies to provide investment grade and fulfill the contractual commitments acquired with financial entities.
- (3) On March 30, 2000, the General Shareholders' Meeting approved an appropriation of COP24.933 for the rehabilitation and replacement of the National Transmission System assets, and on March 18, 2002, an addition to this reserve was approved for COP12.501, for a total of COP37.434.

## 21. Revenues from contracts with clients

They are revenues for services provided by ISA and its companies, for concept of: energy transmission (use of National Transmission System (STN)), connection to the STN; services related to energy transmission services, management, operation and maintenance; specialized technical services, design, construction, maintenance, exploitation and operation of road concessions, the financial returns of concessions classified as financial assets, special studies, availability of infrastructure and project management, organization, administration, marketing and provision of communication services, performing all kinds of activities with the construction of transmission lines, energy projects of all kinds, and management of real-time systems.

		2018	2017
<b>CONCEPT OF REVENUES</b>			
Energy Transmission services	(1)	4.694.003	4.335.715
Roads	(2)	1.015.860	1.088.430
Constructions for sale	(3)	699.755	777.045
Information and Telecommunication Technologies	(4)	342.727	363.386
Connection to the STN	(5)	232.888	223.979
Dispatch and coordination CND-MEM		126.622	116.046
Other operating revenues		52.428	46.907
Management, operation and maintenance		4.535	-
Infrastructure project construction services		4.978	2.734
Participation account		171	23
<b>TOTAL REVENUES FROM CONTRACTS WITH CLIENTS</b>		<b>7.173.967</b>	<b>6.954.265</b>

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(1) It corresponds to services provided by ISA, ISA INTERCOLOMBIA and ISA TRANSELCA, which are regulated by the Energy and Gas Regulation Commission (CREG) and for the provision of services covered by Concession Agreements in Brazil, Peru and Bolivia paid under the fee regime of each country and with annual adjustments during the term of the concession, according to the fee agreed in each Concession Agreement.

In Brazil, the following events stand out, which explain the variation in energy revenues compared with the previous year for COP358.288:

- Lower revenues due to the incorporation of COP333.944 from the use of the PERT, and the value adjustment of the RBSE in Brazil in 2017.
- Annual revenues inflation adjustment, related to the publication of Approbatory Resolution N° 2,408 by ANEEL, which establishes the annual remuneration allowed for the company and its companies, due to the availability of its transmission assets that are part of the Basic Network and other transmission facilities. Therefore, revenues were adjusted at a 2,86% inflation rate corresponding to the June 2017 - May 2018 period. This event added operating revenues for ISA CTEEP and its controlled entities for BRL109 million (COP88.216).
- Change in the accounting estimate of revenues incorporated in the financial asset flows of Concession Agreements to continue updating them for inflation on a monthly basis, applying the IPCA/IGPM of the immediately previous month. As a result, the inflation adjustment for the six month-period from June 2018 to November 2018 was incorporated at the end of December, which implied higher operating revenues for ISA CTEEP and its controlled entities, for BRL215 million (COP178.756).
- Higher income in ISA CTEEP and TAESA, for the change in the valuation of the contractual asset, for COP275.573.

In Peru, revenues increased by COP195.446, due to the entry into operation of these projects: Reinforcement of La Niña Substation Reactors Bank starting as of the first quarter of 2018; Friaspata - Mollepata Line as of the second quarter of 2018; and new Carapongo Substation and associated transmission lines starting as of the last quarter of 2018; in addition, higher offset months for projects that entered into operation in 2017.

In Chile, revenues increased by COP102.973 (2017: COP13.427), due to the entry into operation of these projects: TL Maitencillo - Pan de Azúcar 2x500 kV, 428 km. - Section 2 and Transformation of Cardones, Maitencillo and Pan de Azúcar Substations as from April 2018; expansion of Nueva Cardones Substation and Cardones - Maitencillo transmission line in December 2017.

In Colombia, revenues increased by COP79.430 due to the following:

- Beginning of the UPME's compensation cycle: UPME 03-16 as of July 2018, UPME 03 as of September 2018, and UPME 05-14.
  - For ISA and ISA INTERCOLOMBIA, rates to use the STN for the existing network are regulated and subject to adjustment by the Producer Price Index (PPI). Revenues from UPME calls for bids related to new projects in the STN are determined in US dollars and adjusted by the Producer Price Index (PPI) (United States). In 2018, higher revenues resulted from these macroeconomic variables, higher IPP, and TRM, slightly offset by changes in annuities, according to the defined income profile of each UPME.
- (2) In the Road Concessions business in Chile, a decrease in revenues resulted from the lower financial return of concessions, given a lower account receivable due to time granted passing and the increase of traffic. The variation also includes a higher maintenance increase in 2017 and the exchange rate effect.
- (3) The decrease in revenues is due to a higher construction activity in 2017 in Energy Transmission, compared with 2018, and lower revenues from the entry into operation of projects.
- (4) Services of the Information Technology and Telecommunications business decreased by 5,69% due to lower sales of IP services and network rights.
- (5) Increase in revenues from connection charges, mainly due to the entry into operation of the following projects in ISA TRANSELCA: Del Bosque 220/110/66 kV Transformer in December 2017; expansion of Nueva Barranquilla 220 kV Substation in April 2018; and expansion of Ternera Substation in October 2018.

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## 22. Concessions

ISA, through its companies, promotes development in Brazil, Peru, and Bolivia by means of concessions acquired to render energy transmission utility services, real-time systems management services in Colombia, and road transportation services through concessionaires in Chile.

### 22.1 CONCESSIONS IN PERU

Due to the terms and conditions contained in the concession agreements in Peru for the provision of utilities regarding energy transmission, similar in legal terms and rights and obligations to the State, the model that applies to concession agreements to provide the energy transmission utility at ISA REP, ISA PERÚ, and Consorcio Transmantaro, is the intangible asset model, which applies when the services provided by the operator are paid by users or when the grantor does not unconditionally warrant the collection of accounts receivable.

The intangible asset represents the right granted by the Peruvian State to charge users for the energy transmission service.

The company applies the intangible asset model to record its concession agreements given that this intangible asset represents the right granted by the Peruvian State to charge users for the energy transmission service. This right is not an unconditional right to receive cash.

### 22.2 CONCESSIONS IN BOLIVIA

Similar to the type of contracts in Peru, concession agreements for the provision of energy utilities in Bolivia, unconditional cash receipt is not guaranteed for the operator, thus the latter must assume the credit risk associated with the collection of invoiced amounts, which could mean that the company cannot recover all the investment.

Additionally, the Bolivian State is not required to ensure the remaining either by the absence of demand or lack of payment of any of the market players; therefore, the grantor has no obligation to pay for the construction services received; in this sense, the model that is consistent with the contract terms and framed by IFRIC 12 is the intangible asset model.

### 22.3 CONCESSIONS IN COLOMBIA

At present, Sistemas Inteligentes en Red by means of Business Cooperation Agreement signed with UNE EPM Telecomunicaciones S.A. and Consorcio ITS, is in charge of executing the Inter-Administrative Agreement N° 5400000C003 of 2006 with the Municipality of Medellin “under concession, and therefore at its account, by contributing with the required technological infrastructure, to provide modernization and optimization for the management of the administrative services of the Department of Transport and Traffic of Medellin, through a comprehensive solution of information, communications and technology operation of ICTs”; in consideration of the above, it is entitled to participate of the revenues from fines captured by the photo-detection system.

This agreement is within the scope of IFRIC 12 under the intangible model due to the following reasons:

- The grantor, in this case the Municipality of Medellin, controls which services should be provided by the operator with the infrastructure, whom should be charged and at what price.
- The grantor controls, through ownership of the right to use, any significant residual participation in the infrastructure at the end of its useful life, as set out in Addendum N° 5 of the agreement: “upon termination of this agreement, all goods, equipment, technology, software licenses shall be reversed in favor of the Municipality”.

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## **22.4 CONCESSIONS IN BRAZIL**

According to the concession agreements in Brazil for the delivery of energy transmission service, the operator holds the unconditional and contractual right to receive cash or another financial asset from grantor ANEEL, as it provides that at the end of the concession, the reversion of assets linked to the concession will be established by determination and calculation of the compensation to be recognized by the operator.

All Concession Agreements of ISA CTEEP and TAESA were analyzed and classified in accordance with IFRS 15 - Revenue from Contracts with clients (in Brazil, CPC 47 - Receita de Contrato com Cliente-), within the contractual asset model, as from January 1, 2018.

The value of the contractual asset of the energy transmission concessionaires is established by the present value of their future cash flows, which are determined at the beginning of the concession or its extension and are revalued in the Periodic Fee Review (Revisión Tarifaria Periódica (RTP)).

Cash flows are defined based on the compensation that concessionaires receive for the provision of the transmission utility to users, Receita Anual Permitida (RAP). These collections amortize investments made in the transmission infrastructure. Any eventual investments that are not amortized (reversed assets) generate the right to compensation of the Grantor's Power, which is equivalent to the additional compensation of the entire transmission infrastructure at the end of the concession agreement. This flow of future collections is adjusted by inflation (Extended Consumer Price Index (IPCA)//General Market Price Index (IGPM)) and remunerated by a discount rate that represents the financial component of the business defined at the beginning of each project.

During the execution stage of the construction of the work, the concessionaire has the right to consideration in relation to the completion of the work and performance obligations and not only over time; and the recognition of revenues from construction is related to the formation of this asset through the incurred expenses.

Construction revenues and remuneration revenues from concession assets are subject to the deferral of the Social Integration Program (PIS) and the cumulative Social Security Financing Contribution (COFINS), recorded in the "deferred taxes" account in non-current liabilities.

## **22.5 CONCESSIONS IN CHILE**

The Chilean concession agreements for the provision of road transport service included guaranteed revenues under the Income Distribution Mechanism (Mecanismo de Distribución de Ingresos MDI)), which sets total income to present value, also providing the concept of Guaranteed Minimum Revenue (Ingreso Mínimo Garantizado (IMG)) and grants in some concessionaires.

These agreements also include income guarantees representing an unconditional contractual right to be received or other financial assets for construction services. The contractually guaranteed payment is a specific and determinable amount.

Based on the above, the model applied to concessions in Chile is the financial asset model. This asset is extinguished by the payments received from road users through tolls or directly by payments from the Ministry of Public Works (Ministerio de Obras Públicas (MOP)).

Some of these concession agreements include the construction of the infrastructure required for delivering these services.

				2018	2017	2018	2017
BUSINESS	CONCESSIONAIRE	COUNTRY	ASSET CLASSIFICATION	CONCESSION ASSET VALUE		OPERATING REVENUES	
<b>INTANGIBLE ASSET:</b>							
Energy Transmission	Consortio Transmantaro S.A.	Peru	Intangible	4.160.539	3.782.892	691.231	612.285
	Red de Energia del Perú (REP)	Peru	Intangible	1.397.129	1.337.708	494.845	339.049
	ISA PERÚ S.A.	Peru	Intangible	159.752	157.003	50.104	34.174
<b>SUBTOTAL CONCESSIONS IN PERU:</b>				<b>5.717.420</b>	<b>5.277.603</b>	<b>1.236.180</b>	<b>985.508</b>
Energy Transmission	ISA BOLIVIA S.A.	Bolivia	Intangible	66.615	75.384	73.586	53.298
Real-Time Systems Management	Sistemas Inteligentes en Red S.A.S.	Colombia	Intangible	4.752	5.435	17.504	11.190
<b>TOTAL CONCESSIONS RECOGNIZED AS INTANGIBLE ASSETS:</b>				<b>5.788.787</b>	<b>5.358.422</b>	<b>1.327.270</b>	<b>1.049.996</b>
<b>FINANCIAL ASSET:</b>							
Energy Transmission	Companhia de Transmissão de Energia Elétrica Paulista (CTEEP)	Brazil	Financial	9.795.780	10.094.326	2.219.168	2.331.158
	Interligação Elétrica Pinheiros S.A., (IE PINHEIROS)	Brazil	Financial	497.188	552.017	52.252	53.400
	Interligação Elétrica Aguapeí S.A.	Brazil	Financial	10.887	951	9.296	938
	Interligação Elétrica Tibagi S.A.	Brazil	Financial	12.055	1.067	10.278	1.054
	Interligação Elétrica Itapura S.A.	Brazil	Financial	23.143	75	21.425	73
	Interligação Elétrica Itaquerê S.A.	Brazil	Financial	108.750	8.942	93.423	8.830
	Interligação Elétrica Itaúnas	Brazil	Financial	40.736	5.452	33.151	5.384
	Interligação Elétrica Serra do Japi S.A., (IE SERRA DO JAPI)	Brazil	Financial	428.503	308.769	45.968	54.310

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				2018	2017	2018	2017	
	BUSINESS	CONCESSIONAIRE	COUNTRY	ASSET CLASSIFICATION	CONCESSION ASSET VALUE	OPERATING REVENUES		
Message from ISA's CEO		Interligação Elétrica de Minas Gerais S.A., (IEMG)	Brazil	Financial	99.992	163.603	17.564	25.301
Report Profile		Evrecy Participações Ltda	Brazil	Financial	43.154	45.102	(2.551)	11.172
Company profile		Interligação Elétrica Norte e Nordeste S.A., (IENNE)	Brazil	Financial	374.733	670.974	58.173	3.465
Strategy		Interligação Elétrica Sul S.A., (IESUL)	Brazil	Financial	209.358	-	9.948	-
Stakeholders		Interligação Elétrica Biguaçu	Brazil	Financial	967	-	-	-
Corporate Government	<b>SUBTOTAL CONCESSIONS IN BRAZIL:</b>				<b>11.157.520</b>	<b>11.851.278</b>	<b>2.292.519</b>	<b>2.495.085</b>
Energy	Road Concessions	Ruta del Maipo Sociedad Concesionaria S.A.	Chile	Financial	5.203.468	5.323.545	732.614	508.228
Transmission		Ruta del Maule Sociedad Concesionaria S.A.	Chile	Financial	25.881	187.663	132.868	80.104
Road Concessions		Ruta de la Araucanía Sociedad Concesionaria S.A.	Chile	Financial	871.841	1.024.691	129.405	98.314
Information and Telecommunication Technologies		Ruta del Bosque Sociedad Concesionaria S.A.	Chile	Financial	291.624	445.271	96.121	82.852
		Ruta de los Ríos Sociedad Concesionaria S.A.	Chile	Financial	324.005	388.312	84.214	67.048
Real-Time Systems Management		Ruta del Loa Sociedad Concesionaria S.A.	Chile	Financial	33.160	-	32.699	-
	<b>SUBTOTAL CONCESSIONS IN CHILE:</b>				<b>6.749.979</b>	<b>7.369.482</b>	<b>1.207.921</b>	<b>836.546</b>
<b>Financial results</b>	<b>TOTAL CONCESSIONS RECOGNIZED AS FINANCIAL ASSETS:</b>				<b>18.395.225</b>	<b>19.220.760</b>	<b>3.776.016</b>	<b>3.331.631</b>
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(1) It corresponds to agreements for the construction, management, administration and supervision of the construction, commissioning, and operation of energy transmission lines. The decrease mainly responds to the entry into operation of new projects: In Chile, Encuentro - Lagunas New Line in its First and Second Circuit, the expansion of Barra Nueva Cardones and Cardones-Maitencillo Line; and in Peru, the projects of Mantaro-Montalvo, Orcotuna, Planicie-Industriales, Friaspata-Mollepata Line.

(2) It includes costs associated to construction and building of assets for operation and maintenance of road network and grid, including those incurred in the recovery of infrastructure. It also includes costs associated to scheduled maintenance for the transmission grid and to constructions and buildings of its operation.

(3) These costs incorporate services for transports, public utilities, processes outsourcing, installations, surveillance, and audits. The variation relates mainly to lower costs in Ruta del Maipo, ISA CTEEP and ISA INTERCOLOMBIA.

(4) Within the contributions and taxes, the most significant variation occurs in ISA Capital do Brasil, due to lower expenses, COP 0 (2017: COP26.443), due to debt and interest payment preferential shareholders in December 2018, offset with higher costs in Colombia, in ISA, XM and ISA INTERCOLOMBIA, by tax increases on financial movements, contributions to regulatory entities and industry and commerce tax, among others.

(5) This item includes concepts such as: communications, studies, general production costs, subscriptions and affiliations, among others. The variation is mainly due to lower communication costs recognized in INTERNEXA, COP8.735 (2017: COP12.145); INTERNEXA BRAZIL, COP6.636 (2017: COP8.710).

(6) Increase in amortization of rights mainly in Consorcio Transmantaro, COP145.560 (2017: COP94.727), ISA REP, COP89.054 (2017: COP86.420), offset with a decrease in INTERVIAL CHILE, COP19.089 (2017: COP33.996).

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## **23.2 ADMINISTRATIVE EXPENSES**

Administrative expenses for years ending December 31 are detailed below:

		2018	2017
	Personnel expenses	(1) 305.448	287.461
	Fees	(2) 68.330	58.229
	Contributions and taxes	(3) 51.367	41.565
	Environmental – Social		42.493
	Services	(4) 20.990	26.266
	Materials and maintenance	(5) 19.990	46.533
	Leases		15.757
	Insurances		10.385
	Advertising, printed material and publications		12.040
	Miscellaneous		5.877
	Studies and projects		4.458
	Maintenance of intangibles		-
	Communications		35
	<b>TOTAL ADMINISTRATIVE EXPENSES BEFORE DEPRECIATIONS, AMORTIZATIONS AND PROVISIONS</b>	<b>551.018</b>	<b>551.099</b>
	Amortizations		11.849
	Provisions	(6) 127.029	54.907
	Depreciations		28.038
	<b>TOTAL DEPRECIATIONS, AMORTIZATIONS AND PROVISIONS</b>	<b>187.054</b>	<b>94.794</b>
	<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>738.072</b>	<b>645.893</b>

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- (1) Personnel expenses include all current, non-current, and post-employment benefits.
- (2) It includes fees for legal, technical, administrative and financial consultancy, as well as fees paid by each subsidiary to the tax auditors and external auditors.
- (3) This item includes contributions to various control entities, electric energy tax, tax on financial transactions, property tax, industry and trade tax, tax on advertising signs and boards, as well as taxes on street lighting, environmental surcharge, and stamps. The increase is mainly due to other taxes and contributions from the ISA Capital do Brasil energy sector for COP15.853, and the reception of Juros by ISA CTEEP; additionally, there is a decrease due to the wealth tax in Colombia of COP14.653, in force until 2017.
- (4) Decrease in services, mainly in ISA CTEEP, due to sanitation services, utilities, and security.
- (5) It includes expenses associated to operation and maintenance of the road network and the grid, including those incurred in the recovery of infrastructure. The variation is mainly due to higher maintenance expenses in 2018 in ISA CTEEP COP4.613 (2017: COP30.880), INTERNEXA PERU COP8.649 (2017: COP10.683) and Empresa Propietaria de la Red (EPR) COP684 (2017: COP7.120).
- (6) In 2018, a higher provision expense resulted from: asset impairment expense in

INTERNEXA BRAZIL for COP69.190, and greater portfolio impairment due to the application of IFRS 9 for COP4.829.

**24. Other extraordinary revenues**

On January 22, 2018, the National Tax and Customs Department issued eight resolutions numbered from 497 to 504, ordering to repay to ISA equity tax paid in excess/not owed for 2011, of the portion corresponding to the Energy Transmission activity equity.

This tax repayment is due to the application of the legal stability agreement signed with the Nation for the Energy Transmission activity, which stabilized, among others, the equity tax regulations in force in 2008.

	2018	2017
Other extraordinary revenues	60.901	-

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## 25. Other revenues and expenses and equity method

Other revenues and expenses and equity method for years ending December 31, are detailed below:

	2018	2017
<b>REVENUES</b>		
Indemnities	1.701	2.286
Leases	1.158	1.052
Recoveries	(1) 28.509	220.255
Income from sale of property, plant equipment	588	173
Other	26.844	32.057
<b>TOTAL OTHER REVENUES</b>	<b>58.800</b>	<b>255.823</b>
Losses from events of loss	205	2.382
Loss from write-off of assets	42.289	61.234
Other	11.290	13.091
<b>TOTAL OTHER EXPENSES</b>	<b>53.784</b>	<b>76.707</b>
<b>OTHER INCOME /(EXPENSE)</b>	<b>5.016</b>	<b>179.116</b>
<b>REVENUES FROM EQUITY METHOD</b>	<b>289.351</b>	<b>185.134</b>
<b>EXPENSE BY EQUITY METHOD</b>	<b>50.976</b>	<b>45.843</b>
<b>NET EQUITY METHOD REVENUES/(EXPENSE)</b>	<b>(2) 238.375</b>	<b>139.291</b>

(1) The decrease is mainly due to the recovery of provisions in ISA Capital do Brasil in 2017 for COP182.711 as a result of the exemption from payment of additional benefits of state pensioners protected by Law 4819/58. In addition, in 2018, provisions in ISA CTEEP for COP15.801 (2017: COP25.934) were recovered due to reversion of provision of civil procedures as a result of favorable judicial events, and in ISA TRANSELCA for COP2.659, due to the reversion of costs and expenses.

(2) The increase in the equity method is explained by: higher income in TAESA of COP115.761 (2017: COP52.345) for longer time of incorporation of the Company (acquired in the second semester of 2017) and higher income in IEMadeira, IEGaranhuns, IEAimores, IEParaguaçu of COP185.459 (2017: COP132.788) due to the adjustment of the RAP 2018/2019 cycle, in addition to the adjustment of the monthly IPCA of the financial asset, offset by lower income in ATP Tower Holdings LLC, due to intangible amortization (client relations and network location) acquired in the purchase of Torres Unidas.

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## 26. Net financial result

The detail of financial income and expense as of December 31, 2018 and 2017 is as follows:

		2018	2017
<b>FINANCIAL REVENUES</b>			
Valuation of investments	(1)	175.840	58.764
On Financial assets		45.795	8.145
Return on other assets		44.983	40.817
Commercial discounts, conditioned and agreements	(2)	27.734	101.144
Monetary variation		11.288	10.312
Dividends	(3)	2.556	2.295
Returns from monetary readjustment		2.115	5.352
<b>TOTAL FINANCIAL REVENUES</b>		<b>310.311</b>	<b>226.829</b>
Interest on bonds	(4)	571.816	560.033
On public credit financial obligations		297.669	274.141
Other interest		220.420	136.511
Loss in valuation and sale of investments	(5)	83.278	20.267
Commissions and other bank expenses		18.861	28.757
Miscellaneous		3.455	617
Issue of securities management		1.423	1.149
<b>TOTAL FINANCIAL EXPENSES</b>		<b>1.196.922</b>	<b>1.021.475</b>
<b>EXCHANGE DIFFERENCE</b>			
Cash		229.669	152.077
Debtors		(426)	(7.616)
Investments abroad		(17.010)	(2.838)
Other assets		783	297
Accounts payable		(138.600)	(51.681)
Loans		11.654	-
Financial obligations		(288.500)	(162.412)
<b>TOTAL NET EXCHANGE DIFFERENCE REVENUE / (EXPENSE)</b>	<b>(6)</b>	<b>(202.430)</b>	<b>(72.173)</b>
<b>NET FINANCIAL REVENUES/(EXPENSES)</b>		<b>(1.089.041)</b>	<b>(866.819)</b>

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(1) It corresponds to the income from the negotiation and sale of fixed and variable income investments, which presented higher income in ISA CTEEP, for COP14.340 (2017: COP1.994); additionally, there was a higher income in the valuation of derivatives in ISA CTEEP, due to the contracting of three Cross Currency Swap hedging operations to hedge the exchange risk with an effect in 2018 of COP96.380 (2017: COP9.403). The operations are documented by hedge accounting, demonstrating their effectiveness in hedging the exchange rate risk on a debt recognized in the accounts; given the above, market valuation variations do not impact the company's income statement.

(2) The variation basically corresponds to an extraordinary event occurred in 2017 at ISA CTEEP: its adherence to the Special Tax Regularization Program (PERT) in Brazil.

(3) Revenues corresponding mainly to dividends decreed by Empresa Propietaria de la Red (EPR), on April 19, 2018, at the Ordinary General Shareholders' Meeting, where the distribution of income generated during 2017 by USD7.312.500 was approved. ISA was allocated with the amount of USD812.500.

(4) The increase in financial expenses is a result of the debt entered into and the bonds issuance to support the investments during the period.

(5) The main variation is presented in ISA CTEEP due to loss in the valuation of derivatives of COP79.169 (2017: COP9.027).

(6) Higher exchange difference expenses originated from US dollar loans granted by ISA to ISA Inversiones Maule and by INTERNEXA COLOMBIA to INTERNEXA BRAZIL, after a devaluation of the local currency against the US dollar (CLP 13% and BRL 17%) and the devaluation of the Colombian peso against the US dollar by 8%.

## 27. Net income per share

Net income per share has been calculated based on the annual weighted average of the outstanding shares at the date of the statement of financial position.

As of December 31, 2018 and 2017, the number of outstanding shares was 1.107.677.894. The net income per share determination is as follows:

	2018	2017
Net income of the period	1.524.382	1.437.936
Average of outstanding shares in the period	1.107.677.894	1.107.677.894
Net income per share (expressed in COP)	1.376,20	1.298,15

## 28. Related-party information

Subsidiaries, associates and joint ventures, including subsidiaries of associates and joint ventures are ISA's related parties.

Balances and transactions among companies from the Group have been eliminated in the consolidation process and are not disclosed in this note.

During 2018, business transactions did not take place with companies where there is joint control.

### Board of Directors and key Senior Management Staff

The company group is managed by a Board of Directors composed of nine (9) main members. During Ordinary General Shareholders' Meeting held on March 23, 2018, the Board of Directors for the April 2018 - March 2019 period was appointed. The Board of Directors' report holds the information in regards to its election and creation.

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The Senior Management is composed of the CEO and the employees of the first management level reporting directly to the CEO.

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There are no outstanding receivables and payables between the Company and members of Board of Directors.

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**a) Accounts receivable from key staff and Senior Management**

	2018	2017
Chief Executive Officer	599	747
Vice-president	463	350
Corporate directors	1.144	1.090
General Secretary	69	38
<b>TOTAL</b>	<b>2.275</b>	<b>2.225</b>

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There are no other transactions other than remuneration between the Group and members of ISA Board of Directors and Senior Management.

As of December 31, 2018, the Group has not recognized impairment and impairment expense of accounts receivable with related-parties.

**b) Remuneration to key Senior Management staff**

Remunerations received by the key Senior Management staff are the following:

	2018
Remuneration	9.616
Short-term benefits	4.954
Board of Director's fees (1)	1.968
<b>TOTAL</b>	<b>16.538</b>

(1) Fees due to participation in Board of Directors, Directorates, or Councils of ISA and its companies.

As of December 31, 2018 and 2017, there are no labor links between the members of the Board and the company group, or business links between the Group and close relatives of members of the Board of Directors.

## 29. Information on business units

An analysis of revenues, costs, and expenses from the corporate group, arising from business lines operations reported is shown below:

### 29.1 REVENUES FROM CONTRACTS WITH CLIENTS

Revenues for 2018 include the entry into operation of new energy transmission projects and roads in Peru, Colombia, and Chile, and the fee update in Brazil. Additionally, revenues for 2018 include the tax recovery in Colombia and Brazil.

	2018	2017
<b>REVENUES FROM CONTRACTS WITH CLIENTS</b>		
Energy Transmission (1)	5.498.586	5.333.389
Road Concessions (2)	1.208.234	1.140.713
Telecommunications and Information Technologies (3)	322.221	345.814
Real-time Systems Management (4)	144.926	134.349
<b>TOTAL REVENUES FROM CONTRACTS WITH CLIENTS</b>	<b>7.173.967</b>	<b>6.954.265</b>

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(1) Revenues increased by 3,10% compared with the previous year; this increase corresponded mainly to:

- Higher income in ISA CTEEP and TAESA, for the change in the valuation of the contractual asset.
- Beginning of the new UPME's compensation cycle in ISA.
- Higher revenues in Colombia from IPP and TRM.
- ISA TRANSELCA obtained higher revenues from grid connection charges and higher IPP.
- ISA INTERCHILE, entry into operation of the "Cardones - Nueva Cardones 2 x 220 kV New Line" project in November 2017 and the Transformers Bank in Nueva Cardones 500/220 kV 750 MVA Substation in the Transmission Tranche System of Norte Grande Interconnected System.
- Consorcio Transmantaro obtained higher revenues from the entry into operation of the MAMO, Orcotuna, Planicie Industriales, Ampliación Cotaruse, Friaspata-Mollepata Line and reinforcement of the Reactors Bank of La Niña Substation projects.
- ISA CTEEP obtained higher revenues from the consolidation of IESUL as of September 2018; the consolidation of IENNE as of October 2017; the inflation adjustment of the June 2017-May 2018 financial flow cycle; and the change in the accounting estimate

of revenues incorporated in financial asset flows of the Concession Agreements. Higher operating and maintenance revenues of COP121.938, due to the entry into operation of new RBNIA projects and the monthly IPCA variation of COP28.288, added to the impact on financial flows of the IPCA correction of the 2017/2018 RAP cycle for COP37.987 and the CDE/PROINFA regulatory tax increase, offset by a lower surplus in O.N.S. revenues and variable portion of COP55.769.

(2) This variation includes the net effect of an increase in revenues from operation and maintenance services and a reduction due to traffic increase and higher collections in tolls, which reduce the account receivable from the State and consequently generates a lower financial return.

(3) The decrease is mainly explained by the decrease in sales of IP services and network rights, and by the impact of the exchange rate effect.

(4) Positive variation due to higher revenues from services and operations traded in the Colombian energy market; higher revenues from support services and maintenance of control centers; and an increase in photo-detections collections.

## 29.2 COSTS AND EXPENSES

		2018	2017
<b>OPERATING COSTS AND EXPENSES</b>			
Energy Transmission	(1)	2.174.697	2.336.393
Road Concessions	(2)	511.230	366.223
Telecommunications and Information Technologies	(3)	388.644	322.881
Real-time Systems Management	(4)	130.526	120.250
<b>TOTAL COSTS AND EXPENSES</b>		<b>3.205.097</b>	<b>3.145.747</b>

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- (1) The variation is explained by the following: a) Wealth tax in force until 2017; b) Increase by start of the amortization of Milestone B of expansion 13, expansion 17 and Milestone 1 of expansion 19 in ISA REP; c) Higher maintenance costs to maintain the infrastructure of transmission lines in operating conditions required by the Peruvian State in the concession agreement; beginning of amortization and depreciation of Orcotuna, Planicie Industriales, Cotaruse and MAMO expansion; these increases are offset by a decrease in construction costs.
- (2) The variation is due to an increase in conservation and major maintenance costs; increase in tolling services, administration and insurance, lease of cranes and electronic means of payment; higher expenses from fees, studies and projects, and engineering consultancy; increase in amortization of rights due to the effect of traffic. Traffic in 2018 increased by 5% with respect to 2017.
- (3) This increase is explained by higher data and communication costs, higher provisions for

the client portfolio and the increase in fixed asset impairment in INTERNEXA BRAZIL.

(4) Increase due to investment in licenses, execution of new projects, infrastructure update, optimization tools and location improvements, renewal of insurance policies and, greater depreciation of new equipment for the control center.

### 30. Disputes and claims

ISA and its companies are currently a procedural party, acting as defendant, plaintiff or intervening third party in administrative, civil, and labor judicial proceedings. None of the proceedings in which it has been sued or has been summoned as intervening party may undermine the stability of the Group. Also, on its own behalf, it has instituted legal actions required for the defense of its interests.

Below, information related to the main legal procedures developed by the Group:

COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
Interconexión Eléctrica S.A. E.S.P., (ISA)	Labor. Second Instance. Case Number 05001310501220140113800	Héctor Miguel Altuve Santos, Javier Emilio Franco Roldán, Libardo Antonio López Loaiza, Luis Alberto Bastidas Uribe, Néstor José Chica Castaño, Orlando de Jesús Hernández Toro, Oscar Grajales Sarria	To declare Interconexión Eléctrica S.A. E.S.P., (ISA) responsible for recognizing in favor of the plaintiffs, retirement pension agreed upon the collective work convention entered in such convention and SINTRAISA.	9
Interconexión Eléctrica S.A. E.S.P., (ISA)	Labor. Severance	Alonso de Jesús Buriticá, Álvaro Fabra Celis, Henry Betancur Ríos, Jaime Ospitia Obregón, José Aníbal Albarracín Ardila	Plaintiff seeks Interconexión Eléctrica S.A. E.S.P., (ISA) to recognize extralegal retirement pension subscribed with SINTRAISA.	7.334
Interconexión Eléctrica S.A. E.S.P., (ISA)	Case number 05001310500620140113500			

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Interconexión Eléctrica S.A. E.S.P., (ISA)	Administrative. First Instance. Case number 05001233100020060325200	Empresas Públicas de Medellín (EPM)	Plaintiff seeks to declare Interconexión Eléctrica S.A. E.S.P., (ISA) liable for unjust enrichment.	1.769
Interconexión Eléctrica S.A. E.S.P., (ISA)	Administrative. First Instance. Case number 20001333100320090017200	Lino Rojas Estrada	To suspend the legal effects of the agreement called Mesa de Trabajo line 220, and order Interconexión Eléctrica S.A. E.S.P., (ISA) the payment of damages.	1.245
Interconexión Eléctrica S.A. E.S.P., (ISA)	Civil. First Instance. Case number 08001310300420170018400	Francisco José Sánchez Cotes, Promigas S.A. E.S.P.	To establish easements for the energy conduction in favor of ISA-Constitutive.	1.906
Interconexión Eléctrica S.A. E.S.P., (ISA)	Labor.	Jorge Eliécer Reyes Plata	Plaintiff seeks a declaration stating that between him and Interconexión Eléctrica S.A. E.S.P., (ISA) there was a work relation, which was ended without justifiable reason.	42
Interconexión Eléctrica S.A. E.S.P., (ISA)	First Instance. Number 68001310500220120032300			
Interconexión Eléctrica S.A. E.S.P., (ISA)	Labor.	Geisson Aguilar Ávila, Ivonne Liseth Aguilar Ávila, Yaned Patricia Ávila Carreño	A full statement of responsibility is intended due to proven fault of Interconexión Eléctrica S.A. E.S.P., (ISA) in accident suffered by the deceased.	608
Interconexión Eléctrica S.A. E.S.P.,(ISA)	Second Instance. Number 05001310502020150118500			
Interconexión Eléctrica S.A. E.S.P., (ISA)	Labor.	José Omar Tabares Hincapié	The plaintiff is intended to declare he was forced to resign, whereby an indirect firing occurred.	564
Interconexión Eléctrica S.A. E.S.P., (ISA)	First Instance. Case Number 05001310500120150031300			

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	COMPANY	TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE
Message from ISA's CEO	Interconexión Eléctrica S.A. E.S.P., (ISA)	Administrative.			
Report Profile	Interconexión Eléctrica S.A. E.S.P., (ISA)	First Instance. Case Number 05001233100019980397100	Gómez Cajiao y Asociados S.A.	Plaintiff seeks the absolute nullity of administrative act and auditing and consulting contract, based on the grounds that such contract was awarded to a different entity to the one the plaintiff represents, and to reestablish the rights of Gómez Cajiao y Asociados Cía. Ltda. (Today called Gómez Cajiao y Asociados S.A.) for having presented the best offer in public tender C-002 of 96.	571
Company profile	Interconexión Eléctrica S.A. E.S.P., (ISA)				
Strategy	Interconexión Eléctrica S.A. E.S.P., (ISA)				
Stakeholders	XM S.A. E.S.P.	Office without Sections of Antioquia Administrative Tribunal.	La Previsora Trust Deed	Annulment of an administrative act imposing a penalty.	6.501
Corporate Government	XM S.A. E.S.P.	Office of the labor chamber of the Superior Court of Medellin	43220889 Gómez Palacio Juana Maria	Not recognizing social benefits.	783
Energy Transmission	XM S.A. E.S.P.	Office- Third Section of Cundinamarca Administrative Tribunal - Oral	8001689964 Grupo Poliobras S.A. E.S.P.	Unlawfulness of administrative act imposing fine due to breach of contract.	459.018
Road Concessions	XM S.A. E.S.P.	Cundinamarca Administrative Tribunal	8909049961 Empresas Públicas de Medellín (EPM)	Unlawfulness of the administrative act that enforces the pecuniary penalty clause.	-
Information and Telecommunication Technologies	XM S.A. E.S.P.	Civil Court N° 22 of the Medellin circuit	19250432 Baquero Neira Luis Alberto	Improper settlement of pension share quota.	175
Real-Time Systems Management	XM S.A. E.S.P.	Civil Court N° 20 of the Medellin circuit	71721358 Obando López Juan Carlos	Non-compliance with payment of social benefits.	99

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XM S.A. E.S.P.	Office without Sections of Cauca Administrative Tribunal - Oral.	Municipality of Guachené - Cauca	Unlawfulness of the administrative act that declares the occurrence of the event of loss and dictates the execution of the policy.	464
XM S.A. E.S.P.	Office without Sections of Cauca Administrative Tribunal - Oral.	Municipality of Guachené - Cauca	Unlawfulness of the administrative act that declares the occurrence of the event of loss and dictates the execution of the policy.	497
INTERCOLOMBIA S.A. E.S.P.	First Instance	Darío Alberto Castrillón Urrego	That INTERCOLOMBIA S.A. E.S.P., is declared to be responsible for the salary imbalance of the plaintiff. In this sense, salary leveling is requested due to the imbalance with respect to Luisa Fernanda Uribe Palomares. It is also requested that all legal and extralegal labor claims be sentenced; the payment of indemnity for the improper payment of severance and interests on severance; readjustment and payments to the social security system; indexation of salaries, vacations, bonuses since 2014; costs of legal representation; extra and ultra petita values according to the Judge; and all costs caused until the final sentence-Declarations that would constitute a sentence.	330
INTERCOLOMBIA S.A. E.S.P.	First Instance	Dubian Alberto Sánchez	That it be declared that the plaintiff and INTERCOLOMBIA S.A. E.S.P., have and maintain a valid labor relationship from 2005 to the present time. Declarations that would constitute a sentence.	24
INTERCOLOMBIA S.A. E.S.P.	First Instance	Luis Fernando Castrillón	Salary leveling is requested due to imbalance. Declarations that would constitute a sentence.	412

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INTERNEXA S.A.		INTERNEXA S.A.	Labor Process Severance payments, interest on severance, Premium of services for the entire term of employment, taking into account the real salary accrued by the plaintiff. Payment of vacations, service premium, seniority premium, extralegal premium in June and extralegal premium in December for the entire term of services, as well as extralegal benefits the defendant Interconexión Eléctrica S.A. E.S.P., (ISA) pays to its employees, under collective agreement with SINTRAISA union. Late-performance penalty of Article 65 of the Labor Code (Código Sustantivo del Trabajo (CST)). Late-performance penalty of Article 99 of the Labor Code (Código Sustantivo del Trabajo (CST)). Indemnity adjustment for unfair dismissal, in accordance with the provisions of the Collective Agreement subscribed with SINTRAISA and in force at the time of termination of the plaintiff, taking into account the real salary accrued by the plaintiff.	280
INTERNEXA S.A.	Investigation	INTERNEXA S.A.	Resolution N° 448 of January 25, 2018.	39
INTERNEXA S.A.		Ministry of Communications	Contractual Restoration of the contractual balance within the Local Multipoint Distribution Service (LMDS) license.	61
INTERNEXA S.A.		Empresa de Renovación Urbana de Bogotá	Contractual Payment of unpaid amounts by the defendant within the framework of the service provision contract signed with INTERNEXA S.A.	USD15
INTERNEXA S.A.		National Telecommunications Company of Ecuador	Arbitration Tribunal. Declaration of contractual breach by the National Telecommunications Company of Ecuador.	62
INTERNEXA S.A.		MinTic	Nullity and Redress Action.	

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INTERNEXA S.A.		MinTic	Cundinamarca Administrative Tribunal, First Section.	
TRANSELCA S.A. E.S.P.		Inversiones Landazábal	Executive Proceeding for Breach of Contract.	351
TRANSELCA S.A. E.S.P.		Torcuato Elías García Chiquillo/ Luis de Orta Pertuz	Labor	300
TRANSELCA S.A. E.S.P.		Héctor Castro Yate	Labor	200
TRANSELCA S.A. E.S.P.		Ana Osorio Quintero	Labor	300
TRANSELCA S.A. E.S.P.		Hernando González	Labor	300
TRANSELCA S.A. E.S.P.		Victor de la Cruz Blandón	Labor	300
TRANSELCA S.A. E.S.P.		Rafael Rodríguez Cuadrado	Labor	300
TRANSELCA S.A. E.S.P.		Alexis López Peralta	Labor	492
TRANSELCA S.A. E.S.P.		Porfirio García Pérez	Labor	300
TRANSELCA S.A. E.S.P.		Maria Joaquina Alvarado	Labor	200
TRANSELCA S.A. E.S.P.		Alcides Guerrero-Pedro Cordero	Labor	1.000
TRANSELCA S.A. E.S.P.		Nelsy María del Carmen Pérez	Direct redress	1.265
TRANSELCA S.A. E.S.P.		Modesto Soaza Pinzón y otros	Direct redress	548
TRANSELCA S.A. E.S.P.		Minerva Iris García Medina	Direct redress	200
TRANSELCA S.A. E.S.P.		Josefina Barbosa	Direct redress	4.472
TRANSELCA S.A. E.S.P.		Guillermo Cañas	Direct redress	700

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TRANSELCA S.A. E.S.P.		Dilia Josefina Barros Mendoza	Direct redress	215
TRANSELCA S.A. E.S.P.		Maria de la Concepción Hernández	Direct redress	1.199
TRANSELCA S.A. E.S.P.		Bella Nigales Consuegra Estrada and others	Direct redress	1.257
TRANSELCA S.A. E.S.P.		Alfredo Gutiérrez López and others	Direct redress	1.289
TRANSELCA S.A. E.S.P.		Ligia Bermejo Jaramillo and others	Class action lawsuit	30.437
TRANSELCA S.A. E.S.P.		Flor Ávila Martínez and others	Class action lawsuit	20.000
TRANSELCA S.A. E.S.P.		Luis Calderón Lemus	Class action lawsuit	1.566
TRANSELCA S.A. E.S.P.		Omel Enrique Ortiz Ojeda and others	Recovery action	50
TRANSELCA S.A. E.S.P.		Osmin Gabriel Palmesano Pinto	Recovery action	70
TRANSELCA S.A. E.S.P.		Jorge Antonio Amaya Ortiz	Recovery action	100
TRANSELCA S.A. E.S.P.		Elsis Ziomara Mejía Brito	Recovery action	300
TRANSELCA S.A. E.S.P.		Leonardo José Daza Romero	Recovery action	100
TRANSELCA S.A. E.S.P.		David Enrique Cmejia	Recovery action	300
TRANSELCA S.A. E.S.P.		Jose Eduardo Carrillo Figueroa	Recovery action	300
TRANSELCA S.A. E.S.P.		Jose David Carrillo Solano	Recovery action	300
TRANSELCA S.A. E.S.P.		Eniel Enrique Romero Brito	Recovery action	480

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Report Profile	TRANSELCA S.A. E.S.P.		Electricaribe - claim for litigation within civil extracontractual liability ordinary procedure - plaintiff Katty Solar Cordero and others	Civil procedure	600
Company profile					
Strategy	TRANSELCA S.A. E.S.P.		Verbal Civil Extracontractual liability – Héctor Ravelo Bolaños	Civil procedure	1.353
Stakeholders	TRANSELCA S.A. E.S.P.		Manuel Mendoza Ricardo	Civil procedure	8.547
Corporate Government	TRANSELCA S.A. E.S.P.		Adalberto Barceló	Summary procedure	80
Energy	TRANSELCA S.A. E.S.P.		Pedro Agustín Niebles Potes	Right-of-ownership procedure	30
Transmission	TRANSELCA S.A. E.S.P.		Glenis Judith Villar Tovar	Right-of-ownership procedure	25
Road Concessions				Determination Resolutions, notified separately on 27.12.17 by fitel (Ministry of Transport and Communications) for payment of contributions to fitel corresponding to the 2012 period: Determination Resolutions N° 238-RDM-2017-MTC/24, N° 239-RDM-2017-MTC/24, N° 240-RDM-2017-MTC/24, N° 245-RDM-2017-MTC/24 and N° 247-RDM-2017-MTC/24	
Information and Telecommunication Technologies	INTERNEXA S.A. (PERU)		INTERNEXA S.A. (PERU)	Fine Resolutions, notified separately on 27.12.17 by FITELE (Ministry of Transport and Communications) for payment of Contributions to FITELE corresponding to the 2012 period:  Fine Resolutions N° 251-RMF-2017-MTC/24, N° 252-RMF-2017-MTC/24, N° 253-RMF-2017-MTC/24, N° 254-RMF-2017-MTC/24, N° 259-RMF-2017-MTC/24 and N° 261-RMF-2017-MTC/24.	S/2.859,00 soles
Real-Time Systems Management					

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Message from ISA's CEO					
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Company profile				Determination resolutions, notified separately on 27.12.17 by FITEL (Ministry of Transport and Communications) for payment of Contributions to FITEL corresponding to the 2012 period: Determination resolutions N° 248-RDM-2017-MTC/24 and N° 249-RDA-2017-MTC/24.	
Strategy	INTERNEXA S.A. (PERU)			Fine resolutions, notified separately on 27.12.17 by FITEL (Ministry of Transport and Communications) for payment of Contributions to FITEL corresponding to the 2012 period:	S/ 1.386.394,00 soles
Stakeholders				Fine Resolutions N° 262-RMF-2017-MTC/24 and N° 263-RMF-2017-MTC/24.	
Corporate Government					
Energy					
Transmission				Determination resolutions, notified separately on 27.12.17 by FITEL (Ministry of Transport and Communications) for payment of Contributions to FITEL corresponding to the 2012 period: Determination resolutions N° 238-RDM-2017-MTC/24, N° 239-RDM-2017-MTC/24, N° 240-RDM-2017-MTC/24, N° 245-RDM-2017-MTC/24 and N° 247-RDM-2017-MTC/24.	
Road Concessions	INTERNEXA S.A. (PERU)	Contributions to Communications Investment Fund (FITEL)	INTERNEXA S.A. (PERU)	Fine resolutions, notified separately on 27.12.17 by FITEL (Ministry of Transport and Communications) for payment of Contributions to FITEL corresponding to the 2012 period:	S/ 2.859,00 soles
Information and Telecommunication Technologies				Fine Resolutions N° 251-RMF-2017-MTC/24, N° 252-RMF-2017-MTC/24, N° 253-RMF-2017-MTC/24, N° 254-RMF-2017-MTC/24, N° 259-RMF-2017-MTC/24 and N° 261-RMF-2017-MTC/24.	
Real-Time Systems Management				Determination resolutions, notified separately on 27.12.17 by FITEL (Ministry of Transport and Communications) for payment of Contributions to FITEL corresponding to the 2012 period: Determination Resolutions N° 248-RDM-2017-MTC/24 and N° 249-RDA-2017-MTC/24.	
<b>Financial results</b>				Fine resolutions, notified separately on 27.12.17 by FITEL (Ministry of Transport and Communications) for payment of Contributions to FITEL corresponding to the 2012 period:	S/ 1.386.394,00 soles
Annexes				Fine Resolutions N° 262-RMF-2017-MTC/24 and N° 263-RMF-2017-MTC/24.	

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INTERNEXA S.A. (PERU)	OSIPTEL	INTERNEXA S.A. (PERU)	Determination Resolutions N° 026-2015-GFS/OSIPTEL and Fine N° 011-2015-GFS/OSIPTEL of 2010 period. Notified on 22/12/2015	S/ 403.364,00 soles
		INTERNEXA S.A. (PERU)	Determination resolutions N° 00004-2016-GFS/RD/OSIPTEL and Fine N° 00003-2016-GFS/RM/OSIPTEL notified on 17/02/2016. Fine resolution N° 00026-2016-GFS/RM/OSIPTEL. Notified on 22.07.16.	S/ 866.185,00 soles
		INTERNEXA S.A. (PERU)	Determination resolution N° 004-2014-GFS/OSIPTEL and Fine Resolution 001-2014-GFS/OSIPTEL for payment of Contributions to Osiptel for the 2012 period. Fine Resolution N° 00028-2016/RM/OSIPTEL.	S/ 386.993,00 soles
		INTERNEXA S.A. (PERU)	Determination Resolution N° 00019-2016-GFS/RD/OSIPTEL and Fine Resolution 00009-2016-GFS/RM/OSIPTEL for payment of Contributions to Osiptel for the 2013 period. Notified on 28/03/2016.	S/ 300.126,00 soles
			Fine Resolution N° 00029-2016-GFS/RM/OSIPTEL. Notified on 25.08.16.	
		INTERNEXA S.A. (PERU)	Determination Resolution N° 00033-2016-GFS/RD/OSIPTEL and Fine resolution 00027-2016-GFS/RM/OSIPTEL for payment of Contributions to Osiptel for the 2014 period. Notified on 02/08/2016.	S/ 30.808,00 soles
		INTERNEXA S.A. (PERU)	Determination and fine Resolution N° 00008-2018-GAF/RD/OSIPTEL for payment of Contributions to Osiptel for the 2015 period. Notified on 21/03/2018.	S/ 40.784,00 soles
	14th Specialized Permanent Labor Court	INTERNEXA S.A. (PERU)	Claim for reinstatement and/or payment of compensation for arbitrary dismissal.	S/2.403.837,00 (Indemnity)
	4th Specialized Permanent Labor Court	INTERNEXA S.A. (PERU)	Claim for payment of social benefits and/or indemnity, or other	S/3.717.676,00 (Indemnity)

The Group management and its legal advisers believe the possibility of material losses as of result of such claims is remote.

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## 31. Guarantees

At the end of 2018 the following guarantees were in effect:

### ISA

For the term of this year, in addition to the existing guarantees, guarantees were granted to comply with obligations undertaken in new operations.

The amounts of the guarantees granted in foreign currency are translated into Colombian pesos (COP) using the exchange rates at the end of the year.

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE	
		UPME 07-2013, Montería	COP29.389.479.176	29.389	25-09-19	
		UPME 03-2014, Ituango	COP153.996.186.861	153.996	01-09-19	
		UPME 05-2014, Costa Caribe Reinforcement	COP77.802.889.561	77.803	01-10-19	
		UPME 06-2013, Caracolí	COP9.212.264.340	9.212	04-06-19	
	Energy Mining Planning Unit (UPME)	Guarantee compliance with obligations assumed under the award of the following Public Biddings	UPME 03-2016 San Antonio	COP13.753.262.893	13.753	30-06-19
			UPME 01-2017, El Bosque	COP1.910.392.906	1.910	02-04-19
			UPME 09-2016, Cuestecitas	COP71.132.455.396	71.132	02-03-21
			UPME 08-2017, Sogamoso	COP10.259.802.193	10.260	15-05-19
			UPME 01-2018, Ocaña	COP10.059.803.046	10.060	21-06-19
			UPME 07-2017, Sabanalarga-Bolívar	COP29.909.509.913	29.910	11-12-19
				PLEX 1 - Lot 2. Secure execution of Project and payment of fines, in accordance with technical offer for the exploitation and execution of new work "Maitencillo - Pan de Azúcar 2x500kV New Line".	USD10.408.800	33.826
	Ministry of Energy of Chile	Guarantee compliance with obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 1 - Lot 3. Secure execution of Project and payment of fines, in accordance with technical offer for the exploitation and execution of new works "Pan de Azúcar-Polpaico 2x500kV New Line".	USD22.400.000	72.794	28-02-19
			PLEX 1 - Lot 2. Execution of Relevant Milestone N° 5: Entry into operation of the project regarding new works "Maitencillo - Pan de Azúcar 2x500kV New Line".	USD2.602.200	8.456	31-08-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
		PLEX 1 - Lot 3. Execution of Relevant Milestone N° 5: Entry into operation of the project regarding new works "Pan de Azúcar - Polpaico 2x500kV New Line".	USD5.600.000	18.199	29-03-19
		PLEX 1 - Lot 1. Entry into operation of the project regarding new works "Cardones-Maitencillo 2x200kV New Line".	USD2.379.600	7.733	01-03-19
		PLEX 1 - Lot 2. Entry into operation of the project regarding new works "Maitencillo - Pan de Azúcar 2x500kV New Line".	USD3.903.300	12.685	26-03-19
		PLEX 1 - Lot 3. Entry into operation of the project regarding new works "Pan de Azúcar -Polpaico 2x500kV New Line".	USD8.400.000	27.298	15-04-19
		PLEX 2 - Entry into operation of the project regarding new works "Encuentro - Lagunas 2x220 kV New line, first circuit".	USD1.161.000	3.773	14-03-19
BANK GUARANTEES	Ministry of Energy of Chile	Guarantee compliance with obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.			
		PLEX 4 - Lot 1. Operation of the project regarding new works Nueva Cardones, 500/220 kV, 750 MVA Substation Autotransformers Bank.	USD758.100	2.464	30-04-19
		PLEX 4 - Lot 2. Operation of the project regarding new works Nueva Maitencillo, 500/220 kV, 750 MVA Substation Autotransformers Bank.	USD758.100	2.464	30-04-19
		PLEX 4 - Lot 3. Operation of the project regarding new works Nueva Pan de Azúcar, 500/220 kV, 750 MVA Substation Autotransformers Bank.	USD758.100	2.464	30-04-19
		PLEX 7 - Effective execution of the project and payment of fines for new works "1X750 MVA 500/220 KV New Autotransformers Bank in Nueva Cardones, Nueva Maitencillo and Nueva Pan de Azúcar Substations."	USD5.801.520	18.853	05-08-21

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	TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Message from ISA's CEO						
Report Profile			PLEX 7 - Execution of Relevant Milestone N° 1, Exploitation and Execution of new works "1X750 MVA 500/220 KV New Autotransformers Bank in Nueva Cardones, Nueva Maitencillo and Nueva Pan de Azúcar Substations."	USD1.450.380	4.713	11-02-19
Company profile						
Strategy						
Stakeholders		Ministry of Energy of Chile	Guarantee compliance with obligations assumed under the award of Public Biddings from the Chilean- PLEX expansion plan.	USD450.000	1.462	02-01-19
Corporate Government						
Energy Transmission	BANK GUARANTEES		PLEX 8 - Incorporation of the transmission and/or transport open joint-stock company, and to agree solidarity for exploitation and execution rights of new works "Seccionadora Nueva Chuquicamata 220 kV Substation and 2x220 New Line between Nueva Chuquicamata and Calama Substations, power line first circuit".	USD2.000.000	6.500	02-01-19
Road Concessions						
Information and Telecommunication Technologies		Some municipalities of Antioquia, Colombia	Municipality of Los Palmitos (9 guarantees)	COP1.989.468.182	1.989	17-10-19
	Municipality of San Roque (5 guarantees)		COP197.055.000	197	17-10-19	
	Municipality of Albania (10 guarantees)		COP3.778.473.073	3.778	17-10-19	
	Municipality of Cauca (1 guarantee)		COP1.920.558.000	1.921	17-09-19	
	Municipality of Palestina (1 guarantee)		COP64.500.000	65	17-09-19	
Real-Time Systems Management		Other	Guarantee payment compliance	USD53.504	174	24-02-19
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Additionally, it granted counter-guarantees to support the financing of the following companies:

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TYPE OF GUARANTEE	BENEFICIARY	OBJECTIVE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Stock pledge	BID - CAF	ISA BOLIVIA. S.A. External loans granted by IDB and CAF backed by the pledge of 100% of ISA shares in this affiliate.	USD1.271.188	4.131	15-02-19
Guarantee Bond	BCIE	Guarantee payment obligations to lenders of the following affiliates: Empresa Propietaria de la Red (EPR). Loan agreement between EPR and BCIE of up to USD44.500.000, backed by Guarantee Bond to finance the SIEPAC Project.	USD26.037.035	84.614	29-06-27
Stock pledge	Creditors Senior Loan	INTERCHILE. S.A. External loans backed by the pledge of 100% of ISA shares in this affiliate if favor of Creditors.	USD689.333.787	2.240.162	31-03-31
	Creditors VAT Loan		CLP18.925.704.741	88.524	31-03-20

ISA INTERCHILE made new debt disbursements guaranteed by ISA. As previously reported, these resources have been allocated to the execution of PLEX projects.

stock pledge, leaving only the generic guarantee of the issuer, constituted in the Issuer's equity.

As per agreement of the Bondholders' Meeting of ISA REP's Second and Third Bonds Program, the modification was agreed for the exclusion of guarantees of the Bond Programs. In this way, in June 2018, the addendum for the withdrawal of guarantees was made in a public deed, specifically for this report, ISA's

Given the above, the Ministry of Finance and Public Credit and the General Comptroller of the Republic were requested to cancel this stock pledge, subsequently receiving the notices of acceptance upon termination of this obligation by ISA.

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## ISA TRANSELCA

The following guarantees ordered by ISA TRANSELCA were in effect at the end of the year:

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
			COP965.000.000	COP965	02-05-19
			COP16.000.000	COP16	15-03-19
			COP75.000.000	COP75	25-04-19
	Municipality of Pivijay		COP75.000.000	COP75	27-06-19
			COP75.000.000	COP75	27-06-19
			COP71.000.000	COP71	06-01-19
			COP9.000.000	COP9	06-05-19
	Bank	Guarantee compliance with payment of Public Lighting Tax as settled.	COP16.000.000	COP16	28-02-19
	Municipality of Malambo		COP9.000.000	COP9	27-06-19
			COP18.000.000	COP18	01-05-19
			COP52.000.000	COP52	28-03-19
			COP78.000.000	COP78	22-05-19
	Municipality of Zona Bananera		COP160.000.000	COP160	24-04-19
			COP10.000.000	COP10	24-02-19
	Municipality of Algarrobo		COP307.000.000	COP307	25-04-19
	Municipality of Distracción		COP27.000.000	COP27	22-02-19

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In addition, it granted a counter-guarantee to support the financing of this affiliate of ISA Group:

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN USD	BALANCE IN COP MM	END DATE
Stock pledge	IDB and CAF	ISA BOLIVIA S.A. Guarantee compliance with payment obligations of external loans granted by IDB and CAF backed by the pledge of 100% of Transelca S.A. E.S.P., shares in this affiliate.	USD1.221.088	1.221.088	3.968	15-02-19

**XM**

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Municipality of Guachené	Guarantee payment compliance with values settled by XM S.A. E.S.P., through Resolution N° 047 of August 2, 2011, issued by the Municipal Treasury of Guachené (Department of Cauca).	USD800.000.000	800	08-11-19
Bank	Municipality of Guachené	Guarantee, in favor of the Municipality of Guachené (Cauca), the penalty established in Article 651 of the Tax Statute imposed within the respective sanctioning process against XM S.A. E.S. P., in Resolution N° 0105 of September 10, 2018, notified on September 13, 2018, in accordance with the provisions of Article 837-1 of the Tax Statute, added by Article 9 of Law 1006 of 2006.	USD994.680.000	995	13-10-19

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## INTERNEXA CHILE

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Letter of Credit Stand-By	BBVA Chile	INTERNEXA CHILE. S.A. Loan agreement with BBVA Chile.	USD4.963.200	16.129	28-02-20
Letter of Credit Stand-By	Banco de Crédito e Inversiones (BCI)	INTERNEXA CHILE. S.A. Loan Banco de Crédito e Inversiones (BCI).	CLP4.560.000.000	24.565	07-03-19
Letter of Credit Stand-By	Banco Santander S.A.(Brazil)	INTERNEXA BRAZIL OPERADORA DE TELECOMUNICAÇÕES S.A. Loan agreement with Banco Santander.	BRL16.810.000	14.098	31-03-22
Signature guarantee	Itaú Unibanco S.A. (Brazil)	INTERNEXA BRAZIL Operadora de Telecomunicações S.A. Loan agreement with Banco Itaú Unibanco.	BRL18.486.926	15.505	17-04-19
Bank Guarantee	Telxius Cable Colombia S.A., and Telxius Cable Brasil Ltda.	Guarantee payment obligations, to lenders for the following affiliates Agreement for the irrevocable right to use fractions of Dark Fiber pairs and its Addenda between INTERNEXA S.A., and TELXIUS CABLE COLOMBIA S.A., covering agreements of Colombia and Brazil.	USD5.472.000	17.783	14-06-19
Letter of Credit Stand-By	Banco ABC S.A. (Brazil)	INTERNEXA BRAZIL. Loan agreement with Banco ABC.	BRL10.509.000	8.814	24-06-19
Letter of Credit Stand-By	Banco SAFRA S.A. (Brazil)	INTERNEXA BRAZIL OPERADORA DE TELECOMUNICAÇÕES S.A. Guarantee payment obligations entered into with Banco SAFRA.	USD8.108.108	26.349	15-02-19
Letter of Credit Stand-By	Itaú Panamá S.A.	INTERNEXA BRAZIL OPERADORA DE TELECOMUNICAÇÕES S.A. Loan agreement with Itaú Panamá S.A.	USD1.250.000	4.062	16-07-19

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In addition, it granted a counter-guarantee to guarantee the financing of this affiliate of ISA Group:

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Stock pledge	IDB / CAF	ISA BOLIVIA. S.A. Guarantee compliance with payment obligations from external loans granted by IDB and CAF backed by the pledge of 100% of Internexa S.A., shares in this affiliate.	USD487	2	15-02-19

#### INTERNEXA PERU

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Telefónica del Perú S.A.				
Letters of guarantee	Telefónica del Perú S.A.	To support the faithful compliance of the obligations entered into with the following contracts			
		Second usufruct of two fiber optics pairs and provision of the operation and maintenance service in relation to the tranche Red Zona Cusco 2 and the tranche via Huanta described in the agreement.	USD397.829	1.293	01-03-19
		Usufruct of two fiber optics pairs and provision of the operation and maintenance service in relation to the tranche 7 described in such contract, as well as use in a peaceful, calm, uninterrupted, continuous, and permanent way; by Telefónica del Perú regarding two fiber optics pairs on the aforementioned INTERNEXA S.A., (Peru) network in tranche 7.	USD399.371	1.298	01-03-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Sociedad Eléctrica del Sur Oeste	Fiber optics connection service and communication signals between Potencia Socabaya-Jesus-Santuario Substations, related to the expansion of Jesús Substation and interconnection to the 138 kV Santuario-Socabaya Transmission Line, agreed in the contract from CD-222-2016-SEAL.	PEN67.676	65	20-01-19
Letters of guarantee	Superintendencia Nacional de Administración Tributaria (National Superintendence of Tax Administration)	To support the faithful compliance of the obligations entered into with the following contracts			
	ElectroPerú S.A.	Service for communication links for data transfer and to Internet.	PEN227.905	220	07-04-19
	Electrosur S.A.	Bandwidth service contract for communications with Mantaro Production Center.	USD35.943	117	08-11-19
	Minera Chinalco Perú S.A.	Electric infrastructure sharing.	PEN30.000	29	26-10-19
		Guarantee the seriousness of information and commitments of the proposal for the B0369 - WAN CAPA 2 MINA Data Link Bid- Lima.	USD25.000	81	24-02-19

### INTERNEXA BRAZIL

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Letters of guarantee	Fundacao Vale Do Rio Doce De Seguridade Social Valia	Rio de Janeiro Offices lease contract	BRL569.953	478	15-09-19
	SSG Participacoes Ltda	To support the faithful compliance of the obligations entered into with the following contracts			
	Juizo Da 4a Vara da Fazenda	Sao Paulo Offices lease contract.	BRL483.739	406	20-07-19
		Payment of Fine to Bahia State.	BRL749.721	629	23-09-19

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## INTERNEXA CHILE

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Bank Guarantee	State Railway Company	To secure crossing authorization and annual certification of an underground passageway for a fiber optics cable in km. 103.60 of the Southern Central Line.	UF48.52	6.26	30-04-19
	State Railway Company	To secure crossing authorization and annual certification of an underground passageway of a fiber optics located inside a duct, in a railway masterpiece in km 387.840 of the Southern Central Line N° Cocharcas Station. Request 1077.	UF45.09	5.81	14-06-19
	State Railway Company	Guarantee the faithful compliance of the obligations entered into with the following agreements	UF62.76	8.09	14-06-19
	State Railway Company	To secure crossing authorization and annual certification of an underground passageway and underground parallelism of fiber optics of 32 meters in length, located in km 67.416 of the Southern Central Line N° Codegua Sector. Request 1072.	UF47.80	6.16	14-06-19
	MOP - Coquimbo Region Road Directorate	To secure crossing authorization and annual certification of an underground passageway of a fiber optics located inside a duct, in a railway masterpiece in km 27.986 of the Southern Central Line - Municipality of Buin. Request 1071.	UF50.00	6.45	14-05-19
	MOP - Coquimbo Region Road Directorate	Execution of Parallelism works. PA 1159/18.	UF25.00	3.22	22-12-18
	Municipality of Las Condes	"Administration and maintenance Service for the Switch communications equipment. Firewall and Network Equipment of the Municipality of Las Condes" Process. ID N° 22560-37-LQ18.	CLP3.000.000	14.032	19-01-19
	Municipality of Vitacura	Guarantee the seriousness of bids for the following operations	CLP3.000.000	14.0323	04-02-19
	Internal Tax Service (SII)	"Hiring Computer Security Service for the Municipality of Vitacura" Process. Public Bid ID 2667-58-LQ18.	CLP1.000.000	4.6774	05-07-19
	Municipality of Viña del Mar	Guarantee the bid in Public Bid N° LP-9330 of the SII in favor of the Internal Tax Service. RUT 60.803.000-K.	CLP500.000	2.34	18-02-19
	Municipality of Viña del Mar	Tender N° 10474 "Wi-Fi Connection Service for the Municipality of Viña del Mar".			

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## INTERNEXA ARGENTINA

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	START DATE	END DATE
Letters of guarantee	Subterráneos de Buenos Aires S.E.	Guarantee the fulfillment of obligations established in the agreement for the provision of internet access service - Lines A.B.C.D.E., and H and SBase Buildings; according to Private Bid N° 388/17.	USD31.363	102	22-03-18	22-03-19

## ISA REP

At the end of 2018, on this company the following guarantees were in effect:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Bank Guarantees	Third Specialized and Permanent Court for contentious administrative proceedings of the Superior Court of Justice of Lima	Guarantee the fulfillment of the following obligations to the Red de Energía del Perú (REP): Damages that could cause an impact on OSINERGMIN, resulting from the suspension of the effects of Resolution OSINERG N° 458-2005-OS/CD, ordered by the Third Specialized and Permanent Court for contentious administrative proceedings of Lima, in the precautionary measure currently monitored by the Third Specialized and Permanent Court for contentious administrative proceedings of the Superior Court of Justice of Lima by Red de Energía del Perú (REP) against OSINERGMIN.	PEN30.000	29	24-11-19
	SUNAT	Guarantee all redresses contained in Determination Resolution No. 012-003-0049647 and Fine Resolution N° 012-002-0024382, issued by SUNAT, as a result of the audit imposed on the Annual Income 2011.	PEN213.333	206	09-09-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Ministry of Mines and Energy	Guarantee compliance with Concession Agreement for the Energy Transmission Systems ETECEN – ETESUR.	USD5.000.000	16.238	05-09-19
	Alpina Inversiones Inmobiliarias S.A.	Guarantee compliance with Sublease Contract for Future Goods between Red de Energía del Perú (REP) and Alpina Inversiones Inmobiliarias S.A.	USD149.265	485	11-01-19
	Ministry of Education	Guarantee compliance with the agreement for the execution of the "Equipment Infrastructure Substitution and Construction at the i.e. N° 22724 Teresa de la Cruz" project San Juan Bautista. Ica".	PEN216.798	209	01-06-19
	Sociedad Eléctrica del Sur Oeste	Guarantee the Direct Contracting Selection procedure N° 043-2018-SEAL-1: "Support service operation of Marcona. Socabaya. Callalli. Repartición and Mollendo Stations". Amount; S32.425.37 which corresponds to 10% of the amount awarded.	PEN32.425	31	30-04-19
Bank Guarantees	Volcán Compañía Minera S.A.	To guarantee compliance with obligations from "Contract for the relocation of Red de Energía del Perú (REP) Pomacocha - Pachachaca 220 kV TL and Consorcio Transmantaro S.A. Pomacocha - Carhuamayo TL".	USD261.516	849	28-02-19
	Ministry of Mines and Energy	Guarantee compliance with the request for modification of the definitive transmission concession with the execution of works of the Expansion 18 project: (1) "Zorritos Substation 20 MVAR 60 kV Capacitor Bank". (2) "Expansion of Transformation 220/60/22.9 kV. 50/65 MVA (ONAN/ONAF)". by Red de Energía del Perú (REP).	USD83.948	273	20-04-19
	Gobierno Regional de ICA	Guarantee compliance with the Investment Agreement for the execution of the project in a School, in Marcona.	PEN394.353	380	19-12-19
	Ministry of Mines and Energy	Guarantee compliance with the request for modification of the definitive transmission concession with the execution of works of the Zorritos Substation.	USD83.948	273	20-04-19

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## CONSORCIO TRANSMANTARO

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Ministry of Mines and Energy	Guarantee compliance with the "Carapongo Substation First Stage and Connections to Associated Lines" SGT Concession Agreement.	USD3.600.000	11.699	30-06-19
	Ministry of Mines and Energy	Guarantee compliance with the "Strengthening of North System with a second transmission circuit 220 kV between Talara and Piura" SGT Concession Agreement.	USD2.000.000	6.500	01-06-19
	Ministry of Mines and Energy	Guarantee compliance with the Machupicchu-Abancay-Cotaruse 220 kV TL SGT Concession Agreement.	USD2.000.000	6.500	18-08-19
	Ministry of Mines and Energy	Guarantee compliance with the "Planicie-Industriales 220 kV TL and associated Substations SGT Concession Agreement".	USD6.000.000	19.499	11-02-19
	Ministry of Mines and Energy	Guarantee compliance with the Chilca-la Planicie-Zapallal TL SGT Concession Agreement.	USD3.000.000	9.749	12-04-19
	ATN2 S.A.	Guarantee compliance with payment of penalties due to the noncompliance of obligations, pursuant to Energy Transmission contract for installations of the complementary system of transmission between Consorcio Transmantaro S.A., and ATN2.	USD705.000	2.291	18-02-19
	Ministry of Mines and Energy	Guarantee compliance with the obligations entered into in SGT Concession Agreement for the Trujillo-Chiclayo 500 kV TL.	USD2.000.000	6.500	23-03-19
Bank Guarantees	Ministry of Mines and Energy	Guarantee compliance with the Concession Agreement of the International Public Tender, integral projects modality, to grant the concession of the Pomacocha -Carhuamayo TL and associated project.	USD2.000.000	6.500	27-09-19
	Ministry of Mines and Energy	Guarantee compliance with the Concession Agreement for the term. (TL ICA Independencia).	USD1.000.000	3.250	28-09-19
	Ministry of Mines and Energy	Guarantee compliance with the "Mantaro-Marcona-Socabaya-Montalvo 500 kV TL and associated Substations" SGT Concession Agreement.	USD40.700.000	132.265	30-06-19
	Ministry of Mines and Energy	Guarantee compliance with the Orcotuna Substation 220/60 kV" SCT Concession Agreement.	USD600.000	1.950	29-01-19
	Ministry of Mines and Energy	Guarantee compliance with "Friaspata-Mollepata 220 kV TL" SCT Concession Agreement.	USD3.150.000	10.237	31-01-19
	Ministry of Mines and Energy	Guarantee compliance with the Orcotuna Substation 220/60 kV" SCT Concession Agreement.	USD1.350.000	4.387	31-01-19
	Ministry of Mines and Energy	Guarantee compliance with the Zapallal Trujillo - MEM TL SGT Concession Agreement.	USD3.000.000	9.749	21-12-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Ministry of Mines and Energy	Guarantee compliance with the execution of works for the "Carapongo Substation First Stage and Connections to Associated Lines" SGT Concession Agreement.	PEN2.025.000.00	1.953	28-02-19
	Ministry of Mines and Energy	Guarantee compliance with the "Planicie-Industriales 220 kV TL and associated Substations SGT Concession Agreement".	USD2.000.000	6.500	31-08-19
	Ministry of Mines and Energy	Guarantee compliance with the "Mantaro-Marcona-Socabaya-Montalvo 500 kV TL and associated Substations" SGT Concession Agreement.	USD3.000.000	9.749	10-01-19
	Ministry of Mines and Energy	Guarantee compliance with: 1) Concessionaire's obligations; 2) The payment of penalties and 3) The payment of the amounts ordered to be paid, by means of definitive judgment or arbitral award, derived from the execution of the Concession Agreement for the project "Mantaro-Nueva Yanango-Carapongo 500 kV Connection and Associated Substations."	USD33.300.000	108.217	29-01-19
	Ministry of Mines and Energy	Guarantee compliance with: 1) Concessionaire's obligations; 2) The payment of penalties and 3) The payment of the amounts ordered to be paid, by means of definitive judgment or arbitral award, derived from the execution of the Concession Agreement for the project "Nueva Yanango-Nueva Huánuco 500 kV Connection and Associated Substations" (hereinafter "The Agreement").	USD24.000.000	77.994	29-01-19
	Bank Guarantees				
	Petróleos del Perú - Petroperú S.A.	Guarantee compliance with the payment of penalties for the delay of the availability date of the energy transmission service contracting process for the Talara Refinery modernization project.	USD10.491.279	34.094	15-03-19
	Petróleos del Perú - Petroperú S.A.	Guarantee proper and timely compliance with the payment of penalties for the noncompliance with the availability of the energy transmission service contracting process for the Talara Refinery modernization project.	USD349.709	1.136	15-03-19
	CONELSUR LT S.A.	Guarantee compliance with the "Coordination Agreement for interconnection project between Consorcio Transmantaro S.A., and Conelsur LT S.A.," for fiber optics laying in L 2001/2002 and L 2008/2009.	USD1.000.000	3.250	31-03-19
	Volcán Compañía Minera S.A.	Guarantee compliance with the "Contract for the relocation of Red de Energía del Perú (REP) Pomacocha - Pachachaca 220 kV TL and Consorcio Transmantaro S.A. Pomacocha - Carhuamayo TL".	USD113.285	368	28-02-19
	Anglo American Quellaveco	Guarantee compliance with the BOOT contract - Transmission Infrastructure - Quellaveco Project.	USD4.063.725	13.206	23-08-19
	Ministry of Mines and Energy	Guarantee operation compliance with the "Carapongo Substation First Stage and Connections to Associated Lines" SGT Concession Agreement.	USD2.000.000	6.500	31-12-19

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## PROYECTOS DE INFRAESTRUCTURA DEL PERÚ (PDI)

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Letters of guarantee	Red de Energía del Perú (REP)	Guarantee faithful compliance with labor rights	USD15.000.000	48.746	26-10-19
	Consorcio Transmantaro S.A.		USD25.000.000	81.244	29-10-19

## ISA CTEEP

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Stock pledge	BNDES - Banco Nacional de Desarrollo Económico y Social	Interligação Elétrica de Minas Gerais S.A., (IEMG). Bond Indenture with BNDES (BRL70.578).	22.821	19	15-04-23
		Interligação Elétrica Serra do Japi S.A., (IE Serra do Japi). Bond Indenture with BNDES (BRL93.373).	53.186	45	15-05-26
		Interligação Elétrica Pinheiros S.A., (IE PINHEIROS). Bond Indenture with BNDES (BRL119.886).	47.956	40	15-05-26
		Interligação Elétrica Pinheiros S.A., (IE PINHEIROS). Bond Indenture with BNDES (BRL23.498).	12.862	11	15-02-28

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Corporate Security/ Stock pledge	Banco do Nordeste	Interligação Elétrica Norte e Nordeste S.A., (IENNE). Bond Indenture with BNDES (BRL220.000).	171.680	144	19-05-30
Stock pledge	BNDES - Banco Nacional de Desarrollo Económico y Social	Interligação Elétrica Sul S.A., (IESUL). Bond Indenture with BNDES (BRL18.166).	7.218	6	15-05-25
Stock pledge	BNDES - Banco Nacional de Desarrollo Económico y Social	Interligação Elétrica Sul S.A., (IESUL). Bond Indenture with BNDES (BRL28.200).	12.741	11	15-02-28
Stock pledge		Interligação Elétrica do Madeira S.A., (IEMADEIRA). Bond indenture with Banco da Amazônia (BRL267.058 / to Companhia de Transmissão de Energia Elétrica Paulista (CTEEP) and bank guarantees for 51%).	152.889	128	10-07-32
Bank Security	Banco da Amazônia	Guarantee payment obligations to lenders of the following affiliates			30-08-19
Stock pledge		Interligação Elétrica do Madeira. S.A., (IEMADEIRA). Bond indenture with BONDES (BRL1.868.431 / to Red de Energía del Perú (REP) and bank securities for 51%).	636.834	534	15-02-30
Bank Security	BNDES - Banco Nacional de Desarrollo Económico y Social				30-08-19
Corporate Security/ Stock pledge	Itaú/BES		254.934	214	18-03-25
Stock pledge	BNDES - Banco Nacional de Desarrollo Económico y Social	Interligação Elétrica do Madeira S.A., (IEMADEIRA). Infrastructure obligation (BRL350.000 / to Companhia de Transmissão de Energia Elétrica Paulista (CTEEP), 51% guaranteed).	128.480	108	15-12-28

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## ISA INTERCHILE

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
First-ranking mortgage on real estate	BBVA Chile Guarantee Agent Chile. Syndicated loan	Guarantee compliance with the Senior Credit payment obligations to lenders of Interchile S.A., through the mortgages on the following real estate assets:			
		Lot 8 of the Huasco plot subdivision project. Municipality of Freirina. Atacama Region. Pan de Azúcar Lot. Fundo Martínez, Municipality of Coquimbo.			
First-Degree Non-Possessory Pledge on Assets	BBVA Chile Guarantee Agent Chile. Senior Syndicated Loan	Guarantee compliance with the Senior Credit payment obligations to lenders of Interchile S.A., through the pledge on the following assets:			
			689.057.392	2.239.264	31-03-31
First-Degree Non-Possessory Pledge on Rights	BBVA Chile Guarantee Agent Chile. Senior Syndicated Loan	Guarantee compliance with the Senior Credit payment obligations to lenders of Interchile S.A., through the second-degree pledge on rights of:			ISOLUX Contract
					Sociedad Eléctricas de Medellín Contract
					Sociedad Siemens Contract
					Sociedad Tensa Contract
					Transelec Contract
					Unión Eléctrica Contract

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First-Degree Non-Possessory Pledge on energy concessions	BBVA Chile Guarantee Agent Chile. Senior Syndicated Loan	Guarantee compliance with the Senior Credit payment obligations to lenders of Interchile S.A., through the pledge on:			
		Energy Concessions			
First-Degree Non-Possessory Pledge on Shares	BBVA Chile Guarantee Agent Chile. Senior Syndicated Loan	Guarantee compliance with the Senior Credit payment obligations to lenders of Interchile S.A., through the first-degree pledge on:	689.057.392	2.239.264	31-03-31
		ISA Inversiones Chile Ltda. Shares Interconexión Eléctrica S.A. E.S.P., (ISA)			
First-Degree Non-Possessory Pledge on Shares Money and Investments Allowed	BBVA Chile. Guarantee Agent Chile. Senior Syndicated Loan	Guarantee compliance with the Senior Credit payment obligations to lenders of Interchile S.A., through the first-degree pledge on:			
		Moneys and investments allowed			
Second-ranking mortgage on real estate	BBVA Chile. Guarantee Agent Chile. Syndicated loan.	Guarantee compliance with the VAT Credit payment obligations to lenders of Interchile S.A., through the mortgages on the following real estate assets:			
		Lot 8 of the Huasco plot subdivision project. Municipality of Freirina. Atacama Region.			
		Pan de Azúcar Lot. Fundo Martínez, Municipality of Coquimbo.	27.194.386	88.375	31-03-20
Second-Degree Non-Possessory Pledge on Assets	BBVA Chile. Guarantee Agent Chile. Syndicated Loan, VAT	Guarantee compliance with the VAT Credit payment obligations to lenders of Interchile S.A., through the pledge on the following assets:			
		Interchile S.A. Fixed assets			

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		ISOLUX Contract			
		Sociedad Eléctricas de Medellín Contract			
		Energy Concessions			
Second-Degree Non-Possessory Pledge on Rights	BBVA Chile. Guarantee Agent Chile. Syndicated Loan, VAT	Guarantee compliance with the VAT Credit payment obligations to lenders of Interchile S.A., through the second-degree pledge on rights of:			
		Sociedad Siemens Contract			
		Sociedad Tensa Contract			
		Transelec Contract			
		Unión Eléctrica Contract			
		ISA Inversiones Shares	27.194.386	88.375	31-03-20
Second-Degree Non-Possessory Pledge on Energy Concession Rights	BBVA Chile. Guarantee Agent Chile. Syndicated Loan, VAT	Guarantee compliance with the VAT Credit payment obligations to lenders of Interchile S.A., through the pledge on:			
		Energy Concessions			
Second-Degree Non-Possessory Pledge on Shares	BBVA Chile. Guarantee Agent Chile. Senior Syndicated Loan	Guarantee compliance with the VAT Credit payment obligations to lenders of Interchile S.A., through the pledge on:			
		ISA Inversiones Chile Shares. ISA			
Second-Degree Non-Possessory Pledge on Money and Investments Allowed	BBVA Chile. Guarantee Agent Chile. Syndicated Loan, VAT	Guarantee compliance with the VAT Credit payment obligations to lenders of Interchile S.A., through the Second-Degree Pledge on:			
		Moneys and Investments Allowed			

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Additionally, it granted guarantees associated with road intersections:

#### GUARANTEES ASSOCIATED WITH ROAD INTERSECTIONS

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	ORIGINAL CURRENCY	BALANCE IN USD	BALANCE IN COP MM	END DATE
Bank Guarantees	MOP-Coquimbo Region Road Directorate	Guarantee faithful compliance with the execution of the works of road intersections (Two guarantee bonds).	UF	2.662	9	04-01-19
	MOP-Atacama General Road Director		UF	14.789	48	04-01-19
		PLEX 1 Cardones-Polpaico Project	UF	7.690	25	04-01-19

#### INTERVIAL COLOMBIA

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Bank Guarantee	Ministerio de Obras Públicas	Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work (Ruta de la Araucanía Sociedad Concesionaria S.A.).	UF5.000	645	24-10-19
Stock pledge	Banco de Chile, representative of bondholders in UF; MBIA Insurance Corporation; Banco del Estado de Chile and Wilmington Trust National Association	Guarantee compliance with payment obligations of Bond Financing in USD, Series A and B Bonds in UF, and Banking Credit. (Ruta del Maipo Sociedad Concesionaria S.A.).	USD158.463.248	110.096	15-06-22
			UF15.548.199	2.004.746	15-12-30
			UF162.621	20.968	25-09-19
Stock pledge	Syncora Guarantee Inc.	Guarantee compliance with payment obligations of Series A and B Bonds financing and the current liquidity line. (Ruta del Bosque Sociedad Concesionaria S.A.).	UF3.303.307	50.212	15-06-22

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
			UF4.078.296	-	15-03-22
Stock pledge	Banco de Chile, Banco Estado and Itaú Corpbanca Chile	Guarantee compliance with payment obligations of the 2010 Financing, 2013 Refinancing and Financing and Modification Opening for the 2018 Credit (Ruta de la Araucanía Sociedad Concesionaria S.A.).	CLP1.263.722.164	5.911	03-03-25
Stock pledge	BICE, Security and BCI Banks	Guarantee compliance with obligations of the bond indenture. (Ruta de los Ríos Sociedad Concesionaria S.A.).	UF1.125.873	145.167	15-08-22
Stock pledge	Banco Santander, Agent of Guarantees	Guarantee compliance with obligations of the financing contract. (Ruta del Loa Sociedad Concesionaria S.A.)	UF477.500	61.568	15-06-50
			CLP1.478.772.028	6.917	15-12-22

### Ruta de la Araucanía

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Bank Guarantee	Ministerio de Obras Públicas	"To guarantee the faithful compliance with each and every one of the obligations assumed in relation to the Construction of Works called "Safety Regulations Works with approved project", sanctioned by Supreme Decree 9 of January 26, 2018".	UF6.085	785	30-11-19
Bank Guarantee		Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work.	UF200.000	25.788	30-09-21

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
			CLP11.367.683.499	53.172	15-03-19
Commercial Pledge	Banco de Chile, Banco Estado and Banco Itaú Corpbanca	Comply with the prohibition to tax and dispose of money and investments allowed, to guarantee compliance with financial obligations (Fixed Term Deposit - Restricted Investment).	CLP12.377.087.956	57.893	30-01-19
			CLP5.637.159.171	26.368	15-03-19
			CLP1.749.946.135	8.185	15-03-19
Special Pledge of Public Work Concession	Banco de Chile, Banco Estado and Banco Itaú Corpbanca	Guarantee compliance with obligations of the syndicated loan agreement with Banco Chile, Banco Estado and Banco Itaú Corpbanca.	CLP4.078.296	19	15-03-22
		Guarantee compliance with obligations of the syndicated loan agreement with Banco Santander.	CLP1.263.722.164	5.911	03-03-25

### Ruta del Maipo

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Bank Guarantees	Ministerio de Obras Públicas	Guarantee compliance with obligations of the International Concession Agreement for the Route 5, Santiago - Talca Section, and South Access to Santiago. Awarded by DS MOP N° 859 on June 30, 1998.	UF535.000	68.982	02-05-19
		Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work.	UF7.020	905	28-02-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
		Guarantee faithful compliance with obligations acquired in the construction works for "El Recurso Temporary Access, kilometer 22 of South Access Route to Santiago". Resolution DGOP N° 2636".	UF1.200	155	30-04-19
Bank Guarantees	Ministerio de Obras Públicas	Guarantee compliance with obligations assumed in the construction of the works "Pasarela Tenencia PAINE". Resolution 2529".	UF1.000	129	15-06-19
		Guarantee compliance with obligations assumed in the construction of the works "Pasarela Escuela Agrícola". Resolution 2529.	UF2.000	258	15-09-19
Commercial Pledge	Banco de Chile		CLP3.586.867.000	16.777	14-01-19
Commercial Pledge	Itaú Corpbanca	Guarantee compliance with financial obligations (Fixed Term Deposit - Restricted Investment).	CLP27.920.327.891	130.596	12-06-19
Commercial Pledge	Banco Estado		CLP1.028.894.958	4.813	12-06-19
Commercial Pledge	Banco BCI		CLP34.249.914.806	160.202	12-06-19
	MBIA Insurance Corporation, USD Bondholders and Wilmington Trust National Association	Guarantee compliance with obligations of bonds in USD.	USD158.463.248	514.966	15-06-22
Special Pledge of Public Work Concession	Banco de Chile, Representative of bondholders	Guarantee compliance with obligations of bonds in UF, Series C, D, E.	UF15.548.199	2.004.746	15-12-30
	Banco Estado	Guarantee compliance with obligations of the loan with Banco Estado for the new works (CAR 7: Expansion of Third Tracks Section III in Ruta del Maipo Sociedad Concesionaria S.A.) and Liquidity Line.	UF162.621	20.968	25-09-19

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## Ruta de los Rios

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
		Guarantee compliance with obligations of the Construction of works called Antivandalic Mesh. Supreme Decree MOP N° 20 of September 13, 2018.	UF615	55.093	20-08-19
Bank Guarantee	Ministerio de Obras Públicas	Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work.	UF3.065,72	274.569	15-11-19
		Guarantee compliance with the Concession Agreement approved by Decree MOP N° 758 of August 14, 1997, published in official journal on October 28, 1997, during the exploitation stage.	UF200.000	17.916.385	30-10-21
			CLP6.104.184.815	28.552	15-03-19
Commercial Pledge	Banco de Crédito e Inversiones (BCI)	Guarantee compliance with financial obligations (Fixed Term Deposit - Restricted Investment).	CLP736.042.171	3.443	15-03-19
			CLP1.612.076.828	7.540	15-03-19
Special Pledge on Public Work Concession	Banco BICE - Banco Security	Guarantee compliance with obligations of the Syndicated Loan of Banco BICE and Banco Security.	UF1.125.873	145.167	15-09-22

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## Ruta del Bosque

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
		Guarantee compliance with Concession Agreement approved by Supreme Decree MOP N° 576 on 30 June 1997, published in Official Journal N° 35,890 on October 14, 1997, in the Exploitation stage.	UF300.000	26.874.578	30-12-21
Bank Guarantee	Ministerio de Obras Públicas	Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work.	UF300.000	26.874.578	30-09-21
		Guarantee compliance with obligations of Ruta del Bosque Sociedad Concesionaria S.A., with respect to the construction of the works "Antivandalic Mesh", Route 5, Chillán-Collipilli Tranche, set forth in N°4 of Supreme Decree MOP N° 12 of January 30, 2018, published in the Official Journal on July 20, 2018".	UF1.281	114.754	15-11-19
			CLP13.222.504.252	61.848	04-02-19
Commercial Pledge	Banco de Chile	Comply with the prohibition to tax and dispose of money and investments allowed, to guarantee compliance with financial obligations (Fixed Term Deposit - Restricted Investment)	CLP9.000.000.000	42.097	22-02-19
			CLP9.494.127.134	44.408	22-02-19
			CLP13.822.411.540	64.654	22-02-19
Special Pledge of Public Work Concession	Bondholders (Syncora)	Guarantee compliance with financing obligations with bond holders.	UF3.303.307	425.920	15-08-20

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### Ruta del Loa

#### GUARANTEES

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
Bank Guarantee	Ministerio de Obras Públicas	Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work.	UF686.000	88.451	10-07-25
Special Pledge of Public Work Concession	Banco Santander and insurance companies; Euroamérica, Confuturo and Corpseguros	Guarantee payment obligations to lenders.	UF477.500	61.568	15-06-50
			CLP1.478.772.028	6.917	15-06-22

### Ruta del Maule

#### GUARANTEES

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	AMOUNT IN ORIGINAL CURRENCY	BALANCE IN COP MM	END DATE
	Ministerio de Obras Públicas	Guarantee compliance with obligations of the Concession Agreement during the construction stage of the public fiscal work.	UF150.000	19.341	31-12-19
		Secure due performance of Concession Agreement approved by Decree MOP N° 21 del January 12, 1996, published in Official Journal on March 13, 1996, in the Exploitation stage.	UF150.000	19.341	31-12-19
Bank Guarantee	Ministerio de Obras Públicas	Guarantee compliance with obligations of Ruta del Maule Sociedad Concesionaria S.A., with respect to the construction of the works "Buli and Santa Teresa Overbridges and Rest Areas", and Regulatory Safety Works with Approved Project" Route 5, Chillán-Collipilli Tranche, set forth in N°6 of Supreme Decree MOP N° 259 of December 5, 2016, published in the Official Journal on March 17, 2017".	UF12.853	1.657	28-02-19



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## 32. Commitments

At the end of 2018, the following commitments entered into by ISA and ISA TRANSELCA, as shareholders of ISA BOLIVIA, were in force. They were generated by bond indentures signed by this affiliate with IDB and CAF as lenders.

DERIVED FROM ITS AFFILIATE ISA BOLIVIA:	DUE DATE
Signature of "Support and Guaranty Agreement" whereby ISA and ISA TRANSELCA agree, as sponsors of ISA BOLIVIA, to guarantee loans granted by IDB and CAF.	Termination of contracts
Obligation in effect: pay the balance of the outstanding debt with such lenders, in case of Government intervention or at the date when license is revoked.	(February 15, 2019).
Loans were used for the implementation of transmission licenses of lines Santivañez-Sucre, Punutuma and Carrasco-Urubó for 30 years, and the license for project Arboleda Substation.	

## 33. Subsequent events

### Ruta de los Ríos

On January 25, 2019, the Extraordinary Shareholders' Meeting approved the distribution of a definitive dividend charged to profits for the year ended December 31, 2017, for COP3.826. In accordance with the agreement approved by the aforementioned Meeting, the dividend was paid on the same day.

### Ruta del Maule

On January 18, 2019, the Financial Market Commission (CMF) was informed of the decision of the shareholders to call an extraordinary Meeting to be held on January 21, 2019, in order to analyze and approve a modification of the statutes of diminution of share capital.

### Ruta del Maipo

On February 19, 2019, Supreme Decree MOP N° 154 of December 26, 2018 was published in the Official Journal, modifying the characteristics of the works and services indicated in the Public Works Concession Agreement for the public fiscal work called "International Concession Route 5, Santiago - Talca tranche and South Access to Santiago" (the "Concession") for reasons of public interest. As indicated in said Decree, due to the increasing vehicular flow and in order to provide a better service standard to users of the Concession, MOP considered of public interest to implement a Free Flow electronic collection system in Nueva Angostura Toll Plaza ("Nueva Angostura"), which prevents stopping vehicles under normal traffic conditions, thanks to the use of an interoperable Tag device as a means of payment of rates, fully compatible with technologies currently operating in urban highways of Santiago.

**TABLE OF REFERENCE FOR ACRONYMS**

<b>ANEEL</b>	Agência Nacional de Energía Elétrica	<b>CREG</b>	Comisión de Regulación de Energía y Gas (Commission for the Regulation of Energy and Gas)
<b>ASIC</b>	Administración del Sistema de Intercambios Comerciales (Management of Trade Exchange System)	<b>DECEVAL</b>	Depósito Centralizado de Valores de Colombia (Central Securities Depository)
<b>BCI</b>	Banco de Crédito e Inversiones	<b>DL600</b>	Decree-Law 600
<b>BCIE</b>	Central American Bank of Economic Integration	<b>ECE</b>	Empresas Controladas del Exterior (Companies Controlled Abroad)
<b>BID</b>	Inter-American Development Bank	<b>EPM</b>	Empresas Públicas de Medellín E.S.P.
<b>BRL</b>	Brazilian Real	<b>EPR</b>	Empresa Propietaria de la Red
<b>BNDES</b>	National Bank for Economic and Social Development	<b>FAER</b>	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Energizing Rural Zones)
<b>CADE</b>	Conselho Administrativo de Defesa Econômica	<b>FAZNI</b>	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Energizing Non-Interconnected Zones)
<b>CAF</b>	Banco de Desarrollo de América Latina (Latin American Development Bank) or Corporación Andina de Fomento (Andean Development Corporation)	<b>FOES</b>	Fondo de Energía Social (Social Energy Fund)
<b>CAN</b>	Comunidad Andina de Naciones (Andean Community of Nations)	<b>FUNCESP</b>	Fundación CESP (CESP Foundation)
<b>CESP</b>	Compañía Energética de São Paulo (Brazil)	<b>GMF</b>	Gravamen a los movimientos financieros (Financial Transaction Tax)
<b>CGN</b>	General Accounting Office	<b>IASB</b>	International Accounting Standards Board
<b>CHC</b>	Colombian Holding Companies	<b>ICO</b>	Instituto de Crédito Oficial (Chile) (Official Credit Institute)
<b>CINIIF</b>	Comité de Interpretaciones de Normas Internacionales de Información Financiera (International Financial Reporting Interpretations Committee (IFRIC))	<b>IDPC</b>	Impuesto de Primera Categoría (First-Category Tax)
<b>CLP</b>	Chilean Peso	<b>IGV</b>	Impuesto General a las Ventas (General Sales Tax)
<b>CMF</b>	Financial Market Commission	<b>IMG</b>	Minimum Revenues Guaranteed
<b>CND</b>	Centro Nacional de Despacho (National Dispatch Center)	<b>IRPJ</b>	Impuesto de Renta de las Personas Jurídicas (income tax for legal persons)
<b>CONFIS</b>	Consejo Superior de Política Fiscal (Senior Council for Fiscal Policy)	<b>IT</b>	Tax on Transactions
<b>COP</b>	Colombian Pesos	<b>IUE</b>	Impuesto a las Utilidades de Empresas (Bolivia) (Corporate Income Tax)
<b>CREE</b>	Contribución Empresarial para la Equidad (Business Contribution for Equity) or Impuesto sobre la renta para la equidad (Income Tax for equity)		

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<b>MDI</b>	Mecanismo de Distribución de Ingresos (Revenues Distribution Mechanism)	<b>SUNAT</b>	Superintendencia Nacional de Administración Tributaria (Peru) (National Superintendence of Tax Administration)
<b>MOP</b>	Ministerio de Obras Públicas (Chile) (Ministry of Public Works)	<b>UGEs</b>	Unidades Generadoras de Efectivo (Cash Generating Units)
<b>NCIF</b>	Financial Reporting and Accounting Standards	<b>UNE</b>	Une Telecommunications S.A. E.S.P.
<b>NIC</b>	International Accounting Standards (IAS)	<b>UPME</b>	Unidad de Planeación Minero Energética (Energy Mining Planning Unit)
<b>NIIF</b>	International Financial Reporting Standards (IFRS)	<b>USD</b>	US Dollar
<b>OECD</b>	Organization for Economic Cooperation and Development	<b>UVR</b>	Unidad de Valor Real (Real Value Unit)
<b>OSINERGMIN</b>	Organismo Supervisor de la Inversión en Energía and Minería (Peru) (Supervisory Body for Investment in Energy and Mining)	<b>VQ</b>	Voltage Quality
<b>PDI</b>	Pérdida dado Incumplimiento (Loss Given Default (LGD))		
<b>PIB</b>	Producto Interno Bruto (Gross Domestic Product (GDP))		
<b>PIS</b>	Programa de Integração Social		
<b>PROINVERSIÓN</b>	Promoción de la Inversión Privada del Peru (Private Investment Promotion of Peru)		
<b>PRONE</b>	Programa de Normalización de Redes Eléctricas (Standardization Plan for Grids)		
<b>PSAP</b>	Plan de aposentaduría y pensión (Home and Pension Plan)		
<b>RAP</b>	Receita Anual Permitida		
<b>RBSE</b>	Red Básica del Sistema Existente (Basic Network of the Existing System)		
<b>REP</b>	Red de Energía del Perú		
<b>RGR</b>	Reserva Global de Reversión (Global Reversion Reserve)		
<b>SIEPAC</b>	Sistema de Transmisión Eléctrica para América Central (Energy Transmission System for Central America)		
<b>SSPD</b>	Superintendencia de Servicios Públicos Domiciliarios (Tribunal Superintendence of Household Utilities)		
<b>STN</b>	Sistema de Transmisión Nacional (National Transmission System)		

## STATUTORY AUDITOR'S REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### Statutory Auditor's Report

To the Shareholders of  
Interconexión Eléctrica S.A. E.S.P. and its subsidiaries

#### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2018, and the related consolidated statements of comprehensive income, of changes in shareholder's equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

#### Management Responsibilities Relating to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Accounting and Financial Information Standards accepted in Colombia (NCIF) adopted by the Contaduría General de la Nación; of designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements free from material misstatements whether due to fraud or error; of selecting and applying appropriate accounting policies; and of establishing reasonable accounting estimates in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I have conducted my audit in accordance with International Auditing Standards accepted in Colombia. These standards require that I meet ethical requirements, of independence, plan and perform my audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes developing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatements in the consolidated financial statements. In the process of evaluating these risks, the auditor considers internal control relevant to the preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. Also, includes an assessment of the accounting policies adopted and the significant estimates made by the Management, as well as the presentation of the consolidated financial statements as a whole.

I believe that the audit evidence obtained provides a reasonable basis for expressing my opinion.

<b>Ernst &amp; Young Audit S.A.S.</b> Bogotá D.C. Carrera 11 98 - 07 Tel: +57 (1) 484 7000 Fax: +57 (1) 484 7474	<b>Ernst &amp; Young Audit S.A.S.</b> Medellín - Antioquia Carrera 43 A 3 Sur - 130 Tel: +57 (4) 369 8400 Fax: +57 (4) 369 8484	<b>Ernst &amp; Young Audit S.A.S.</b> Cali - Valle del Cauca Avenida 4 Norte No. 6N - 61 Tel: +57 (2) 485 6280 Fax: +57 (2) 661 8007	<b>Ernst &amp; Young Audit S.A.S.</b> Barranquilla - Atlántico Calle 77b No 59 - 61 Tel: +57 (5) 385 2201 Fax: +57 (5) 369 0580
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### Opinion

In my opinion, the accompanying consolidated financial statements, taken from the accounting books, present fairly, in all material respects, the financial position of the Interconexión Eléctrica S.A. E.S.P. and its subsidiaries as of December 31, 2018, the results of its operations and the cash flows for the year then ended in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF) Adopted by the Contaduría General de la Nación.

#### Emphasis Paragraph

As described in Note 5 to the consolidated financial statements, CTEEP, a subsidiary of Interconexión Eléctrica S.A. E.S.P. through ISA Capital do Brasil, has recorded a net balance of accounts receivable from the Sao Paulo State of approximately \$1.196.040 million, related to the impacts of Law 4,819 of 1958, which granted to the employees of companies subject to the control of the Sao Paulo State, benefits already granted to other public servers. CTEEP has undertaken legal actions before the respective State authorities, to collect these accounts receivable. The accompanying financial statements do not include adjustments that could result from the outcome of the uncertainty. My opinion has not been modified by this matter.

#### Other Issues

The consolidated financial statements, prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, adopted by Contaduría General de la Nación of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries as of December 31, 2017, which are part of the comparative information of the accompanying financial statements, were audited by me, in accordance with international auditing standards accepted in Colombia, about which I expressed my unqualified opinion on March 2, 2018.

Patricia Mendoza Sierra  
Statutory Auditor  
Professional Card 78856-T  
Designated by Ernst & Young Audit S.A.S. TR-530

Medellín, Colombia  
March 4, 2019

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## CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellín, February 25, 2019

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

The undersigned Legal Representative and the Chief Accounting Officer for Interconexión Eléctrica S.A. E.S.P., in compliance with NCIF (Colombian Financial Reporting and Accounting Standards) enforced by the Colombia's National General Accounting Office; with the provisions of Article 37, Law 222 of 1995; and Article 46, Law 964 of 2005, certify that:

1. ISA's Consolidate Financial Statements as of December 31, 2018 and December 31, 2017, have been faithfully taken from the books and before being made available to you and to third parties, we have verified the following statements contained therein:

- a. The events, transactions and operations have been recognized and executed during the years ended on those dates.
- b. The economic facts are disclosed pursuant to the established by NCIF, enforced by the Colombia's National General Accounting Office.
- c. The total value of assets, liabilities, equity, revenues, expenses, and costs, have been disclosed by the Company in basic accounting statements up to the cut-off date.

d. Assets represent a potential of future economic services and benefits, while liabilities represent past events representing outflow of resources, in the development of its activities, at each cut-off date.

2. Consolidated Financial Statements and other relevant reports to the public, from the period ended on December 31, 2018 and 2017, do not have inaccuracies, errors or omissions which prevent knowing the true financial condition or operations of ISA and its companies.



**Bernardo Vargas Gibsone**  
CEO



**John Bayron Arango Vargas**  
Chief Accounting Officer  
Professional Card N° 34420-T

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## SEPARATE STATEMENTS OF FINANCIAL POSITION

As of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	NOTE	2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalent	<u>4</u>	433.807	361.188
Financial assets	<u>5</u>	50.606	41.986
Current tax	<u>18.2</u>	37.166	20.897
Other non-financial assets	<u>6</u>	15.188	7.786
<b>TOTAL CURRENT ASSETS</b>		<b>536.767</b>	<b>431.857</b>
<b>NON-CURRENT ASSETS</b>			
Restricted cash	<u>7</u>	10.461	16.901
Other non-financial assets	<u>6</u>	1.100	1.200
Financial assets	<u>5</u>	163.446	209.257
Investments in subsidiaries, associates and joint ventures	<u>9</u>	11.013.197	10.216.170
Investments in financial instruments	<u>9</u>	12.524	12.528
Property, plant and equipment - net	<u>10</u>	6.211.045	5.683.964
Investment property - net	<u>11</u>	7.936	7.720
Intangibles	<u>12</u>	122.692	102.263
Non-current taxes	<u>18.2</u>	24.955	44.649
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17.567.356</b>	<b>16.294.652</b>
<b>TOTAL ASSETS</b>		<b>18.104.123</b>	<b>16.726.509</b>

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## SEPARATE STATEMENTS OF FINANCIAL POSITION

As of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	NOTE	2018	2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Financial liabilities	<u>13</u>	137.339	113.155
Current tax	<u>18.5</u>	12.590	10.271
Accounts payable	<u>14</u>	86.081	120.476
Provisions	<u>17</u>	9.306	38.287
Employee benefits		8.405	10.159
Other non-financial liabilities	<u>20</u>	3.983	4.040
<b>TOTAL CURRENT LIABILITIES</b>		<b>257.704</b>	<b>296.388</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	<u>13</u>	4.382.795	3.814.421
Deferred tax liability	<u>18.4</u>	848.216	908.995
Accounts payable to related parties	<u>8.1</u>	310.675	300.346
Employee benefits	<u>19</u>	226.206	223.294
Other non-financial liabilities	<u>20</u>	173.232	191.812
Accounts payable	<u>14</u>	5.465	8.099
Provisions	<u>17</u>	6.590	7.026
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5.953.179</b>	<b>5.453.993</b>
<b>TOTAL LIABILITIES</b>		<b>6.210.883</b>	<b>5.750.381</b>

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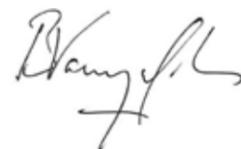
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As of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	NOTE	2018	2017
<b>SHAREHOLDERS' EQUITY</b>			
Subscribed and paid-in capital	<u>21.1</u>	36.916	36.916
Premium for placement of shares	<u>21.4</u>	1.428.128	1.428.128
Reserves	<u>21.6</u>	4.428.306	3.585.959
Income of the year		1.529.155	1.442.708
Retained earnings		3.236.320	3.242.453
Other comprehensive income		1.234.415	1.239.964
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>11.893.240</b>	<b>10.976.128</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18.104.123</b>	<b>16.726.509</b>

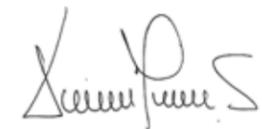
See accompanying notes to financial statements.



**Bernardo Vargas Gibsone**  
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## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

Years ended as of December 31, 2018 and 2017

Amounts expressed in millions of Colombian pesos, except net income per share expressed in Colombian pesos

	NOTE	2018	2017
Income from participation account contract		826.231	805.898
Energy Transmission services		118.012	64.590
Connection charges		2.228	2.176
Infrastructure projects		6.988	6.472
Telecommunications		4.463	3.784
Other revenues		6.398	6.319
<b>TOTAL REVENUES FROM CONTRACTS WITH CLIENTS</b>	<u>22</u>	<b>964.320</b>	<b>889.239</b>
Operating costs	<u>23.1</u>	219.641	214.756
<b>GROSS PROFIT</b>		<b>744.679</b>	<b>674.483</b>
Administrative expenses	<u>23.2</u>	76.983	88.664
Other extraordinary revenues	<u>24</u>	60.901	-
Net equity method revenues/(expenses)	<u>25</u>	1.072.787	1.128.274
Other net revenues/(expenses)	<u>25</u>	(719)	3.930
<b>NET INCOME FROM OPERATING ACTIVITIES</b>		<b>1.800.665</b>	<b>1.718.023</b>
Net financial revenues/(expenses)	<u>26</u>	(254.748)	(201.518)
<b>INCOME BEFORE TAXES</b>		<b>1.545.917</b>	<b>1.516.505</b>
Income tax provision	<u>18</u>	16.762	73.797
<b>INCOME OF THE YEAR</b>		<b>1.529.155</b>	<b>1.442.708</b>
<b>NET EARNINGS PER SHARE</b>		<b>1.380,51</b>	<b>1.302,46</b>

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	2018	2017
<b>OTHER COMPREHENSIVE INCOME</b>		
Actuarial earnings (losses) from definite benefit plans, net of taxes	2.720	(12.830)
Earnings (losses) from cash hedging, net of taxes	8.123	(7.698)
Earnings (losses) from foreign exchange differences, net of taxes	(16.392)	109.924
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(5.549)</b>	<b>89.396</b>
<b>COMPREHENSIVE INCOME OF YEAR</b>	<b>1.523.606</b>	<b>1.532.104</b>



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## SEPARATE CASH FLOW STATEMENTS

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	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections from sales of goods and services	937.720	883.230
Other collections from operating activities	61.477	2.957
Payments to suppliers for the provision of goods and services	61.813	32.549
Payments to employees account	78.426	67.203
Other payments from operating activities	3.407	10.847
Interest paid	267	237
Interests received	27.142	29.514
Income taxes paid	91.349	136.423
Other cash inflows	266	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>791.343</b>	<b>668.442</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Cash flows used to gain control of subsidiaries or other businesses	49.722	620.001
Other charges for the sale of equity or debt instruments of other entities	3	-
Other payments to acquire stake in joint ventures	-	480.824
Amounts from the sale of property, plant and equipment	718	557
Purchase of properties, plant, and equipment	740.952	702.630
Amounts from the sale of intangible assets	-	-
Purchase of intangible assets	24.115	214
Collections from the reimbursement of advances and loans granted to third parties	59.456	6.830
Payments from future contracts, term contracts, option contracts and financial swap contracts	645	786
Dividends received	316.581	163.073

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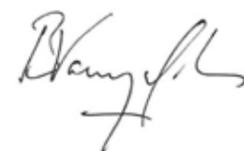
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## SEPARATE CASH FLOW STATEMENTS

Years ended as of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	2018	2017
Interests received	6.713	7.474
Other cash (outflows) inflows	(3.009)	5.082
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES</b>	<b>(434.972)</b>	<b>(1.621.439)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts from loans	664.485	1.800.000
Loans reimbursement	70.157	103.488
Finance lease liabilities payment	5.401	1.496
Dividends paid	600.361	434.210
Interest paid	278.170	204.681
<b>NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(289.604)</b>	<b>1.056.125</b>
<b>CASH AND CASH EQUIVALENTS NET INCREASE (DECREASE) BEFORE EXCHANGE RATE</b>	<b>66.767</b>	<b>103.128</b>
Effects of exchange rate variation on cash and cash equivalents	5.852	3.564
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>72.619</b>	<b>106.692</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>361.188</b>	<b>254.496</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>433.807</b>	<b>361.188</b>



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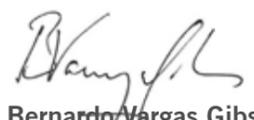
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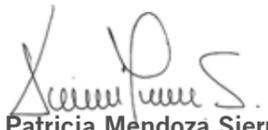
## SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended as of December 31, 2018 and 2017 | Amounts expressed in millions of Colombian pesos

	Subscribed and paid-in capital	Premium for placement of shares	RESERVES						Income of the year	Retained earnings	Other comprehensive income	Total
			Legal	For tax provision	Reserve for reacquisition of own shares	Reserve for equity strengthening	Reserve for rehabilitation and replacement of STN assets	Total reserves				
<b>BALANCE AS OF 31 DECEMBER 2016</b>	36.916	1.428.128	18.458	811.959	38.100	972.758	37.434	1.878.709	2.141.460	3.242.453	1.150.568	9.878.234
Transfers approved by the General Shareholders' Meeting	-	-	-	86.843	(38.100)	1.658.507	-	1.707.250	(1.707.250)	-	-	-
Ordinary dividends for COP248 per share and one extraordinary dividend for COP144 per share, liquidated on 1.107.677.894 outstanding shares	-	-	-	-	-	-	-	-	(434.210)	-	-	(434.210)
Net income as of 31 December 2017	-	-	-	-	-	-	-	-	1.442.708	-	89.396	1.532.104
<b>BALANCE AS OF 31 DECEMBER 2017</b>	36.916	1.428.128	18.458	898.802	-	2.631.265	37.434	3.585.959	1.442.708	3.242.453	1.239.964	10.976.128
Transfers approved by the General Shareholders' Meeting	-	-	-	-	-	842.347	-	842.347	(842.347)	-	-	-
Decrease due to changes in policies (See Note 2.2.1.1.)	-	-	-	-	-	-	-	-	-	(6.133)	-	(6.133)
Ordinary dividends for COP266 per share and one extraordinary dividend for COP276 per share, liquidated on 1.107.677.894 outstanding shares	-	-	-	-	-	-	-	-	(600.361)	-	-	(600.361)
Net income as of 31 December 2018	-	-	-	-	-	-	-	-	1.529.155	-	(5.549)	1.523.606
<b>BALANCE AS OF 31 DECEMBER 2018</b>	36.916	1.428.128	18.458	898.802	-	3.473.612	37.434	4.428.306	1.529.155	3.236.320	1.234.415	11.893.240

  
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# INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018 AND 2017

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

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### I. GENERAL NOTES

#### 1. General Information

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

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

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

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

#### ISA'S PURPOSE IS:

- The provision of Energy Transmission utility, pursuant to Laws 142 and 143 of 1994 and the rules adding, amending or replacing them, as well as the rendering of similar, complementary and related services with such activities, according to the legal and regulatory framework in force.
- The development of systems, activities and services of Information and Telecommunications Technologies.
- The direct or indirect participation in activities and services related to the transmission of other energies.
- The provision of technical and non-technical services in activities related to their purpose.
- The development of infrastructure projects and their commercial operation, as well as the execution of activities related to the exercise of engineering according to Law 842 of 2003 and the regulations that add, modify, or replace it.
- The investment in national or foreign companies whose purpose is the use of any legal economic activity; the investment of movable and immovable assets, and the investment of shares, fees or parts, bonds, commercial papers, or fixed or variable rate instruments, recorded in the stock exchange market, or any other modality provided by Law, allowing the investment of resources.
- Management of the economic group companies by defining strategic, organizational, technical, and financial guidelines, among others.

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## 2. Basis of presentation

The following are the main policies and practices adopted by ISA:

### 2.1 ACCOUNTING PRINCIPLES

ISA prepares financial statements in accordance with the Colombian Financial Reporting and Accounting Standards (NCIF) established in Law 1314 of 2009, regulated by Decree 2420 of 2015, amended by decrees 2496 of 2015, 2131 of 2016, and 2170 of 2017. These last decrees were compiled in Decree 2483 of 2018, and with all the legal provisions in force adopted by the adopted by the Colombia General Accounting Office (CGN).

The application of these international standards in Colombia is subject to some exceptions established by the regulator and described in Decree 2420 of 2015 and other regulations which modify it.

Article 2.1.2 of Decree 2420 of 2015, added by Decree 2496 of 2015 and amended by Decree 2131 of 2016, requires the application of Article 35 of Law 222 of 1995, which indicates the subsidiaries shares should be acknowledged in the separate financial statements by the equity method, instead of the recognition, according to the provisions of IAS 28.

Article 2.2.1 of Decree 2420 of 2015, added by Decree 2496 of the same year and amended by Decree 2131 of 2016, provides that the determination of the post-employment benefits for future pensions of retirement or disability, will be executed according to the requirements of IAS 19. However, it requires the disclosure of pension liabilities estimates according to the parameters provided by Decree 1625 of 2016, Articles 1.2.1.18.46 et seq., and in the event of partial pension commutations according to the provisions of numeral 5 of Article 2.2.8.8.31 of Decree 1833 of

2016, informing the variables used and the differences with the estimate made in terms of the technical framework under NCIF. (See Note 19).

The separate financial statements have been prepared based on the historical cost, except for derivative financial instruments and some financial assets measured at fair value.

The separate financial statements as of December 31, 2018, were authorized to be issued by the Board of Directors on March 6, 2019.

### 2.2 APPLICATION OF THE STANDARDS INCORPORATED IN COLOMBIA AS OF JANUARY 1, 2018

The Company shall apply the following standards and amendments for the first time in 2018, pursuant to Decree 2496 of 2015 and Decree 2131 of 2016, issued by the Ministry of Commerce, Industry and Tourism.

#### **2.2.1 New Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2018.**

##### **2.2.1.1 IFRS 9 Financial Instruments: Classification and valuation**

IFRS 9 introduces new requirements for classification, measurement, and impairment of financial assets and hedge accounting.

IFRS 9 introduces a new model to establish the impairment of financial assets. It is based on the expected loss, unlike the IAS 39 model which is based on the loss incurred. According to the impairment approach in IFRS 9, it is no longer necessary for an event related to the credit to occur before credit losses are recognized.

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In this way, the expected loss model is the result of recognizing impairments in advance, since it is not necessary that an impairment event have occurred. In general, all assets will have an expected impairment from day 1 after their initial recognition and they are updated at each reporting date to reflect changes in credit risk.

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

The provision for additional credit losses of COP576 as of January 1, 2018, their related deferred tax impact of COP172, and the impact collected from ISA affiliates through the equity method of COP11.855, have been recognized against accumulated income. The provision for additional loss is charged against the corresponding asset.

The application of impairment requirements of IFRS 9 has resulted in a provision for expected loss of COP293 to be recognized this year. ([See Note 5](#)).

Initially, the application for the first time of IFRS 9 also caused greater income from previous accounting periods of COP6.470, as a result of contractual asset exchange of Brazilian companies where ISA has investments.

#### **2.2.1.2 IFRS 15 Revenues from ordinary activities from contracts with customers**

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

amount that reflects the consideration to which the entity expects to be entitled when exchanging for those goods or services.

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

Step 1: Identify the contract with a client.

Step 2: Identify the performance obligations in the agreement.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenues when -or as- the entity satisfies a performance obligation.

For transition purposes, the standard could be retroactively applied to each presentation period or retroactively with the recognized accumulated effect in the initial application.

The Company made the assessment of the implications for the adoption of IFRS 15, and the conclusion is that there are no quantitative effects in the application of IFRS 15, since the measurement and recognition made under IAS 18 and IAS 11, is similar to IFRS 15.

#### **2.2.2 Amendments to Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2018**

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

##### **2.2.2.1 Amendments to IAS 7**

Disclosure initiative: amendments made to IAS 7 are part of the disclosure initiative of the IASB and require companies to disclose information that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including

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changes affecting or not the cash flow. In the initial amendment application, the company is not obliged to include comparative information for former periods.

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#### **2.2.2.2 Amendments to IAS 12**

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

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The analysis made by ISA established that the adoption of these standards and interpretations issued by IASB has not a material or relevant impact on financial statements.

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### **2.3 IMPLEMENTATION OF NEW STANDARDS AND INTERPRETATIONS**

Numeral 3 Article 2.1.2 of Book 2, Part 1 of Decree 2420 of 2015 as amended by Decree 2496 of 2015, Decree 2131 of 2016, and Decree 2170 of 2017. These decrees were summarized in Decree 2483 of 2018, including the standards issued by IASB and adopted in Colombia, which will be in force after 2018.

#### **2.3.1 New Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2019**

##### **2.3.1.1 IFRS 16 Leases**

IFRS 16 was issued in January 2016 and replaced IAS 17, which stipulates accounting policies to account for and disclose information related to leases, IFRIC 4 which determines whether an arrangement contains a Lease, SIC-15 which determines the treatment of incentives derived from an operating lease, and SIC-27 which evaluates the substance of transactions that involve the legal form of a lease agreement.

IFRS 16 establishes principles to recognize, measure, present and disclose leases and requires lessees to recognize their contracts under a model similar to the financial leases model under IAS 17. The standard covers two exceptions for this recognition: lease of low value assets, within which computer and communication equipment are included; and short-term leases, with a term of less than 12 months. On the starting date of a lease, the lessee will recognize: an asset that represents the right to use the underlying asset during the term of the contract, and a liability from periodic payments that must be made, as well as an interest expense generated from the lease liability and a depreciation expense that arises from the asset by the right of use.

This new standard also requires lessees to re-measure the lease liability when certain events occur (for example, a change in the term of the lease, a change in future fees resulting from changes or a change in an index or rates). The lessee will generally recognize the amount of the new measurement of the lease liability as an adjustment to the asset by the right of use.

IFRS 16 does not contain significant changes in the recognition requirements for lessors with respect to IAS 17. The Company does not expect significant or material impacts in the application of the new standard.

#### **2.3.2 Amendments to Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2019**

##### **2.3.2.1 Amendments to IAS 40**

These amendments make some clarifications for cases in which a company must transfer properties, including properties under construction or investment property.

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These amendments establish that a change in use occurs when the property begins to meet or fails to meet the definition of investment property and there is evidence of such change. A simple change in the intention of use for the property by the Administration does not constitute evidence of a change in use. The company must reevaluate the classification of its properties and, if applicable, reclassify it to reflect the existing conditions at that time.

ISA does not expect relevant impacts by implementing this amendment.

### 2.3.3 Annual Improvements of IFRS, Cycle 2014 - 2016

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

#### 2.3.3.1 IFRS 1 - Elimination of short-term exemptions for first-time adopters

Modifications to IFRS 1 "First-time adoption" eliminate short-term exemptions in IFRS 1 because the period to submit reports to which exemptions were applied has already passed. Therefore, these exemptions are no longer applicable.

#### 2.3.3.2 IAS 28 - Clarifications that the measurement of associates at fair value with changes in income must be made for each investment

These amendments clarify the following:

- A company which is a venture capital organization or other qualified entity, may choose in the initial recognition of each of the investments, to measure its investments in associates and joint ventures at fair value with changes in income.
- If an entity, which is not an investment entity, has an interest in an associate or joint venture which is an investment entity, the entity may in the application of the equity method, to accumulate the measurement at fair value applied by such investment

entity to its associates or joint ventures. This choice is made separately for each investment, on the closest date among the date on which the investment entity is initially recognized, the date on which the associate or joint venture becomes investment entity, and the date on which the investment entity associated, or joint venture becomes a parent.

The Company foresees that the adoption of this amendment would not have a material impact on the financial statements.

### 2.3.4 Annual Improvements of IFRS, Cycle 2015 - 2017

These improvements are included in Decree 2483 of 2018, effective as of January 01, 2019 and include:

#### 2.3.4.1 IFRS 3 – Business combinations

The amendments clarify that when an entity acquires the control of a business in a joint operation, the entity will apply the requirement for a business combination reached by stages, including the prior remeasurement of the interest held on the assets and liabilities of the joint operation at fair value. By doing so, the acquirer will fully re-measure them prior to having interest in the joint operation.

#### 2.3.4.2 IFRS 11 - Joint agreements

A party that has an interest in, but does not have joint control of a joint operation, can acquire the control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. Amendments clarify that the interest previously held in the joint operation should not be re-measured.

#### 2.3.4.3 IAS 12 – Income tax

Through this amendment, it is clarified that an entity will recognize consequences of dividends on income tax, as defined in IFRS 9, when it recognizes a dividend liability

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payable. Consequences of dividends on income tax are more directly related to past transactions or events that generated distributable income than with distributions made to owners. Therefore, an entity will recognize the consequences of dividends on income tax on results for the period, other comprehensive income, or equity, depending on where the entity originally recognized those past transactions or events.

#### **2.3.4.4 IAS 23 – Loans costs**

This amendment to IFRS 23 clarifies that insofar as the funds of an entity come from generic loans and the entity uses them to obtain a qualifying asset, the value of costs eligible for capitalization will be determined by applying a capitalization rate to disbursements made in such asset. Additionally, it clarifies that the capitalization rate will be the weighted average of the loan costs applicable to all loans received by the entity, outstanding during the period. However, the entity must exclude loans costs applicable to loans specifically agreed to finance a qualifying asset from this calculation, until all activities necessary to prepare that asset for its intended use or sale are materially completed. The value of loan costs capitalized during the period must not exceed total loan costs incurred during the same period.

### **2.3.5. Amendments and modifications to Colombian Financial Reporting and Accounting Standards (NCIF), in force as of January 1, 2019**

#### **2.3.5.1 Amendments to IFRS 9**

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

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

#### **2.3.5.2 IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

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

#### **2.3.5.3 Amendment to IAS 28 - Long-term investments in associates and joint ventures**

This amendment clarifies that an entity will apply IFRS 9, instead of IAS 28, when accounting for long-term investments. Therefore, when applying IFRS 9, no associate or joint venture loss is taken into account, nor any impairment loss on the net investment, recognized as adjustments to the net investment in the associate or joint venture using IAS 28.

The Company foresees that the adoption of the aforementioned standards and interpretations issued by the IASB, not yet in force in Colombia, would not have a material impact on the financial statements.

### **2.4 AMENDMENTS ISSUED BY THE IASB NOT ADOPTED IN COLOMBIA**

#### **2.4.1.1 IFRIC 23 - Uncertainty over Income Tax Treatments**

It clarifies how to apply the requirements for the recognition and measurement of IAS 12 when there is uncertainty over income tax treatments. In this circumstance, an entity will recognize and measure its asset or liability due to deferred or current taxes by applying

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IAS 12 requirements regarding the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates applying this interpretation.

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#### 2.4.1.2 IAS 1 – Financial statements presentation

This interpretation establishes that information is material if its omission, deviation or concealment can reasonably be expected to influence decisions that primary users of the general purpose financial statements make about those financial statements, which provide financial information about a specific reporting entity.

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#### 2.4.1.3 IAS 19 – Employee benefits

This interpretation clarifies that in cases where an amendment, reduction or liquidation of the plan is made, it is mandatory that the current service cost and net interest for the period subsequent to the new measurement, are determined using assumptions used for the new measurement.

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In addition, amendments have been included to clarify the effect of an amendment, reduction or liquidation of the plan on the requirements regarding the asset limit.

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Effective date: January 2019.

#### 2.4.1.4 IFRS 3 – Business combinations

This interpretation clarifies that, to be considered a business, a set of activities and assets acquired must include, at least, a contribution and a substantive process where these contribute significantly to the capacity to create products. It restricts the

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definitions of a business and products by focusing on goods and services provided to customers and by eliminating the reference to the capacity to reduce costs. It provides guidance and graphic examples to help entities assess whether a substantive process has been acquired. It eliminates the assessment on market participants' capacity to replace any missing inputs or processes and continue to produce products, and adds an optional concentration test, which allows for a simplified assessment on a set of activities and assets acquired not being a business.

Effective date: January 2020.

#### 2.4.1.5 Conceptual Framework

It contains definitions of concepts related to:

- Measurement: including factors considered when selecting measurement bases.
- Presentation and disclosure: including when to classify revenues or expenses in other comprehensive income.
- Non-recognition: includes guidance on when assets or liabilities should be removed from the financial statements.

Additionally, it updates definitions of assets and liabilities as well as criteria to include them in the financial statements. Likewise, it clarifies the meaning of some concepts.

Effective date: January 2020.

The Company will quantify their impact on financial statements once the decree that incorporates them into the Colombia's Technical Regulatory Framework is issued.

## 2.5 MAIN JUDGEMENTS AND ESTIMATES

The preparation of the financial statements based on NCIF, demands from the

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administration the use of judgements, estimates and assumptions to establish the assets and liabilities figures reported, the exposition of contingent assets and liabilities, on the date of the financial statements, the reported figures for revenues and expenses, as well as the applications of accounting policies as of December 31, 2018.

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

These estimates are based on the best experience of Management, the best expectations regarding present and future events, and the best use of the available information on the date of disclosure of these separate financial statements; current income could differ from these estimates but are adjusted once they are known.

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

- **Identification of Cash Generating Units (CGUs):** They are defined as the smallest identifiable group of assets that generate cash inflows that are independent of cash inflows from sale or service delivery, arising from other assets or groups of assets.

The identification of CGUs involves significant judgment, mainly in the way the Company must add its assets.

According to the above, the Cash Generating Units for ISA under the Energy Transmission Service are the following:

- Assets for connection to STN
- Existing Assets for Use of STN –Existing Grid–
- Assets for Use of STN from Bidding

**a. Assets for connection to STN:** Assets for connection to STN correspond to assets built by ISA to allow the connection of different types of users –generators, large consumers, and grid operators– to the STN. Remuneration of these assets is governed by connection contracts, which are signed under a scheme of bilateral negotiation, and through which connection charges are paid by users. ISA INTERCOLOMBIA, ISA's affiliate, represents 97% of connection contracts due to the rendering of such service. Thus, it is considered that CGUs at the level of assets for connection to STN, correspond to the group of assets involved in each connection contract, thus, there are as many CGUs associated with the STN connection service as connection contracts.

**b. Existing Assets for Use of STN –Existing Grid–:** The remuneration of Energy Transmission service for existing assets for use of STN is made based on a regulated scheme through which CREG defines a single methodology for all assets that are part of the existing grid –not built under the scheme of free competition defined by the Energy Mining Planning Unit (UPME). By applying the above methodology, which is defined through Resolution CREG 011 of 2009, the total value of asset market prices of the existing grid for each energy transmission company and, from such value, the regulating company established an individual resolution with the corresponding annual income according to the remuneration methodology indicated. For this case, values –annual revenues from the existing grid and the existing grid value–, on behalf of ISA INTERCOLOMBIA, a company which represents ISA, are covered by CREG Resolution 177 of 2013, and those that modify or add it.

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**c. Assets for use of STN from bidding:** The remuneration of assets built under the scheme of free competition or bidding established by the Energy Mining Planning Unit (UPME) is based on the bid submitted by the bidder awarded for the project implementation, which comprises a profile of 25 flows of expected annual revenues corresponding to the first 25 years of operation of the project, which takes into account the particularities of each project, the risk perception of the bidder, the expected rate of return and the costs and risks inherent to the time of submission of the bid, among others.

Projects are awarded independently and separately, so that the regulator issues an official resolution to recognize the transmission company awarded for each project, the corresponding income profile. In this way, each of the projects built by a call for bids constitute in itself a CGU. It is worth noting that once 25 years of operation have been completed of a project awarded under the bidding mechanism, remuneration begins under the methodology applicable to existing assets for use of STN, and therefore at that time it would become part of the Cash Generating Unit corresponding to the existing grid or non-bidding assets.

- **Definition of hierarchy levels of financial instruments:** (See Notes 3.9 and 16)
- **Lease agreements:** Lease agreements may be financial or operating and their classification is based on the extent to which the risks and benefits of ownership of the asset affect lessor or lessee. A lease is classified as financial when all the risks and benefits belonging to the real estate are substantially transferred from the property leased to the lessee; on the contrary, it is classified as an operating lease. Among such risks, the possibility of losses is included due to idle capacity or technological obsolescence, as well as the variations in performance due to changes in economic conditions. Benefits may be represented by the expectation of a profitable exploi-

tation throughout the economic life of the asset and the gain from revaluation or realization of a residual value.

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

See Note 3.7 Leases.

- **Impairment of accounts receivable:** To calculate expected loss impairment, reasonable and well-founded information on past events, current conditions and reasonable forecasts about future economic conditions must be used, provided that obtaining such information does not entail excessive costs or efforts. Additionally, the use of certain practical solutions to estimate the expected loss is being assessed, if they are consistent with principles included in the standard.
- **Estimated recoverable amount of a non-financial asset:** The book value of non-financial assets, excluding deferred taxes is reviewed at each balance sheet date to determine whether there is indication of impairment. If there are indications of impairment, the asset recoverable value is estimated and recorded to the result of the year.
- **Estimate of value of operating assets:** Future cash inflows and outflows is estimated, as a result of the continuous use of the asset as well as of its disposal through other methods at the end of its life-cycle, and the corresponding discount is applied to these future cash flows.

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

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

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

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

- **Employee benefits:** The cost of defined benefit pension plans and other post-

employment medical benefits and the present value of pension obligations are determined by using actuarial valuations. These estimates include analyzing several hypotheses which could differ from future real events, such as determining the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying hypothesis and their long-term nature, the calculation of the defined benefit obligation is highly sensitive to changes in these hypotheses. All hypotheses are reviewed at each closing date.

The mortality rate is based on the country's public mortality rates. Future salary and pension increase are based on expected future inflation rates for each country. (See Note 19).

## 2.6 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

Financial statements are expressed in the primary economic environment in which the Company operates –Colombian Pesos– and, consequently, this one is the functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are redeemed. At the end of year for monetary assets and liabilities in foreign currency, gains and losses for exchange differences arising from the payment of such transactions are recognized at the comprehensive income statement, as well as the conversion to the exchange rates.

Exchange gains related to monetary items are presented in the statement of comprehensive income under "financial income". In addition, losses are presented in the comprehensive income statement under the "financial expenses" item.

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- **Rates used**

Transactions and balances in foreign currencies are translated at current exchange rates certified by the Central Bank –Banco de la República– in Colombia or official banks from the countries where the Company does transactions.

Exchange rates used for the preparation of financial statements as of December 31, 2018 and 2017, expressed in Colombian pesos, were as follows:

CURRENCY	CODE	2018	2017
American Dollar	USD	3.249,75	2.984,00
Euro	EUR	3.715,44	3.583,49
Peruvian Nuevo Sol	PEN	964,32	919,57
Bolivian Peso	BOB	466,92	428,74
Brazilian Real	BRL	838,69	902,05
Chilean Peso	CLP	4,68	4,85

### **2.7 CLASSIFICATION OF BALANCES AS CURRENT AND NON-CURRENT**

In the statement of financial position, balances could be classified according to their maturities, i.e., current are those with maturities equal to or below twelve months, except provisions for post-employment obligations and the like, and as non-current for maturities exceeding such period.

### **3. Main accounting policies**

The main policies and accounting practices applied for the preparation of the attached financial statements, have been the following:

### **3.1 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Company updates investments in subsidiaries, joint ventures and associates in its separate financial statements by the equity method.

Subsidiaries are entities (including structured entities), over which the parent company exercises direct or indirect control. ([See list of companies Note 9](#)).

A structured entity is an organization created with a definite purpose and limited termination. ISA has stake in autonomous equity which meet this definition.

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

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

Accounting policies of subsidiaries, associates and joint ventures of the Group are applied on a uniform basis with ISA's, in order to ensure consistency in the Group's financial information, basis for the proper application of the equity method.

The equity method is an accounting method whereby the investment is initially recorded at cost and adjusted for post-acquisition change in the Company's participation in net assets of subsidiaries, joint ventures, and associates, pursuant to the Company's participation. The profit or loss and other comprehensive income of ISA, includes the results of companies ISA has stake.



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Dividends received from companies where there is control, joint control or significant influence are recorded as a lower investment value.

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

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

**3.2 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment are valued at their acquisition cost –historical cost– or construction cost, less depreciation and accumulated impairment losses, if any. In addition to the price paid by the acquisition of each element, the cost also includes the following concepts:

- Import tariffs and non-recoverable indirect taxes imposed on the acquisition, after deducting trade discounts and rebates.
- All costs directly related to the placing of the asset and the necessary conditions for its operation in the manner intended by Management.
- Costs due to loans directly attributable to the acquisition of a qualifying asset.
- The initial estimate of dismantling costs or withdrawing, as well as the rehabilitation of the place on which it is based, when obligations are incurred by the company, as a result of using such item during a certain period.

Expenditures for maintenance, preservation and repair of these assets are recorded directly at income as an expense in the period incurred.

Additions and expansion, modernization or improvements costs are capitalized as higher value of the relevant property, provided that they increase their useful life, expand their production capacity and operational efficiency, improve the quality of services, or allow significant reduction costs.

An item from property, plant and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an asset is determined as the difference between net sales proceeds, if any, and the carrying value of the asset. This effect is recognized at the income.

• **Safety and environment assets**

Certain items from property, plant and equipment may be acquired for safety or environmental purposes. Although the acquisition of this type of properties, plant and equipment does not increase the economic benefits provided by the existing property, plant and equipment, it may be necessary for the Company to obtain the economic benefits derived from the rest of assets. Security assets are depreciated on a straight-line basis over their estimated useful life.

• **Assets under construction and assembly**

Assets used during the course of construction for management, production, supply or non-defined purposes are recorded at cost, less any recognized impairment loss. Such property is classified in the appropriate categories of property, plant and equipment when they are ready for their intended use, from which time depreciation of these assets begins i.e., when they are in the location and under the required conditions for operating as intended.

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- **Loan costs**

Loan costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period of time for use before being ready for their use, are added to the cost of those assets until such time as they are ready for use. In general, for ISA, a substantial period will be considered and it would be appropriate to capitalize the interest costs if the construction of an asset lasts for six (6) months or more. However, in case of periods shorter than such necessary for the construction of a qualifying asset, ISA's management will financially support the generation of future profits.

Specific loans are those entered into with the specific purpose of obtaining a qualifying asset, and, consequently, costs due to real loans entered into, could be directly capitalized, deducting financial yields obtained because of the temporal investment in funds as long as the activities to prepare the asset for its use are being conducted. Determining whether loans are specific or not, requires an assessment of the circumstances and evidence or internal documentation supporting this purpose.

The capitalization rate is based on generic loan costs, divided by the weighted average of the loans received by the Company, which have been outstanding during the accounting period, excluding loans considered specific.

All other borrowing costs are recognized at income during the period they are generated.

- **Remaining useful life estimation**

Every year, the Company reviews the residual value, the depreciation method, and the remaining life of assets, for which a methodology was set, based on the rate of impairment of each asset associated with an instantaneous rate of failure, which in

turn is associated with its effective age. The aging rate is calculated with the effective age and then the estimate life expectancy and remaining life based on international survival curves. This methodology has enabled obtaining more reliable values to estimate the remaining life of the assets, useful input for assets renewal plan and basis of valuation thereof.

Lands are not depreciated as they have an indefinite useful life. Depreciation of the other elements from property, plant and equipment is calculated using the straight-line method on the cost, based on the estimated useful life of assets.

- **Residual value**

It is the estimated amount that would be obtained by asset disposal after deducting estimated costs for such disposal, if such asset would have already reached its disposal age and other expected conditions at the end of its useful life.

- **Components of assets**

A component of a fixed asset is an item that can be seen as part of other asset, but due to its own characteristics, the role it plays, and the type of strategies or activities followed during its technical life of service, it may be classified as a separate asset.

Each component of properties, plant and equipment shall be identified and separated from other assets to depreciate their useful life and make its treatment and accounting control easier. Important spare parts and permanent maintenance equipment that the company is expected to use for more than one accounting period, normally comply with specifications to be labelled as property, plant, and equipment. Similarly, if spare parts and assisting equipment of a fixed asset, could only be used for such asset, it will be recorded as property, plant and equipment.

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The following is the estimated useful life of the assets or components of assets for the periods ended December 31, 2018 and 2017:

TYPE OF ASSETS / ACTIVE COMPONENT	USEFUL LIFE
Transmission lines	63
Buildings	100
Fiber optics	25
Machinery and equipment	15
Telecommunication equipment	15
Furniture, office equipment, laboratory equipment	10
Communication equipment	10
Transportation, traction and lifting equipment	10
CSM Equipment	6
Computing equipment and accessories	5
<b>COMPONENTS OF SUBSTATIONS</b>	
Battery bank	15
Charger	15
SAS Components	15
Condensers	25
SVC Condensers	25
Compensation control - series	15
SVC control	15
Converter	15

TYPE OF ASSETS / ACTIVE COMPONENT	USEFUL LIFE
<b>COMPONENTS OF SUBSTATIONS</b>	
CT (Current Transformer)	39
Switch	40
Current inverter	15
Lines –Grounding Grid S/E's–	63
Lightning arresters	30
Diesel station	30
Telephone Station	15
Power Line Carrier (PLC)	15
PT (Power Transformer)	39
Reactor	32
SVC Reactors	30
Fault recorder	15
Protection relays	15
RTU (Remote Terminal Unit)	15
Fire Protection System (FPS)	20
Isolator	40
Sensors –Discharge Information System–	15
Mobile Sub	25
Tele protection	15
Power Transformer	40
SVC thyristors Valve	18
Voltage Quality (VQ)	15

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**3.3 INVESTMENT PROPERTY**

Investment property –land, buildings, considered in whole or in part, or both– as part of the Company or by the lessee who has agreed upon a finance lease, to obtain yields, surplus value, or both, instead of having them for their use in the rendering of services or administrative purposes. Investment property generates cash flow which is independent from the cash flow generated by other assets own by the Company.

Land or buildings are also classified as investment property held for a non-determined future use.

Its initial measurement is carried at cost, which includes the purchase price and any directly attributable expenditure –professional fees due to legal services, taxes due to property transfers, among others–. Subsequently, they are measured at cost, less depreciation and accumulated impairment.

Investment property is depreciated linearly over estimated useful life, regardless of its residual value. Useful lives in years are the following:

TYPE OF ASSET	USEFUL LIFE
Lands for investments	Not depreciated
Buildings for investment	100

Transfers are made to or from the investment property, only when there is a change in its use.

Transfers which could be generated are:

- The Company occupies an asset classified as investment property; in these cases, the asset is reclassified to property, plant and equipment. The cost taken into account for its accounting is the book value on the date of change in use.
- Conducting an operating lease to a third party or to be used by the Company. In this case the asset is reclassified as investment property and it is also recorded based on its book value.

Investment property is derecognized at the time of sale or when no future economic benefits from its use or disposal is expected. The gain or loss arising on derecognition of the investment property is determined as the difference between the net sales proceeds, if any, and the book value of the asset. This effect is recognized in income in the period in which it was discharged.

**3.4 OTHER NON-FINANCIAL ASSETS**

It includes anticipated paid expenses, telecommunication services and other assets, which are amortized through the straight-line depreciation method during the periods on which economic benefits are expected. Prepaid expenses mainly include money transactions such as insurance premiums, among others, and they could be also amortized pursuant to the validity of the corresponding policies.

**3.5 INTANGIBLES**

An intangible asset is recognized as such when the conditions of being identifiable and separable are met, when the item will generate future economic benefits, and when the Company is able to control such benefits.

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Intangible assets are initially recognized at their production or acquisition cost, and then they are valued at their corresponding accumulated amortization net cost and from the impairment losses such assets have had, if any.

An intangible asset is derecognized upon its disposal, or when no future economic benefits from its use or disposal are expected. The gain or loss arising from the derecognition of an intangible asset, measured as the difference between net revenues from the sale and the carrying amount of the asset, is recognized in income when the asset is derecognized.

Residual values, useful lives and amortization methods are reviewed at each annual period and are applied prospectively if necessary.

- **Easements**

Easements are rights obtained for the use of a strip of land for the installation of a transmission line. It involves restrictions by the owner on land use and authorizations to the line owner for construction, operation and maintenance operations.

Such intangibles are permanent rights with an indefinite term for use; although transmission lines related to these easements do have limited life. ISA has the possibility to either replace transmission lines when their useful life ends or use the right of easements acquired for any other service related to energy and telecommunications transmission, which are described in the purposes of creation of the easements. Easements have indefinite useful life and are not amortized, but are tested for impairment on an annual basis.

- **Software and licenses**

Software is amortized by the straight-line method over a maximum period of three years.

Licenses are amortized by the straight-line method over such periods in which it is expected to receive benefits, according to feasibility studies for their recovery.

Charges for studies and research are labelled as expenses when they happen.

### **3.6 IMPAIRMENT OF ASSETS**

- **Non-financial assets**

ISA's activities in the Colombian energy sector are essentially two: Energy Transmission service in the National Transmission System (Sistema de Transmisión Nacional (STN)), commonly known as the STN service use, and access service for different users to such system, known as the connection service to the STN.

Meanwhile, the STN use service is provided through two different schemes: the first one, known as scheme of existing usage, refers to assets that were in service in 1999, including assets that on such date were in pre-construction and those that are built under the regulatory enlargement scheme; and the second one, known as scheme of use for public biddings, refers to assets that are or have been built under the scheme of free competition defined by CREG in 1998, for the implementation of projects that are part of the transmission expansion plan.

An asset value is impaired when its carrying amount exceeds its recoverable amount, and consequently at the end of each period reported, or before, if there is any indication of impairment, ISA evaluates the recoverable amount and compares it with the carrying amounts, including the intangible assets of undefined useful life, to determine whether there is an indication that these assets have suffered any impairment loss.



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In this case, the recoverable amount of the asset or a cash generating unit is the greater between its fair value minus disposal costs and its value in use. Under these conditions, whenever the fair value or recoverable value is lower than the book value of the asset, ISA must record the impairment.

To establish the use value in the future cash flows, ISA uses revenues and expenses projections for a long-term horizon, including a relevant period of 30 years plus a continuity period, being aligned with CREG current regulations for the activities of use and connection, aiming at changing the remuneration framework for assets of calls, which, as of the 26 year of operation, must be remunerated as existing.

The impairment loss is recognized as a lower cost of the asset or asset component that generated it and as an expense of the period where it was determined.

The recovery of impairment losses on assets cannot exceed the book value that would have been determined, net of depreciation, if the impairment loss for the same, had not been recognized in previous periods.

• **Financial assets**

To calculate expected loss impairment, reasonable and well-founded information on past events, current conditions and reasonable forecasts about future economic conditions must be used, provided that obtaining such information does not entail excessive costs or efforts. Additionally, the use of certain practical solutions to estimate the expected loss is being assessed, if they are consistent with principles included in the standard.

The amount of the expected loss must maintain the analysis of the following variables, which are based on information available from each of the counterparts about the

historic payment performance of their obligations, the geographic location of the counterpart, as well as guarantees offered by said counterpart to cover any eventual default of its obligations.

Generally, the expected loss can be expressed as follows:

$$\begin{array}{ccccccc}
 & & \% & & \$ & & \% \\
 \text{Expected loss} & = & \text{Probability of Default} & \times & \text{Exposed Balance} & \times & \text{Loss Given Default}
 \end{array}$$

Where:

- **Exposed Balance:** The exposed balance of the asset is the current balance of capital, interest and other accounts receivable from the obligations or the portfolio analyzed.
- **Probability of Default:** Probability that, in a period of twelve (12) months, debtors of a certain obligation or portfolio cause a default.
- **Loss Given Default (LGD):** It is the entity's downturn in the event that any of the default situations materializes. LGD for debtors within the default category will increase gradually according to the number of days elapsed after their classification in said category.

To determine the Investment and Goodwill impairment, ISA, at the end of each year, assess the existence of impairment of its investments in subsidiaries, associates and joint ventures, with the purpose of not recognizing them at an amount higher than the amount expected to be obtained from their sale or use.

Thus, the Company analyzes the presence of impairment indications and, at the slightest hint of them, the Company verifies impairment, estimating the recoverable

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amount that corresponds to the greatest amount between the value in use and the fair value of the sale costs.

The Cash Generating Unit is the company as a whole.

The value in use is determined by discounting cash flows expected from and generated by operations in the long term, at the weighted cost of debt and equity capital resources, reflecting the value of the money over time and the risk associated with the business.

The fair value is determined by using the valuation technique that is most appropriate and consistent with market conditions of the Company.

When the carrying value of investments exceeds its recoverable value, ISA verifies the impairment of the associate's assets in order to obtain impairment losses through the equity method. In the event this is not appropriate, it reduces the carrying amount of the investment regarding impairment losses, and recognizes an expense in the income statement of the period.

If the estimated amount of an impairment loss exceeds the carrying amount of the investment to which it was assigned, ISA recognizes a provision.

Impairment losses recognized previously in investments will be reversed when their service potential increases due to sale or use. The reversal will be limited in such a way that its carrying value does not exceed its recoverable amount, nor exceed the carrying value that would have been determined, if no impairment loss had been recognized in previous years. Such reversal will be recognized in the income statement.

**3.7 LEASES**

Lease is classified as operating and finance lease. Lease that transfers substantially all risks and rewards incidental to ownership of the asset is classified as finance lease, otherwise, it is classified as operating lease.

**3.7.1 Finance leases**

- **When ISA is the lessee**

When ISA is the lessee of an asset in finance lease, the cost of the leased assets is disclosed in the separate statement of financial position, depending on the nature of the asset under lease and, simultaneously, a liability is recorded in the separate statement of financial position for the same value; which is the lower between the fair value of the leased asset or the present value of minimum lease payments payable to lessor plus, if applicable, the exercise of the purchase option.

These assets are depreciated using the same criteria applied to the items of property, plant and equipment for own use. Lease payments are divided between the interest and the decrease in debt. Financial expenses are recognized in the income statement.

- **When ISA is the lessor**

When ISA is the lessor of an asset under finance lease, assets are not presented as property, plant and equipment since the associated risks have been transferred to the lessee and in exchange a financial asset is recognized at the present value of the minimum lease payments received from the lease and any unwarranted residual value.

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### 3.7.2 Operating lease

Leases in which the ownership of the leased asset and all substantial risks and rewards of the asset remain with lessor.

Payments for operating leases are recognized as expenses –or revenues– in the income statement linearly over the lease term. Contingent payments are recognized in the period in which they occur.

- **When ISA is the lessee**

When ISA makes advance lease payments related to the use of property, these payments are recorded as prepaid expenses and amortized over the term of the lease.

- **When ISA is the lessor**

When ISA is the lessor, it continues recognizing the asset at the separate financial position statement and applies the procedures established within the policy of property, plant and equipment to properly manage accounting. The asset book value includes the initial direct costs during the negotiation and contracting stage of the operating lease. These costs are deferred in the lease term on the same basis as lease revenues.

Revenues coming from the lease are recognized during the lease term, pursuant to a systematic allocation basis which properly shows the temporal pattern of the benefits from the use of the leased asset. Costs generated when obtaining revenues due to lease, including property depreciation, will be recognized as expenses.

## 3.8 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the entity becomes a part of the contractual provisions of the instrument.

### 3.8.1 Financial assets

Their classification depends on the business model used to manage the financial assets and the characteristics of contractual cash flows of the financial asset; this classification is determined at the time of initial recognition.

- **Financial assets at fair value with changes in income**

They are incurred mainly for managing liquidity with frequent instrument sales. These instruments are measured at fair value and variations in their value are recorded in income when generated.

- **Accounts receivable and others**

They correspond to non-derivative financial assets, with known payments and fixed maturities, under which Management has the intent and ability to collect the contractual cash flows of the instrument.

Amortized cost is calculated by adding or deducting any premium or discount over the remaining life of the instrument and using the effective interest method. Gains and losses are recognized in the income statement if there were objective evidence of impairment, or when assets are recognized through amortization.

Loans and accounts receivable are financial assets issued or acquired by ISA for cash, goods or services delivered to a debtor. Accounts receivable due to sales are recognized by the original invoice value, net of accumulated impairment losses and when all risks and benefits are transferred to the third party.

- **Financial assets at fair value with changes in other comprehensive income**

They correspond to investments in variable income not held for trading or not corresponding to a contingent consideration from an acquirer in a business

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combination. For these investments, ISA may choose at initial recognition and irrevocably, to disclose gains or losses on subsequent measurement at fair value in other comprehensive income.

These instruments are measured at fair value. Gains and losses arising from the new measurement at fair value are recognized at the other comprehensive income up to the derecognition at the asset accounts. In these cases, gains and losses that were previously recognized in equity are reclassified to retained earnings.

- **Cash and cash equivalent**

Cash and cash equivalent in the statement of financial position of the Company include all cash balances and held in banks. For purposes of preparing the cash flow statement and for its liquidity, temporal investments with an original maturity less than 90 days, are considered cash equivalents; these accounts are not subject to a significant risk of changes in their value.

Bank overdrafts payable on demand and that are an integral part of ISA's cash management are included as a component of cash and cash equivalents for purposes of the cash flow statement. And for the statement of financial position, the financial accounts disclosing overdrafts are classified as financial obligations.

Restricted cash is a money resource which is independently classified to use it for specific purposes and previously established, such as: debt payment, acquisition of capital equipment, or to be used under emergencies and/or unforeseen losses. Therefore, it has certain limitation for its availability, which could be legal or contractual and it cannot be freely used to cover current financial commitments, as a result of the Company normal activities.

- **Derecognition of financial assets**

A financial asset or a portion thereof is derecognized when sold, transferred, expired, or its control is lost over the contractual rights or cash flows of the instrument. When substantially all the risks and benefits of the property are retained by ISA, the financial asset is still recognized in the financial position for its total value.

### 3.8.2 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable transaction costs, except in the case of loans which are initially recognized at fair value of cash received less directly attributable transaction costs.

ISA establishes the classification of its financial liabilities at its initial recognition, which includes: financial liabilities at fair value with changes in income or at amortized cost.

- **Financial liabilities at fair value with changes in income**

They include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value with changes in the income statement.

- **Financial liabilities at amortized cost**

They include loans received and bonds issued, which are initially recognized at the amount of cash received, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate, recognizing interest expenses based on the effective profitability.

- **Derecognition of financial liability**

The Company will derecognize a financial liability, only if, it expires, is canceled or

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the obligations originating it have been met. The difference between the financial liability carrying amount and the consideration paid is recognized in the income.

**3.8.3 Derivative financial instruments and hedging operations**

Derivative financial instruments are initially recorded at fair value at the date of the transaction and on subsequent measurements. The recognition of gains or losses arising from variations in their fair value depends on the designation made of the derivative financial instruments.

ISA designates certain financial instruments, which include derivatives, embedded derivatives, and non-derivatives with respect to foreign currency risk as a fair value hedge, or cash flow hedge.

At the inception of the hedge, ISA documents the hedging ratio and the objective and risk management strategy of the Company for undertaking the hedge. Such documentation will include how the Company will measure the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

- **Fair value hedging**

Changes in fair value of derivatives designated and qualified as fair value hedges are recognized immediately in income, along with any changes in fair value of the hedged asset or liability attributable to the hedged risk. The change in the hedged item attributable to the hedged risk is recognized in gains or losses in the item related to the hedged item.

The hedge accounting is interrupted by the Company when: the hedging relation is revoked, the hedging instrument expires or is sold, finalized or exercised, or the criteria for hedging accounting is no longer complied.

Any adjustment to the carrying amount of a hedged financial instrument is amortized to income for the period.

- **Cash flow hedging**

Changes in the fair value of derivatives established as an effective cash flow hedge will be recognized in other comprehensive income and will be accumulated under the heading of cash flow hedge reserve. The ineffective part of gains or losses of the hedge instrument will be immediately recognized in the period income, under the "other gains or losses" line.

Amounts previously recognized in other comprehensive income and accumulated in equity, are reclassified at the period income in which the hedged item, in the same line of the comprehensive income statement of the hedged item recognized. However, if the hedge of a forecast transaction subsequently generated the recognition of a non-financial asset or a non-financial liability, losses or gains previously accumulated in the equity are transferred and directly included in the initial cost or other amount of the non-financial asset or liability.

The hedge accounting will be interrupted when the Company revokes the hedge relation, when the hedge instrument expires, or is sold, resolved, or exercised; or the hedge no longer meets the requirements established for hedge accounting. The gain or loss that has been recognized in other comprehensive income and accumulated in equity will continue in equity and is recognized when the transaction is recognized in the income. When it is no longer expected that the forecast transaction occurs, any cumulative gain or loss in equity is immediately reclassified in gains or losses.

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### 3.8.4 Offsetting assets and financial liabilities

Financial assets and liabilities are offset and reported net in the financial statements, only if, there is a legally enforceable right to the closing date requiring to receive or cancel the amounts recognized for their net amount, and when there is an intention to offset on a net basis to realize the assets and settle the liabilities simultaneously.

### 3.9 FAIR VALUE MEASUREMENT

The fair value of an asset or liability is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants on the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the primary market, i.e., the market with higher volume and level of activity for the asset or liability. In the absence of a main market, it is assumed that the transaction takes place in the most advantageous market the Company has access to, this is, the market which maximizes the amount to be received to sell the asset or minimizes the amount to be paid to transfer the liability.

To determine the fair value, the Company uses valuation techniques that are appropriate to the circumstances and on which there are sufficient data for measuring, maximizing the usage of relevant observable input data and minimizing the usage of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified in the following levels:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level II: valuation techniques for which, the data and variables having a significant effect on the determination of fair value recorded are observable, either directly or indirectly.
- Level III: internal valuation techniques, using Company estimated variables not observable for the asset or liability (there is no observable information in the market).

When measuring the fair value, the Company considers the characteristics of the asset or liability, in particular:

- For non-financial assets, a fair value measurement considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use, or by selling it to other market's participant that would use the asset in its highest and best use.
- For liabilities and own equity instruments, the fair value assumes that the liability will not be settled, and the equity instrument will not be canceled, nor otherwise will be extinguished on the measurement date. The fair value of the liability reflects the effect of default risk, i.e. the risk that a company does not fulfill an obligation, which includes but is not limited to own credit risk of the Company.
- In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the counterpart, it is allowed to measure the fair value on a net basis, consistently with how market participants would price net risk exposure on the measurement date.

### 3.10 PROVISIONS

They comprise provisions which are recognized when the Company has a present obligation –be it legal or implicit– as the result of a passed event, it is then probable that a resource outflow is needed to settle such obligation, and a reliable estimate can be made regarding the obligation amount.

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The amount recognized as provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period, considering the risks and associated uncertainties. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount represents the present value of the cash flow, –when the effect of the value of money over time is material–.

Certain contingent conditions may exist at the date of issuance of the statement of financial position. They may result in a loss for the Company and will only be resolved in the future, when one or more events occur or may occur; such contingencies are estimated by the management and its legal counsels. The loss contingencies estimate necessarily involves an exercise of judgement and it is a matter of opinion.

In estimating loss contingency in legal proceedings pending against the Company, legal counsels analyze, among other things, the merits of the claims, the jurisprudence of the courts involved, and the current status of proceedings. The value is determined by using the methodology established by the National Agency for Legal Defense of the State in External Circular N° 00023 of December 11, 2015. This methodology consists of three steps: determining the value of claims, adjusting the value of claims, and calculating the risk of adverse decision.

If the assessment of a contingency indicates that it is probable that a material loss will occur and the amount of the liability can be estimated, then it is recorded in the statement of financial position. In addition, if the assessment indicates that a potential loss is not probable, and the amount is known, or is probable but the amount of the loss cannot be estimated, then the nature of the contingency is disclosed in a note to the statement of financial position, with an estimate of the potential range of loss. Remote loss contingencies are not disclosed.

**3.11 INCOME TAX**

The expense for income tax from the period comprises current and deferred income tax. Taxable assets and liabilities are measured at the amount expected to be recovered or paid to tax authorities. The expense for income tax is recognized in income, except in the case related to items recognized directly in equity, in which case it is recognized in equity.

**3.11.1 Current tax**

The current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the profit reported at the income statement, due to the items of income or expenses taxable or deductible in other years and items which are never taxable or deductible. The current tax liability is calculated using tax rates in force at the end of the period.

Management periodically evaluates positions taken in tax returns with respect to situations where tax laws are subject to interpretation. The Company, when appropriate, establishes provisions on the amounts it expects to pay to tax authorities.

**3.11.2 Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the statement of financial position and the corresponding tax basis used for determining taxable income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities by current tax and are related to income taxes applied by the same tax authority on the same taxable company.

Deferred tax assets are recognized by all deductible temporary differences, including tax losses, to the extent that it is likely to be taxable income against which the

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deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable income available to allow the use of all or part of the deferred tax asset. The deferred tax relating to items recognized directly in equity is recognized in equity and not in the comprehensive income statement.

**3.12 EMPLOYEE BENEFITS**

Employee benefits include all compensation to employees and former employees related to the provision of services to the Company. These are salaries, current and non-current benefits, termination benefits and post-employment benefits.

**3.12.1 Post-employment benefits**

- **Defined contribution plans**

The defined contribution plan is a post-employment benefit in which the Company pays fixed contributions to a pension fund, and which has no legal obligation to pay additional amounts. The obligations for payment of contributions to defined benefit pension plans are recognized as an expense for employment benefits into income in the periods in which the services are rendered by employees.

- **Defined benefit plans**

In the case of defined benefit plans, the obligation and the cost of such benefits is determined by using the projected unit credit method with independent actuarial valuations on an annual basis.

The liability recognized in the statement of financial position regarding defined benefit pension plans is the present value of the obligation set at the date of the statement of financial position, less the fair value of the plan assets. The present value of the defined benefit obligation is determined by discounting the estimated cash outflow, using interest rates calculated from the yield curve of Colombian Government bonds (TES B curve), denominated in Actual Value Units with periods near to the terms of pension obligation until maturity.

Actuarial profits and losses arising from adjustments based on experience and changes in actuarial assumptions, are charged or credited in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless changes in the pension plan are conditional on the employee to continue in service for a specific period of time –a period granting the right–. In this case, the past service costs are amortized using the straight-line method during the period granted by the right.

- **Other post-employment obligations**

ISA grants its retired employees, benefits such as complementary health plan, health assistance, education assistance and calamity loan, after the employment relation. The right to access these benefits depends on the conditions defined in individual and collective contracts.

The obligation and the cost of such benefits are determined through a projected unit credit methodology. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the comprehensive income statement in the period in which they arise. Qualified independent actuaries annually value these obligations.

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### 3.12.2 Non-current benefits

ISA provides its employees benefits associated with their time of service, such as seniority premium and five-year period payments.

The fair value of any related asset is deducted from the present value of the obligation by benefits defined when establishing deficit or surplus. The calculation is annually performed by certified independent actuaries, using the projected credit unit method to make a reliable estimate of the final cost for the Company. Any actuarial gain or loss is recognized in come in the period concerned.

### 3.12.3 Current benefits

Short-term obligations from employee benefits are recognized as expenses as the related service is provided. Employment obligations are adjusted at the end of each period, based on laws and labor agreements in force.

This benefit is recognized when a legal or current constructive obligation is held to pay this amount as a result of a service provided by the employee in the past and the obligation can be estimated with reliability. The obligation is recognized by the amount expected to be paid within the next year after the cut-off.

## 3.13 ONEROUS CONTRACTS

Present obligations arising from an onerous contract are recognized as a provision when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under the same. To date of the statement of financial position, the Company has no provisions for onerous contracts.

## 3.14 RECOGNITION OF REVENUES, COSTS, AND EXPENSES

Revenues, costs and expenses are recorded based on the principle of accrual.

### 3.14.1 Revenues

The Company recognizes revenues from ordinary activities to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled when exchanging for those goods or services.

Revenues are recognized only when all the following criteria are met:

Step 1: Identifying the contract with the customer.

Step 2: Identifying the performance obligations in the contract.

Step 3: Determining the transaction price.

Step 4: Allocating the transaction price to the performance obligations in the contract.

Step 5: Recognizing ordinary revenues when (or as) the entity satisfies a performance obligation.

The following criteria apply for the recognition of revenues:

- **Revenues from participation accounts**

Revenues from the participation accounts contract are recognized in accordance with the monthly settlement thereof, by its affiliate ISA INTERCOLOMBIA, considering the contractually agreed distribution percentages.

- **Revenues from energy transmission and other associated services**

ISA by offering the service of Energy Transmission and other services linked thereof, is regulated by the Gas and Energy Regulatory Commission (Comisión de Regulación de Energía y Gas (CREG)). Revenues by operating costs are recorded when performance obligations are met.

- **Revenues from construction contracts**

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When the outcome of a construction contract can be estimated reliably, the revenues from ordinary activities and their associated costs should be recognized based on the progress of the work at the end of the reporting period. The measurement is performed on the basis on the proportion that contract costs incurred for work performed to that date represent to total estimated contract costs, except that if this ratio is not representative of the status of completion. Variations in contract works, claims and incentive payments are included to the extent their amount can be measured reliably and their reception is considered probable.

When the outcome of a construction contract cannot be estimated reliably, the revenues from ordinary activities should be recognized only to the extent that it is probable recovering costs incurred in virtue of the contract. Contract costs should be recognized as expenses for the period in which they are incurred. In the case of a possibility that the total contract costs will exceed total revenues, the expected loss is recognized as an expense immediately.

For contracts where billings based on work progress exceed the contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as amounts owed to customers for the work contract. Amounts received before the related work is performed, are included in the statement of financial position as a liability, as an advance payment received. Amounts billed due to the work performed but not paid yet by the customer, are included in the statement of financial position in commercial accounts receivable and other accounts receivable.

- **Revenues from dividends and interest**

Revenues from dividends are recognized once shareholders' rights to receive the payment have been established –provided that the economic benefits will flow to the Company and ordinary revenues can be measured reliably–.

Revenues from interest are recognized when it is probable that ISA will receive economic benefits associated with the transaction. Revenues from interest are recorded on a time basis, by reference to the outstanding principal and the effective interest rate applicable, which is the discount rate that exactly matches the cash flow receivable or payable estimated throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

### 3.14.2 Operating costs and expenses

For accounting operating or production costs –type 7– and sales costs –type 6–, during 2018 and 2017, ISA used costing and procedure methods established in appendix 2 of Resolution N° 20051300033635 of 2005 from the Superintendence of Household Utilities, which is still valid through Resolution 20161300013475 from May 19, 2016, and all its amendments and/or latter additions also issued by the Superintendence of Household Utilities.

The costing system is called “Activity-Based Costing” (ABC), in which the products offered by each service or business are the result of a series of operational processes that interact sequentially, so in its structure or cost map, it is necessary to observe how operations or tasks gradually flow to include activities, the first ones to shape these processes and the last ones to provide a public service.

This system considers that the expenses incurred in each of the areas of administrative responsibility must be assigned to business units or services, according to the activities (support processes) developed by such areas.

### 3.15 INCOME PER BASIC AND DILUTED SHARE

Income per basic share is calculated by dividing the income attributable to shareholders

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of the Company, by the weighted average of common shares outstanding in the year, excluding common shares acquired by the Company and held as treasury shares.

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Income per diluted share is calculated by adjusting the average number of common shares outstanding to simulate the conversion of all dilutive potential common shares.

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The Company does not own common shares which are potentially diluted.

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### **3.16 DISTRIBUTION OF DIVIDENDS**

Distribution of dividends to shareholders is recognized as a liability in the financial position of the Company, in the period in which the dividends are approved by the Shareholders' Meeting, or when the corresponding obligation is in place according to the applicable legal provisions or policies established by the Shareholders' Meeting.

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### **3.17 SHARE CAPITAL**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in the equity as a deduction from the amount received, net of taxes.

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The repurchase of own equity instruments of the Company is recognized and deducted directly in equity at acquisition cost and the difference with the nominal value is recognized as a higher or lower value of the premium for placement of shares. Own shares are repurchased and their rights are suspended and, therefore, they do not participate in the distribution of dividends.

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The Company is listed on the Colombia Stock Exchange.

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### **3.18 PREMIUM FOR PLACEMENT OF SHARES**

Issue premium corresponds to the overpricing in the placement of shares, generated in capital increase operations.

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### **3.19 RELATED PARTIES**

Among others, the following are parties related to the parent company:

- i. Shareholders who, directly or indirectly, have a share equal to or exceeding twenty percent (20%) of ISA's share capital.
- ii. Members of the Board of Directors and members of the Senior Management<sup>1</sup>, as well as their close relatives<sup>2</sup> and/or companies where any of the members of the Board of Directors and the members of the Senior Management exert control or joint control.
- iii. Companies in which ISA has direct or indirect control or joint control, as well as those joint ventures or companies in which ISA has (directly or indirectly) a participation equal or higher than twenty percent (20%), or companies in which ISA has the power to intervene in the decisions of financial and operating policy.

Commercial transactions between ISA and the members of the Board of Directors, the Senior Management and other administrators and/or their permanent relatives, spouses or partners and legal entities where they have stake or hold directing positions pursuant to the law, are subject to the legal regime of incapacities or incompatibilities applicable to ISA's contracting as mixed public utility company, which are prohibited to be contracted with the Company. The corporate website includes the informative list of such incapacities and incompatibilities provided by Colombian legislation.

<sup>1</sup> The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO, who occupy the positions of Vice-Presidents and Corporate Directors.

<sup>2</sup> According to the definition of IAS24, "close members of the family" are: "those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner."

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The legally valid commercial transactions between related parties are carried out under market conditions and prices, i.e., in conditions equivalent to those existing for arm's-length transactions.

### 3.20 RECLASSIFICATIONS

#### Financial assets

Reclassification from current items to non-current items is made:

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Financial assets - current	42.008	(22)	41.986
Financial assets - non-current	209.235	22	209.257

#### Accounts payable

Reclassification from recognition of the non-current portion of accounts payable from lease is made:

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Accounts payable - current	125.268	(4.792)	120.476
Accounts payable - non-current	3.307	4.792	8.099

#### Employee benefits - Long-term bonuses

Executive incentive payments are reclassified to the current portion since they are made in the short term:

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Employee benefits - current	8.252	1.907	10.159
Employee benefits - non-current	225.201	(1.907)	223.294

#### Revenues from communications

Reclassification of revenues associated with usage rights and availability of fiber optic capacity was made from other services to Telecommunication:

	PREVIOUSLY REPORTED VALUE	RECLASSIFICATION	RECLASSIFIED VALUE
Communications	1.020	2.764	3.784
Other services	9.083	(2.764)	6.319

## II. NOTES TO FINANCIAL INFORMATION

### 4. Cash and cash equivalent

The composition of the item as of December 31, 2018 and 2017 is as follows:

		2018	2017
Cash and banks	(1)	295.516	346.200
<b>TOTAL CASH</b>		<b>295.516</b>	<b>346.200</b>
TDs, bonds and securities	(2)	137.556	14.175
Trusts		735	813
<b>TOTAL CASH EQUIVALENT</b>		<b>138.291</b>	<b>14.988</b>
<b>TOTAL CASH AND CASH EQUIVALENT</b>		<b>433.807</b>	<b>361.188</b>

(1) They include resources from current and savings accounts.

(2) They include Term Deposit Certificates for COP111.516 (2017: COP14.175), which present a term under three months from the acquisition date and accrue the market interest specific for this type of investments. Likewise, they include investments in time deposit –term deposits in US dollars– that ending 2018 had a balance of USD8.013.052 (2017: USD 0).

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## 5. Financial assets

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Clients and related parties	(1)	37.716	21	19.047	22
Dividends receivable		-	-	1.776	-
Loans to economic related parties	(2)	407	147.825	210	195.628
Participation accounts (related)	(3)	10.505	7.364	23.373	6.942
Loans to employees	(4)	2.039	8.236	1.580	6.664
Other debtors	(5)	9.025	-	4.223	1
Interest receivable		15	-	10	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>59.707</b>	<b>163.446</b>	<b>50.219</b>	<b>209.257</b>
Less - Impairment	(6)	(9.101)	-	(8.233)	-
<b>TOTAL NET FINANCIAL ASSETS</b>		<b>50.606</b>	<b>163.446</b>	<b>41.986</b>	<b>209.257</b>

(1) The most representative data of this item are: accounts receivable from use and connection revenues for COP35.543 (2017: COP18.268); accounts receivable from Infrastructure projects for COP1.938 (2017: COP296) associated with engineering and management services of projects delivered to affiliates ISA INTERCHILE and PROYECTOS DE INFRAESTRUCTURA DEL PERÚ (PDI); and accounts receivable from telecommunication and fiber optic services for COP228 (2017: COP448).

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As of December 31, 2018 and 2017, the analysis of trade receivables, due and unpaid, is as follows:

	2018	2017
<b>CURRENT</b>	<b>30.435</b>	<b>11.683</b>
<b>OVERDUE</b>		
Overdue > 1 and <= 90 days	63	318
Overdue > 91 and <=180 days	170	-
Overdue > 181 and <= 360 days	-	86
Overdue > 360 days	7.069	6.982
<b>TOTAL OVERDUE</b>	<b>7.302</b>	<b>7.386</b>
<b>TOTAL ACCOUNTS RECEIVABLE FROM CLIENTS</b>	<b>37.737</b>	<b>19.069</b>

For more information about accounts receivable linked to economic related parties, refer to [Note 8.1](#).

(2) Loans granted to ISA Inversiones Maule, the current portion corresponds to interest receivable and the non-current to the capital.

(3) Account receivable from affiliate ISA INTERCOLOMBIA for income generated in the monthly settlement of the participation accounts contract.

(4) Accounts receivable from employees for housing loans, purchase of vehicles and other loans of general purpose, granted at interest rates of 4% to 6% and a maturity of five years for vehicles and 15 years for housing.

(5) This item mainly corresponds to accounts receivable from municipalities due to legal processes in favor of ISA, which are currently being processed to obtain devolution of balances seized. There are also balances from quota shares of pensions, delivered deposits and expenses refunds, as well as accounts receivable to suppliers.

(6) The movement of credit losses expected over the life of the credit that has been recognized for commercial accounts receivable and others, in accordance with the simplified approach defined by IFRS 9 is as follows:

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### Expected credit losses

	CLIENTS	QUOTA SHARES	OTHER	TOTAL
Balance as of December 31, 2017 under IAS 39	7.054	589	590	8.233
Adjustments by application of IFRS 9 at the beginning of the period	231	-	345	576
Change in the provision for expected losses 2018	433	(54)	(87)	292
<b>TOTAL IMPAIRMENT UNDER IFRS 9 AS OF DECEMBER 31, 2018</b>	<b>7.718</b>	<b>535</b>	<b>848</b>	<b>9.101</b>

- Accounts receivable to employees did not have a material impact by applying IFRS 9.
- As the historic experience of credit loss by the Company does not show significantly different loss patterns for several client segments, the impairment from unexpected loss based on maturity of instruments is described as follows:

AS OF DECEMBER 31, 2018	0 TO 30	61 TO 90	121 TO 180	MORE THAN 360	TOTAL
Expected average credit loss rate	1%	74%	100%	84%	31%
Value at risk	17.578	43	157	9.586	27.364
Expected credit losses during credit life	236	32	157	8.085	8.510

AS OF DECEMBER 31, 2017	0 TO 30	61 TO 90	121 TO 180	MORE THAN 360	TOTAL
Expected average credit loss rate	2%	10%	100%	100%	33%
Value at risk	16.539	165	86	7.753	24.543
Expected credit losses during credit life	371	17	86	7.744	8.218

There are no relevant restrictions on providing such accounts receivable.

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## 6. Other non-financial assets

These assets include prepaid expenses, advance travel payments, travel expenses or for service acquisition, as well as deposits made.

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Prepaid expenses	(1)	14.463	-	7.019	-
Other assets	(2)	725	1.100	767	1.200
<b>TOTAL NON-FINANCIAL ASSETS</b>		<b>15.188</b>	<b>1.100</b>	<b>7.786</b>	<b>1.200</b>

(1) It mainly includes insurance policies related to: Material damages, employees' health, civil liability, among others.

(2) It includes the deferred amount generated in the contracting with INTERNEXA COLOMBIA for telecommunications services and current operative and administrative solutions for the substations of Toledo, Samore, Banadía, and Caño Limón for COP1.100 (2017: COP1.200).

## 7. Restricted cash

	2018	2017
Restricted cash	10.461	16.901

Restricted cash includes trusts for execution of delegated management projects FAER, FAZNI and management trusts and payments for projects from the Energy Mining Planning Unit (Unidad de Planeación Minero Energética (UPME)), as well as contributions to the Conexión Jaguar project.

## 8. Balances and transactions with related parties

The transactions between related parties are carried out under market conditions and prices, i.e., in conditions equivalent to those existing for arm's-length transactions.

At the date of these financial statements, there are no granted guarantees associated with balances between related parties, nor impairment on accounts receivable.

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## 8.1 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following were the main balances and transactions of the Company with its related parties during 2018 and 2017:

	2018	2017
<b>BALANCE</b>		
<b>ACCOUNTS RECEIVABLE</b>	<b>28.309</b>	<b>39.416</b>
INTERCOLOMBIA S.A. E.S.P.	18.654	30.315
Red de Energía del Perú (REP)	5.661	4.375
ISA BOLIVIA S.A.	1.744	1.652
INTERCHILE S.A.	1.450	565
Proyectos de Infraestructura del Perú S.A.C.	488	-
TRANSNEXA S.A. E.M.A.	266	304
INTERNEXA S.A.	46	429
ISA Inversiones Chile Ltda.	-	1.776
<b>LOANS FROM ECONOMIC RELATED PARTIES - ACCOUNTS RECEIVABLE</b>	<b>148.232</b>	<b>195.838</b>
ISA Inversiones Maule Ltda.	148.232	195.838
<b>OTHER ASSETS</b>	<b>1.100</b>	<b>1.200</b>
INTERNEXA S.A.	1.100	1.200
<b>ACCOUNTS PAYABLE</b>	<b>17.408</b>	<b>5.282</b>
INTERCOLOMBIA S.A. E.S.P.	9.251	2.466
INTERNEXA S.A.	7.175	2.269
TRANSELCA S.A. E.S.P.	639	111
Red de Energía del Perú (REP)	1	-
Proyectos de Infraestructura del Perú S.A.C.	14	347
ISA Inversiones Chile Ltda.	30	-
Empresas Públicas de Medellín E.S.P., (EPM)	-	3
ISA PERÚ S.A.	1	43
INTERVIAL CHILE S.A.	-	43
XM S.A. E.S.P.	297	-
<b>LOANS FROM ECONOMIC RELATED PARTIES</b>	<b>310.675</b>	<b>300.346</b>
TRANSELCA S.A. E.S.P.	310.675	300.346

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	2018	2017
Message from ISA's CEO	<b>INCOME-RELATED TRANSACTIONS</b>	
Report Profile	<b>REVENUES</b>	<b>866.612</b>
Company profile	INTERCOLOMBIA S.A. E.S.P.	805.898
Strategy	Empresas Públicas de Medellín E.S.P., (EPM)	9.956
Stakeholders	ISA INVERSIONES MAULE LTDA.	7.480
Corporate Government	Red de Energía del Perú (REP)	4.462
Energy	ISA BOLIVIA S.A.	1.758
Transmission	INTERCHILE S.A.	937
Road Concessions	TRANSNEXA S.A. E.M.A.	947
Information and Telecommunication Technologies	INTERNEXA S.A.	634
Management of Real-Time Systems	Proyectos de Infraestructura del Perú S.A.C.	3.739
<b>Financial results</b>	Empresa Propietaria de la Red (EPR)	-
Annexes	<b>COSTS AND EXPENSES</b>	<b>19.558</b>
	TRANSELCA S.A. E.S.P.	12.754
	INTERCOLOMBIA S.A. E.S.P.	5.832
	INTERNEXA S.A.	1.158
	XM S.A. E.S.P.	11.276
	Proyectos de Infraestructura del Perú S.A.C.	-
	ISA Inversiones Chile Ltda.	-
	INTERVIAL CHILE S.A.	43

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**Accounts payable to related parties**

Credits with related parties accrued interest during year 2018 for COP11.222 million (2017: COP12.754 million).

The balance of financing with related parties as of December 31, 2018 and 2017, comprised:

AFFILIATE	DUE DATE	TYPE OF INTEREST	2018		2017	
			NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
<b>CREDITS GRANTED BY NATIONAL AFFILIATES</b>						
TRANSELCA S.A. E.S.P.	12-Oct-22	Fixed rate DTF E.A. of December 31, previous year	60.798	78.134	60.798	75.418
TRANSELCA S.A. E.S.P.	12-Oct-24	Fixed rate DTF E.A. of December 31, previous year	72.642	92.757	72.642	89.667
TRANSELCA S.A. E.S.P.	12-Oct-24	Fixed rate DTF E.A. of December 31, previous year	12.537	16.008	12.537	15.475
TRANSELCA S.A. E.S.P.	12-Oct-25	Fixed rate DTF E.A. of December 31, previous year	28.500	36.281	28.500	35.096
TRANSELCA S.A. E.S.P.	12-Oct-25	Fixed rate DTF E.A. of December 31, previous year	12.500	15.912	12.500	15.392
TRANSELCA S.A. E.S.P.	26-Dec-26	Fixed rate DTF E.A. of December 31, previous year	31.908	38.748	31.908	37.495
TRANSELCA S.A. E.S.P.	31-Oct-27	Fixed rate DTF E.A. of December 31, previous year	26.000	32.835	26.000	31.803
<b>TOTAL CREDITS</b>			<b>244.885</b>	<b>310.675</b>	<b>244.885</b>	<b>300.346</b>

During 2018, ISA Inversiones Maule paid USD480.391,19 from interests and USD12.930.000 from capital.



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**BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT STAFF**

ISA is managed by a Board of Directors composed of nine (9) main members. During Ordinary General Shareholders' Meeting held on March 23, 2018 the Board of Directors for the April 2018 - March 2019 period was appointed. The Board of Directors report holds the information in regards to its election and creation.

The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO.

Ending 2018, there are no other transactions other than remuneration between the Company and members of ISA's Board of Directors.

**a. Accounts receivable from key staff and Senior Management**

	2018	2017
Chief Executive Officer	599	747
Vice-presidents	463	350
Corporate Directors	1.144	1.090
General Secretary	69	38
<b>TOTAL</b>	<b>2.275</b>	<b>2.225</b>

There are no other transactions other than remuneration between the Company and members of ISA's Senior Management.

**b. Board of Directors Remuneration**

In compensation for attending meetings of Board and its committees, the members received the remuneration determined by the General Shareholders' Meeting, equivalent to 103 UVT per meeting (2018 UVT value: COP33.156).

Board of Directors remuneration for 2018 was COP1.139 (2017: COP993).

As of December 31, 2018 and 2017, there are no labor links between the members of the Board and the Company, or business links between the Company and close relatives of members of the Board of Directors. (See Note 3.19).

**c. Remuneration to key staff of Senior Management**

The remuneration received by the key staff of the Senior Management is the following:

	2018	2017
Remuneration	9.616	8.290
Short-term benefits	4.954	3.714
<b>TOTAL</b>	<b>14.570</b>	<b>12.004</b>

There are no guarantees granted in favor of Senior Management key staff.

## 9. Investments in subsidiaries, associates, joint ventures, and financial instruments

				2018	2017	2018	2017
MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS			DIRECT SHAREHOLDING (%)		BALANCE	
<b>INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES</b>							
	TRANSELCA S.A. E.S.P.	Energy Transmission	Colombia	99,998	99,997	922.741	863.124
	INTERNEXA S.A.	Information and Telecommunications Technologies	Colombia	99,420	99,420	71.835	162.026
	INTERCOLOMBIA S.A. E.S.P.	Energy Transmission	Colombia	99,997	99,997	84.207	79.036
	XM S.A. E.S.P.	Management of Real-Time Systems	Colombia	99,730	99,730	18.155	23.772
	INTERVIAL COLOMBIA S.A.S.	Road Concessions	Colombia	100,000	100,000	1.267	1.271
	Sistemas Inteligentes en Red S.A.S.	Energy Transmission	Colombia	15,000	15,000	822	1.748
	Consortio Transmantaro S.A.	Energy Transmission	Peru	60,000	60,000	1.019.199	966.243
	Red de Energía del Perú (REP)	Energy Transmission	Peru	30,000	30,000	182.174	174.376
	ISA PERÚ S.A.	Energy Transmission	Peru	45,146	45,146	57.942	52.145
	Proyectos de Infraestructura del Perú S.A.C.	Energy Transmission	Peru	99,967	99,967	19.764	19.318
	ISA Capital do Brasil S.A.	Energy Transmission	Brazil	99,990	99,990	3.362.906	2.986.488
	ISA Investimentos e Participações S.A.	Energy Transmission	Brazil	99,899	99,899	693.141	637.483
	ISA Inversiones Chile Ltda.	Road Concessions	Chile	100,000	99,999	1.981.113	1.869.980
	ISA Inversiones Maule Ltda.	Road Concessions	Chile	100,000	99,999	1.099.652	1.045.778
	INTERCHILE S.A.	Energy Transmission	Chile	83,078	82,350	949.969	787.079
	ISA BOLIVIA S.A.	Energy Transmission	Bolivia	51,000	51,000	69.992	55.316
	Linear Systems RE LTD	Reinsurance	Bermuda	100,000	100,000	11.566	7.822
	Betania	Autonomous Equity	Colombia	100,000	100,000	10.246	6.987
<b>TOTAL INVESTMENTS IN SUBSIDIARIES (1)</b>						<b>10.556.691</b>	<b>9.739.992</b>

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			2018	2018	2017	2018	2017
			PLACE AND CREATION OF TRANSACTIONS	DIRECT SHAREHOLDING (%)		BALANCE	
<b>MAIN ACTIVITY</b>							
<b>INVESTMENTS JOINT VENTURES</b>							
	Interconexión Eléctrica Colombia Panamá S.A.	Energy Transmission	Panama	50,000	50,000	8.395	7.845
	Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	Energy Transmission	Colombia	1,172	1,172	3	3
	<b>TOTAL INVESTMENTS IN JOINT VENTURES (2)</b>					<b>8.398</b>	<b>7.848</b>
<b>INVESTMENTS IN ASSOCIATES</b>							
	ATP Tower Holdings LLC	Information and Telecommunications Technologies	USA	24,887	26,500	448.108	468.330
	<b>TOTAL INVESTMENTS IN ASSOCIATES</b>					<b>448.108</b>	<b>468.330</b>
<b>FINANCIAL INSTRUMENTS</b>							
	Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,000	0,481	-	-
	Empresa Propietaria de la Red S.A., (EPR)	Energy Transmission	Costa Rica	11,110	11,110	12.524	12.525
	Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,000	0,000	-	3
	<b>TOTAL FINANCIAL INSTRUMENTS (3)</b>					<b>12.524</b>	<b>12.528</b>
	<b>TOTAL INVESTMENT</b>					<b>11.025.721</b>	<b>10.228.698</b>

(1) Companies in which ISA has control.

(2) ISA has joint control in these companies, and it is expressly defined at the statutory level.

(3) ISA holds these investments as strategic business mobilization plan in different countries. Electrificadora del Caribe S.A. E.S.P., was received as transfer payment. In 2018, during a share exchange transaction, ISA delivered shares to the Ministry of Finance and Public Credit, which were held in the Financiera de Desarrollo Nacional S.A. (FDN), and received 0.001% of shares held by the Ministry in ISA TRANSELCA.

(4) In December, ISA repurchased the remaining balance of preference shares. The investment in ISA Capital do Brasil is affected by the account receivable recognized by the Government of the State of São Paulo on behalf of ISA CTEEP, which is associated with the provisions of Law 4819/58 for BRL1.426 million (COP1.196.040), (2017: BRL1.312 million, COP1.184.211).

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### **9.1 ACQUISITIONS 2018**

On April 6, 2018, ISA through ISA CTEEP entered into a contract with Cymi Construções e Participações S.A., to acquire 50,00% less one (1) share of the total share capital of IESUL for BRL20.075 million. El Conselho Administrativo de Defesa Econômica (CADE) e la Agência Nacional de Energia Elétrica (ANEEL), authorized the transaction in April and June 2018, respectively. The completion of the operation

and the effective acquisition took place in September 2018 for BRL20,53 million (COP15.240 million). As a result of transaction, IESUL started to be comprehensively controlled by ISA CTEEP.

### **10. Property, plant, and equipment**

Property, plant, and equipment net balance as of December 31, 2018 and 2017, is:

	2018	2017
<b>PROPERTY, PLANT AND EQUIPMENT IN OPERATION</b>		
Grids, lines, and cables	8.919.701	8.816.492
Plants and ducts	4.410.481	4.498.668
Buildings	337.180	334.987
Machinery and equipment	53.976	47.455
Communication and computing equipment	28.052	30.906
Transportation, traction and lifting equipment	6.000	6.000
Furniture, chattels and office equipment	30.113	28.209
Lands	185.488	183.920
<b>SUBTOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>13.970.991</b>	<b>13.946.637</b>
Less – cumulative depreciation	(9.413.782)	(9.392.584)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>4.557.209</b>	<b>4.554.053</b>
On-going constructions	1.621.159	1.090.516
Assets in transit	432	18.343
Machinery, plant, and equipment under assembly	32.245	21.052
<b>TOTAL NET PROPERTY, PLANT, AND EQUIPMENT</b>	<b>6.211.045</b>	<b>5.683.964</b>

During 2018, interest for COP24.992 (2017: COP27.697) were capitalized, attributable to the acquisition and construction of qualifying assets.

ISA currently holds insurance policies for combined material damages, terrorism and consequential losses, intended to ensure the loss and damage of its fixed assets, except transmission lines and towers.

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There are no restrictions or pledges or guarantee deliveries on property, plant and equipment for any obligations.

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As of December 31, 2018 and 2017 no operating and/or economic indications were identified, revealing that the net carrying value of property, plant and equipment cannot be recovered.

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- **Property, plant, and equipment movement:**

	2016 Balance	Additions and/or transfers	Sales, wri- te-offs and/or transfers	2017 Depreciation E expenses	2017 Balance	Additions and/or transfers (1)	Sales, wri- te-offs and/or transfers	2018 Depreciation expenses	2018 Balance
Grids, lines, and cables	2.487.224	19.628	-	(62.237)	2.444.615	108.067	(1.593)	(60.949)	2.490.140
Plants and ducts	1.620.314	79.926	(88)	(92.126)	1.608.026	46.796	(719)	(92.047)	1.562.056
Buildings	256.700	30.724	-	(3.562)	283.862	4.482	(1.612)	(4.087)	282.645
Machinery and equipment	16.943	737	(226)	(1.981)	15.473	6.521	-	(2.123)	19.871
Communication and computing equipment	4.467	1.581	-	(2.128)	3.920	1.294	-	(2.186)	3.028
Transportation, traction and lifting equipment	3.643	-	-	(350)	3.293	-	-	(321)	2.972
Furniture, chattels and office equipment	10.499	2.075	-	(1.629)	10.945	1.903	-	(1.839)	11.009
Lands	169.683	14.236	-	-	183.919	1.569	-	-	185.488
On-going constructions (2)	479.702	610.855	(41)	-	1.090.516	530.643	-	-	1.621.159
Property in transit (3)	-	18.343	-	-	18.343	(17.911)	-	-	432
Machinery, plant, and equipment under assembly	17.688	3.607	(243)	-	21.052	11.193	-	-	32.245
<b>TOTAL</b>	<b>5.066.863</b>	<b>781.712</b>	<b>(598)</b>	<b>(164.013)</b>	<b>5.683.964</b>	<b>694.557</b>	<b>(3.924)</b>	<b>(163.552)</b>	<b>6.211.045</b>

(1) In 2018, the following projects entered operation: UPME 06-2013 Interconexión Sabanalar- ga – Caracolí – Flores 220 kV for COP163.208, La Hermosa – Esmeralda line expansion for 115 KV at 230 for COP8.669, UPME 01-2017 Bahía de Transformador Bosque 220 kV for

COP5.190, interconnection bay of El Copey substation at 500 kV for COP2.398 and struc- tural reinforcement of edificio Mirolando for COP1.352.

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(2) As of 31 December 2018, the balance of on-going constructions mainly includes:

- UPME Project 03-2014 Northwestern Interconnection 230/500 kV for COP973.309 (2017: COP532.010), which scope comprises design, supply, civil works, assembly and commissioning of substations Antioquia, Medellín, expansion of substations and related transmission lines 500 kV – 547 km. Expected date for entry into service: December 2019.
- Costa Caribe 500 kV Interconnection project for COP233.309 (2017: COP176.710), which scope comprises design, supply, civil works, assembly and commissioning of Cerromatoso – Chinú – Copey 500 kV – 352 Km transmission lines and substations expansions. Expected date for entry into service: January 2021.
- UPME Project 07-2013 Chinú-Montería-Urabá 230 kV line for COP225.862 (2017: COP170.224), which comprises the design, supply, civil works, assembly and commissioning of Montería Substation 230 kV and related transmission lines (Chinú - Montería - Urabá) 195 km. Expected date for entry into service: March 2019.
- UPME 03-2016 San Antonio 230 kV Substation and related transmission lines for COP64.408 (2017: COP12.236), which includes the design, acquisition, construction, testing, and commissioning of two-line bays and two transformation lines for the San Antonio 230 kV Substation, two-line bays for the Sochagota Substation 230 kV (existing), and a 230 kV line double circuit between the San Antonio and Sochagota substations. Expected date for entry into service: May 2019.
- UPME 09-2016 Copey - Cuestecitas 500 kV and Copey - Fundación 220 kV for COP52.777 (2017: COP7.081), which includes design, acquisition of supplies, construction, testing, commissioning, operation and maintenance of the works linked to the Copey – Cuestecitas 500 kV and Copey – Fundación 220 kV transmission lines project. Expected date for entry into service: May 2021.

(3) The assets in transit as of 2018 correspond to the supply of the asset "suspension glass insulators" for the Interconexión Costa Caribe 500 kV project for USD144.859.

**11. Investment property - net**

	2018	2017
<b>INVESTMENT PROPERTY</b>		
Lands	1.839	1.839
Buildings	9.603	9.994
<b>SUBTOTAL INVESTMENT PROPERTY</b>	<b>11.442</b>	<b>11.833</b>
Less – cumulative depreciation	(3.506)	(4.113)
<b>TOTAL INVESTMENT PROPERTY</b>	<b>7.936</b>	<b>7.720</b>

Investment property corresponds to blocks II and V of ISA's headquarters, leased to its affiliates XM and INTERNEXA COLOMBIA, respectively. Revenues, costs and expenses associated with the investment property are executed by ISA INTERCOLOMBIA, through a participation account contract.

Investment property also includes the Manizales' headquarters.

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- **Movement of investment property**

Name	2016 Balance	Additions and/ or transfers	Sales, write-offs and/or transfers	2016 Depreciation expenses	2017 Balance	Additions and/or transfers	Sales, write-offs and/or transfers	2018 Depreciation expenses	2018 Balance
Lands	1.839	-	-	-	1.839	-	-	-	1.839
Buildings	5.964	-	-	(83)	5.881	1.310	(999)	(95)	6.097
<b>TOTAL</b>	<b>7.803</b>	<b>-</b>	<b>-</b>	<b>(83)</b>	<b>7.720</b>	<b>1.310</b>	<b>(999)</b>	<b>(95)</b>	<b>7.936</b>

There are no contracts for repairs, maintenance, acquisition, construction or development, representing future obligations for the Company as of December 31, 2018 and 2017.

## 12. Intangible assets

	2018	2017
Software	18.721	12.960
Licenses	12.408	12.360
Easements	(1)	100.409
Rights	11.635	11.635
Less – intangible amortization	(35.954)	(35.101)
<b>TOTAL INTANGIBLES</b>	<b>122.692</b>	<b>102.263</b>

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• **Movement intangible assets**

Name	2016 Balance	Additions and/or transfers	Sales and/or write-offs	2017 Amortization expense	2017 Balance	Additions and/or transfers	Sales and/or write-offs	2018 Amortization expense	2018 Balance
Software	2.804	-	-	(1.186)	1.618	5.759	-	(717)	6.660
Licenses	332	-	-	(226)	106	49	-	(102)	53
Easements	(1)	97.416	2.993	-	100.409	15.474	-	-	115.883
Rights	164	-	-	(34)	-	130	-	(34)	96
<b>TOTAL</b>	<b>100.716</b>	<b>2.993</b>	<b>-</b>	<b>(1.446)</b>	<b>102.263</b>	<b>21.282</b>	<b>-</b>	<b>(853)</b>	<b>122.692</b>

(1) From additions and transfers made in 2018, COP23.900 correspond to easements activated through the commercial commissioning of UPME 06-2013 Interconexión Sabanalarga – Caracolí – Flores 220 kV. In addition, due to changes in recognition of legal proceedings, easements provided for COP9.120 decreased (See [Note 17](#)).

As of December 2018 and December 2017, the company management believed that there were no operating and/or economic signs, indicating that the recorded net value of indefinite useful life intangible assets, may not be recovered.

### 13. Financial liabilities

The balance of this item as of December 31, 2018 and 2017 is composed of bonds and financial obligations, as shown below:

FINANCIAL LIABILITIES	NOTE	2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Outstanding bonds	<a href="#">13.1</a>	31.903	3.334.092	29.772	2.833.718
Financial liabilities	<a href="#">13.2</a>	105.436	1.048.703	83.383	980.703
<b>TOTAL</b>		<b>137.339</b>	<b>4.382.795</b>	<b>113.155</b>	<b>3.814.421</b>

**13.1 OUTSTANDING BONDS**

FINANCING SOURCE	ORIGINAL CURRENCY	DATE OF ISSUE	DUE DATE	TERM (YEARS)	INTEREST RATE (%)	2018		2017	
						NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Program Tranche 4 Lot 1	COP	07/04/2006	07/04/2026	20	CPI + 4,58	118.500	120.812	118.500	121.115
Program Tranche 4 Lot 2	COP	07/04/2006	07/04/2026	20	CPI + 4,58	104.500	99.354	104.500	98.951
Program Tranche 7 Series A	COP	01/12/2011	01/12/2023	12	CPI + 4,47	180.000	181.389	180.000	181.299
Program Tranche 7 Series B	COP	01/12/2011	01/12/2041	30	CPI + 4,84	120.000	120.888	120.000	120.789
Program Tranche 8 Series C9	COP	22/05/2013	22/05/2022	9	CPI + 2,84	120.000	120.727	120.000	120.925
Program Tranche 8 Series C15	COP	22/05/2013	22/05/2028	15	CPI + 3,25	100.000	100.696	100.000	100.872
Program Tranche 9 Series C10	COP	07/05/2015	07/05/2025	10	CPI + 3,80	100.000	100.822	100.000	100.972
Program Tranche 9 Series C15	COP	07/05/2015	07/05/2030	15	CPI + 4,14	120.000	121.024	120.000	121.222
Program Tranche 9 Series C20	COP	07/05/2015	07/05/2035	20	CPI + 4,34	280.000	282.456	280.000	282.929
Program Tranche 10 Series C8	COP	16/02/2016	16/02/2024	8	CPI + 4,73	115.000	115.625	115.000	115.753
Program Tranche 10 Series C12	COP	16/02/2016	16/02/2028	12	CPI + 5,05	152.000	152.805	152.000	153.021
Program Tranche 10 Series C25	COP	16/02/2016	16/02/2041	25	CPI + 5,38	133.000	133.514	133.000	133.737
Program Tranche 11 Series A7	COP	18/04/2017	18/04/2024	7	Fixed rate 6,75	260.780	263.980	260.780	263.960
Program Tranche 11 Series C15	COP	18/04/2017	18/04/2032	15	CPI + 3,81	196.300	198.412	196.300	198.934
Program Tranche 11 Series C25	COP	18/04/2017	18/04/2042	25	CPI + 4,00	242.920	245.590	242.920	246.260
Program Tranche 12 Series A8	COP	28/11/2017	28/11/2025	8	Fixed rate 6,99	150.080	150.818	150.080	150.802
Program Tranche 12 Series C14	COP	28/11/2017	28/11/2031	14	CPI + 3,75	120.100	120.581	120.100	120.781
Program Tranche 12 Series C30	COP	28/11/2017	28/11/2047	30	CPI + 3,98	229.820	230.766	229.820	231.168
Program Tranche 13 Series C9	COP	25/07/2018	25/07/2027	9	CPI + 3,49	156.500	158.201	-	-
Program Tranche 13 Series C15	COP	25/07/2018	25/07/2033	15	CPI + 3,89	142.063	143.708	-	-
Program Tranche 13 Series C25	COP	25/07/2018	25/07/2043	25	CPI + 4,07	201.437	203.827	-	-
<b>TOTAL</b>						<b>3.343.000</b>	<b>3.365.995</b>	<b>2.843.000</b>	<b>2.863.490</b>

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During 2018, the Company conducted the Thirteenth Tranche of the Securities Program for COP500.000 million, from which COP156.500 million were placed in Series C9 with maturity on July 2027; COP142.063 million in Series C15 with maturity on July 2033, and COP201.437 million in Series C25 with maturity on July 2043. Resources from this placement were used to finance the investment plan.

**Maturity of outstanding bonds:**

Below is the maturity of outstanding bonds as of 31 December 2018:

**DUE DATE**

Short-term	31.903
Long-term	3.334.092
2020	-
2021	-
2022	120.726
2023 and after	3.213.366
<b>TOTAL</b>	<b>3.365.995</b>

**13.2 FINANCIAL OBLIGATIONS**

FINANCING SOURCE	ORIGINAL CURRENCY	STARTING DATE	DUE DATE	TERM (YEARS)	INTEREST RATE (%)	2018		2017	
						NOMINAL VALUE	AMORTIZED COST VALUE	NOMINAL VALUE	AMORTIZED COST VALUE
Banco de Bogotá	COP	26/02/2015	26/02/2022	7	CPI + 3,60	155.703	159.169	200.189	204.875
BBVA	COP	23/02/2016	23/02/2023	7	CPI + 2,99	225.000	228.393	250.000	253.591
BBVA	COP	09/10/2017	09/10/2027	10	CPI + 4,80	50.000	50.877	50.000	50.993
Banco Davivienda	COP	09/10/2017	09/10/2027	10	CPI + 4,80	50.000	50.877	50.000	50.993
BBVA	COP	07/11/2017	07/11/2027	10	CPI + 4,80	90.000	90.938	90.000	91.165
Banco Davivienda	COP	07/11/2017	07/11/2027	10	CPI + 4,80	90.000	90.938	90.000	91.165
BBVA	COP	14/12/2017	14/12/2027	10	CPI + 4,80	60.000	60.073	60.000	60.244
Banco Davivienda	COP	14/12/2017	14/12/2027	10	CPI + 4,80	260.000	260.315	260.000	261.060
<b>TOTAL NATIONAL FINANCIAL OBLIGATIONS</b>						<b>980.703</b>	<b>991.580</b>	<b>1.050.189</b>	<b>1.064.086</b>
Scotiabank	USD	27/12/2018	27/12/2023	5	LIBOR(6M) + 1,20	162.488	162.559	-	-
<b>TOTAL FOREIGN FINANCIAL OBLIGATIONS</b>						<b>162.488</b>	<b>162.559</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>						<b>1.143.191</b>	<b>1.154.139</b>	<b>1.050.189</b>	<b>1.064.086</b>

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During 2018, the following relevant events took place, which explain debt change:

- In February and August, a payment for COP44.486 million was made to the loan from Banco de Bogotá.
- In August, a payment for COP25.000 million was made to the loan from Banco BBVA.
- In December, a disbursement from Scotiabank for USD50 million was received to cover 2018-2019 investment plan needs.

**Financial obligations maturity**

Below is the maturity of outstanding bonds as of December 31, 2018:

DUE DATE		
Short-term		105.436
Long-term		1.048.703
2020	169.486	
2021	169.486	
2022	147.243	
2023 and after	562.488	
<b>TOTAL</b>		<b>1.154.139</b>

**14. Accounts payable**

The breakdown of this item as of December 31, 2018 and 2017 is as follows:

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Suppliers and contractors	(1)	70.151	-	105.077	-
Creditors	(2)	15.930	3.450	10.049	4.792
Received deposits		-	70	5.350	905
Sales paid in advance		-	1.945	-	2.402
<b>TOTAL</b>		<b>86.081</b>	<b>5.465</b>	<b>120.476</b>	<b>8.099</b>

(1) Accounts payable to suppliers and contractors originate from the purchase of goods and services for the development of operations of the Company. These liabilities are in national currency and in foreign currency, do not accrue interest and are normally canceled according to the schedule of payments in 15, 30 or 45 days.

(2) Creditors include balances payable by: management of affiliate ISA INTERCOLOMBIA, finance lease, insurances, and accounts payable from contributions to social security.

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## 15. Risk management policy

Given the nature of its activities, ISA is exposed to financial risks mainly related to investment in foreign subsidiaries, entering into financial obligations, revenues indexed to macroeconomic variables and the acquisition of goods and services abroad.

Therefore, a risk management methodology has been implemented, which together with ongoing monitoring of financial markets, seeks to minimize potential adverse effects on the financial information. ISA identifies, evaluates and performs a comprehensive management of the financial risks the company could be exposed to, to minimize their impact on the financial results.

At ISA, the responsibility for the implementation and administration of this system belongs to the strategy office, which in turn discloses such administration to the Board of Directors of the Company. Below are the financial risks to which the Company is exposed.

### 15.1 MARKET RISK

Market risk corresponds to unfavorable variations from expected fair value or future cash flows of a financial instrument caused by adverse changes in variables such as exchange rates, domestic and international interest rates, price of indicators (macroeconomic variables), raw materials (commodities), among others.

Sensitivity analyzes listed below are made based on the balances of financial instruments with cut-off date as of December 31, 2018.

#### a. Interest rate risk and macroeconomic variables

This risk corresponds to unfavorable changes in the fair value or future cash flows of financial instruments with respect to expectations, and is caused by the

variation (volatility) of domestic and international interest rates and macroeconomic variables that are indexed to these flows thus affecting their value. The purpose of interest rate risk management is to find a balance in the revenues and debt structure which allows to stabilize the cost of the latter and minimize the volatility at the income statement.

- **Financial obligations**

ISA's debt structure is mostly indexed to interest rates and macroeconomic variables, as well as a portion of the debt is at a fixed rate as described below:

	2018
TYPE OF INTEREST RATE	(%)
CPI	82,71
Fixed interest rate	8,68
DTF	5,18
Libor + 6 months	3,43

As of December 31, 2018, those obligations indexed to DTF mainly correspond to loans with local economic related parties. On the other hand, indexed fixed rate obligations to the CPI and to Libor correspond to bank loans and corporate bond issuances.

Following are the effects before taxes in the comprehensive income statement, compared with a reasonable variation in interest rates (to date it has not been necessary to hedge financial obligations indexed at interest rate):



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YEAR	INCREASE / DECREASE BASIC POINTS	EFFECT ON PROFIT AND LOSS BEFORE INCOME TAX STATEMENT (COP MILLION)
2018	(+) 100	(38.016)
2018	(-) 100	38.016

ISA currently keeps natural hedging for CPI-indexed financial debt instruments, since most of ISA's revenues come from its subsidiary ISA INTERCOLOMBIA, which in turn are associated with the behavior of the Producer Price Index –PPI–<sup>3</sup>. These variables are related, which allows to minimize the risk impacts on the interest rate linked to macroeconomic variables.

<sup>3</sup> In accordance with the remuneration of revenues scheme set by the Energy and Gas Regulatory Commission –Comisión de Regulación de Energía y Gas–, (CREG).

• **Financial instruments - liquidity excess**

As of December 31, 2018, ISA does not keep financial instruments –liquidity excess– indexed to interest rates.

Since the financial instruments that may compose the portfolio of liquidity excess are acquired in order to hold them to maturity, these investments are not exposed to interest rate risk (investments measured at amortized cost).

**b. Exchange rate risk**

ISA has exposure to currency exchange risk –US Dollar–, by the effect on conversion of earnings received from companies abroad; amounts related to projects that have been awarded in UPME's public biddings, which revenues are calculated in US dollars and paid in Colombian pesos; costs related to service of debt obtained in US dollars, purchases of equipment and/or implementation of new projects, capitalizations to affiliates and loans to related parties.

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As of 31 December 2018, ISA held the following financial assets and liabilities:

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	USD thousand	COP million
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalent	28.117	91.374
Non-financial assets	35	115
Financial assets	3.588	11.661
Other non-financial assets	7.003	22.758
<b>TOTAL CURRENT ASSETS</b>	<b>38.743</b>	<b>125.908</b>
<b>NON-CURRENT ASSETS</b>		
Financial assets	45.488	147.825
<b>TOTAL NON-CURRENT ASSETS</b>	<b>45.488</b>	<b>147.825</b>
<b>TOTAL ASSETS</b>	<b>84.231</b>	<b>273.733</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Financial liabilities	22	72
Accounts payable	3.053	9.920
Employee benefits	1	3
<b>TOTAL CURRENT LIABILITIES</b>	<b>3.076</b>	<b>9.995</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities	50.000	162.488
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>50.000</b>	<b>162.488</b>
<b>TOTAL LIABILITIES</b>	<b>53.076</b>	<b>172.483</b>
<b>ACTIVE NET MONETARY POSITION</b>	<b>31.155</b>	<b>101.250</b>

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Following, the effects before tax are presented in the income statement, compared with a reasonable variation in the exchange rate of foreign currency –US Dollar– keeping all other variables constant:

YEAR	DEVALUATION / REVALUATION	EFFECT ON PROFIT AND LOSS BEFORE INCOME TAX STATEMENT (COP MILLION)
2018	(+)10%	9.812
2018	(-)10%	(9.812)

**c. Mitigation measures**

Hedge operations for financial risks are considered as mitigation tools for market risk, their objective is to stabilize for a time horizon, the financial statements and the cash flow before fluctuations of the aforementioned risk factors.

Thus, once the existence of exposure to a risk market is identified with certainty, decision is made for the use of natural or synthetic hedging. The closing is done through ISA treasury department, under corporate guidelines which establish a hedging and not speculation criterion.

As part of the market risk hedging –exchange rate, interest rate, price– ISA can carry out standardized derivative operations –commodity future Agreements– as well as non-standardized such as forwards, swaps and options operations at terms in agreement with the best conditions of each market, which qualify as financial hedging instruments to be recorded in the financial statements.

As of December 31, 2018, ISA does not have an exchange rate hedging for this type of risk.

**15.2 CREDIT AND COUNTERPARTY RISK**

The credit and counterparty risk is defined as the breach of contract, default or doubtful collection of the obligations entered by the Company' customers, as well as by counterparties on financial instruments owed or used, which would result in financial losses.

**a. Credit risk –clients–:**

At ISA this risk refers to the late payment, doubtful recovery of portfolio from agents who pay the charges for the use of the STN –National Transmission System–, customers connected to the STN, economic associates, dark fiber customers and other related services.

The main administration measures for this risk are:

- Mechanisms and instruments defined in the regulation to cover payments made by agents in the Wholesale Energy Market –guarantees, notes, and pre-payments, as well as the supply limitation scheme–, which include those corresponding to charges for the use of STN service, settled and managed by XM, under the contract of mandate defined in the regulation for this effect.
- Withdrawal fee clauses included in STN connection agreements.
- Collection management.
- Analysis of financial statements to new customers connecting to the STN.

**b. Credit risk –liquidity excess–:**

In bank deposits and financial investments, including the procurement of derivative instruments, credit and counterparty risk is mitigated by the selection

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of institutions widely recognized in the market and with risk rating given by locally or internationally approved agencies; additionally, a counterparty quota is assessed for these transactions through an allocation model that keeps both quantitative –financial indicators– and qualitative variables –risk ratings– which is reviewed quarterly.

Furthermore, issuer concentration policies are maintained both at individual and economic group levels that allow narrowing the credit risk exposure. Such policies are monitored regularly to ensure their effective implementation.

As of December 2018, ISA had the following risk classification due to its liquidity excess:

#### LIQUIDITY EXCESS BY LOCAL RISK RATING

Rate	Balance in COP	Share (%)
AAA	341.653	100
<b>TOTAL</b>	<b>341.653</b>	<b>100</b>

#### LIQUIDITY EXCESS BY FOREIGN RISK RATING

Rate	Balance in COP	Share (%)
A+	91.362	100
<b>TOTAL</b>	<b>91.362</b>	<b>100</b>

### 15.3 LIQUIDITY RISK

Liquidity risk is defined as the incapacity to obtain sufficient funds for the fulfillment of obligations when due, without incurring in unacceptably high costs.

ISA carries out constant monitoring of the short-term cash flow, which permits liquidity needs to be identified during the periods analyzed. Furthermore, liquidity indicators are used, such as the monthly and accumulated liquidity coverage ratio, which is calculated periodically. These ratios aim to check whether the current and non-current revenues from cash flow of the company cover its expenses.

In addition, ISA has tools in place for achieving additional liquidity such as issuance of commercial paper and credit lines with local and foreign companies, which allow remedying temporary needs for funds when so required.

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The following is a description of the future maturity profile expected for the company's financial liabilities:

AS OF DECEMBER 31, 2017	0 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial liabilities and bonds	80.450	56.889	1.499.185	2.883.610	4.520.134
Principal	47.243	47.244	1.499.185	2.883.610	4.477.282
Interest (1)	33.207	9.645	-	-	42.852
Accounts payable to related parties	-	-	186.898	123.777	310.675
Accounts payable	86.081	-	-	5.465	91.546
<b>TOTAL</b>	<b>166.531</b>	<b>56.889</b>	<b>1.686.083</b>	<b>3.012.852</b>	<b>4.922.355</b>

(1) Payment of interest projected in time.

(2) Accounts payable to economic associates in loans taken from Group companies.

## 16. Financial instruments

### 16.1 CLASSIFICATION OF ASSET FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY

#### Fair value of financial assets

The carrying value of financial assets measured at amortized cost is the approach to its fair value. The fair value is presented in the following table, based on the categories of financial assets, compared with its current and non-current carrying value included in the financial statements.

The detail of financial instruments of assets, classified by nature and category, as of December 31, 2018 and 2017 is as follows:

FINANCIAL ASSETS	NOTE	2018		2017	
		AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Cash	<u>4</u>	-	295.516	-	346.200
TDs, bonds and securities	<u>4</u>	137.556	-	14.175	-
Trusts	<u>4</u>	-	735	-	813
Financial assets	<u>5</u>	50.606	-	41.986	-
<b>TOTAL CURRENT</b>		<b>188.162</b>	<b>296.251</b>	<b>56.161</b>	<b>347.013</b>
Restricted cash	<u>7</u>	-	10.461	-	16.901
Financial assets	<u>5</u>	163.446	-	209.257	-
Investments in financial instruments	<u>9</u>	-	12.524	-	12.528
<b>TOTAL NON-CURRENT</b>		<b>163.446</b>	<b>22.985</b>	<b>209.257</b>	<b>29.429</b>
<b>TOTAL</b>		<b>351.608</b>	<b>319.236</b>	<b>265.418</b>	<b>376.442</b>

## 16.2 CLASSIFICATION OF FINANCIAL INSTRUMENTS OF LIABILITIES BY NATURE AND CATEGORY

### **Fair value of financial liabilities**

The carrying value of financial liabilities measured at amortized cost is the approach to its fair value. The fair value is presented in the following table, based on the categories of liabilities, compared with current and non-current carrying value included in the financial statements.

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The detail of liability financial instruments, classified by nature and category, as of December 31, 2018 and 2017 is as follows:

FINANCIAL LIABILITIES	NOTE	2018		2017	
		AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Financial liabilities	<u>13</u>	137.339	-	113.155	-
Accounts payable	<u>14</u>	86.081	-	120.476	-
<b>TOTAL CURRENT</b>		<b>223.420</b>	<b>-</b>	<b>233.631</b>	<b>-</b>
Financial liabilities	<u>13</u>	4.382.795	-	3.814.421	-
Accounts payable to related parties	<u>8.1</u>	310.675	-	300.346	-
Accounts payable	<u>14</u>	5.465	-	8.099	-
<b>TOTAL NON-CURRENT</b>		<b>4.698.935</b>	<b>-</b>	<b>4.122.866</b>	<b>-</b>
<b>TOTAL</b>		<b>4.922.355</b>	<b>-</b>	<b>4.356.497</b>	<b>-</b>

**a. Fair value hierarchies**

The financial instruments recognized at fair value in the statement of financial position are classified hierarchically according to the criteria described in [Note 3.9. Fair value measurement](#).

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The following table shows the financial assets and liabilities measured at fair value as of December 31, 2018 and 2017:

FINANCIAL INSTRUMENTS AT FAIR VALUE	2018		Fair value measured at the end of period		
	CURRENT	NON-CURRENT	LEVEL I	LEVEL II (1)	LEVEL III
<b>FINANCIAL ASSETS</b>					
Cash	295.516	-	295.516	-	-
Trusts	735	-	735	-	-
Restricted cash	-	10.461	10.461	-	-
Investments in financial instruments	-	12.524	-	12.524	-
<b>TOTAL</b>	<b>296.251</b>	<b>22.985</b>	<b>306.712</b>	<b>12.524</b>	<b>-</b>

FINANCIAL INSTRUMENTS AT FAIR VALUE	2017		Fair value measured at the end of period		
	CURRENT	NON-CURRENT	LEVEL I	LEVEL II (1)	LEVEL III
<b>FINANCIAL ASSETS</b>					
Cash	346.200	-	346.200	-	-
Trusts	813	-	813	-	-
Restricted cash	-	16.901	16.901	-	-
Investments in financial instruments	-	12.528	-	12.528	-
<b>TOTAL</b>	<b>347.013</b>	<b>29.429</b>	<b>363.914</b>	<b>12.528</b>	<b>-</b>

(1) Fair values have been classified in Level II, on the basis of input data of valuation techniques used. (See Note 3.9 Fair value estimation).

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## 17. Provisions

Provisions, as of December 31, are the following:

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Other estimated liabilities and provisions	(1)	4.404	6.590	24.355	7.026
Disputes and claims	(2)	4.902	-	13.932	-
<b>TOTAL PROVISIONS</b>		<b>9.306</b>	<b>6.590</b>	<b>38.287</b>	<b>7.026</b>

(1) At the end of 2018, it includes provision for assets in transit for the procurement of the project UPME 05 2014 – Reinforcement Zona Caribe 500kV and provision for external supervision to lines.

(2) The breakdown of the provision for disputes and claims is as follows:

		2018		2017	
		#	BALANCE	#	BALANCE
Administrative		3	4.074	4	2.871
Civil		-	-	247	9.120
Labor		6	828	7	1.941
<b>TOTAL</b>		<b>9</b>	<b>4.902</b>	<b>258</b>	<b>13.932</b>

The provision estimate for litigation and claims complies with the methodology of valuation established in Resolution N° 353, issued in November 2016, by the National Agency for Legal Defense of the State. This methodology consists of determining the value of claims, adjusting the real value of claims and calculating the registration value by applying what is established in the Resolution.

In 2018, in compliance with the concept issued by the General Accounting Office, a change during recognition of easements by imposition was made, which shall only be recognized at the time of payment. The above resulted in a lower value in provisions.

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The movement of provisions as of December 31, 2018 is as follows:

	CONTINGENCIES	OTHER PROVISIONS
<b>FINAL BALANCE AS OF DECEMBER 31, 2016</b>	<b>12.156</b>	<b>15.320</b>
Provisions in the period	3.802	72.770
Usage in period	(2.026)	(56.709)
<b>FINAL BALANCE AS OF DECEMBER 31, 2017</b>	<b>13.932</b>	<b>31.381</b>
Provisions in the period	7.070	7.141
Usage in period	(16.100)	(27.528)
<b>FINAL BALANCE AS OF DECEMBER 31, 2018</b>	<b>4.902</b>	<b>10.994</b>

### **17.1 DISPUTES AND CLAIMS**

ISA is currently procedural party, acting as defendant, plaintiff or intervening third party in administrative, civil and labor judicial proceedings. None of the proceedings in which it has been sued or has been summoned as intervening party may undermine the stability of the Company. Also, on its own behalf, it has instituted legal actions required for the defense of its interests.

The following information shows the probable and eventual processes against and in favor:

PROBABILITY OF WINNING OR LOSING	#	BALANCE
Likely against	9	4.902
Likely in favor	10	754
Eventual against	61	14.862
Eventual in favor	27	1.203

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The main judicial processes the Company is currently carrying out are:

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TYPE AND INSTANCE	PLAINTIFF	DESCRIPTION OF LITIGATION	ESTIMATED VALUE	PROBABILITY
Labor. Cassation Case Number 05001310500620140113500	Alonso de Jesús Buriticá, Álvaro Fabra Celis, Henry Betancur Ríos, Jaime Ospitia Obregón, José Aníbal Albarracín Ardila	Plaintiff seeks Interconexión Eléctrica S.A. E.S.P., (ISA) to acknowledge extralegal retirement pension subscribed with SINTRAISA.	7.334	Eventual
Administrative. First Instance. Serial N° 05001233100020060325200	Empresas Públicas de Medellín E.S.P., (EPM)	Plaintiff seeks to declare Interconexión Eléctrica S.A. E.S.P., (ISA) liable for unjust enrichment.	1.769	Probable
Administrative. First Instance. Serial N° 20001333100320090017200	Lino Rojas Estrada	To suspend the legal effects of the agreement called Mesa de Trabajo line 220, and order Interconexión Eléctrica S.A. E.S.P., (ISA), the payment of damages.	1.245	Eventual
Civil. First Instance. Serial N° 08001310300420170018400	Interconexión Eléctrica S.A. E.S.P.	To establish easements for the energy conduction in favor of ISA-Constitutive.	1.906	Probable
Labor. First Instance. Serial N° 68001310500220120032300	Jorge Eliécer Reyes Plata	Plaintiff seeks a declaration stating that between him and Interconexión Eléctrica S.A. E.S.P., (ISA) there was a work relation, which was ended without justifiable reason.	42	Probable
Labor. Second Instance. Serial N° 05001310502020150118500	Geisson Aguilar Ávila, Ivonne Lisseth Aguilar Ávila, Yaned Patricia Ávila Carreño	A full statement of responsibility is intended due to proven fault of Interconexión Eléctrica S.A. E.S.P., (ISA) in accident suffered by the deceased.	608	Eventual
Labor. First Instance. Serial N° 05001310500120150031300	José Omar Tabares Hincapié	The declarant is intended to declare he was forced to resign, whereby an indirect firing occurred.	564	Eventual
Administrative. First Instance. Case Number 05001233100019980397100	Gómez Cajiao y Asociados S.A.	Plaintiff seeks the absolute nullity of administrative act and auditing and consulting contract, based on the grounds that such contract was awarded to a different entity to the one the plaintiff represents, and to reestablish the rights of Gómez Cajiao y Asociados Cía. Ltda. (Today called Gómez Cajiao y Asociados S.A.) for having presented the best offer in public tender C-002 of 96.	571	Probable

**Processes in favor**

TYPE AND INSTANCE	DEFENDANT	DESCRIPTION OF LITIGATION	ESTIMATED VALUE	PROBABILITY
Second Instance- Administrative Court	Municipality of Cáceres	Annulment of the decision made by Cáceres City Hall is required to be declared, whereby Interconexión Eléctrica S.A. E.S.P., (ISA) is declared to be a person liable to pay Street Lighting Tax in the Municipality of Cáceres for the fiscal year of 2013. Declarative.	241	Probable
Cassation - Supreme Court of Justice.	Hernán Humberto Moreno Montoya, Luz María Vasco de Zuluaga, Víctor Julio Zapata Marulanda	It is requested: 1. To declare that the retirement pension value recognized to the defendant by Interconexión Eléctrica S.A. E.S.P., (ISA), in accordance with the collective agreement must be repaid from the time the defendant started enjoying thereof, with seventy five percent (75%) of the average salaries earned during the last year working at Interconexión Eléctrica S.A. E.S.P., (ISA). 2. That, consequently, the adjustment of pension values is ordered. 3. That the delta amount or the highest value paid by Interconexión Eléctrica S.A. E.S.P., (ISA), corresponding to the retirement pension of the defendant, for the difference between the pension granted by the ISS, and the difference that Interconexión Eléctrica S.A. E.S.P., (ISA), should have recognized to him, shall be ordered. 4. That the defendant shall be ordered to pay Interconexión Eléctrica S.A. E.S.P., (ISA), duly adjusted, the highest amount paid for retirement pension or delta, plus moratorium interest. 5. That the defendant shall be ordered to pay the costs. Declarations that would constitute a sentence.	145	Probable

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## 18. Taxes

### 18.1 INCOME CURRENT TAX

The tax legislation applicable to the Company establish that:

- The nominal rate on income tax is 33% for the 2018 taxable year and 34% for the 2017 taxable year.
- Law 1819 of 2016 created a 4% surtax on income tax for the 2018 taxable year and 6% for the 2017 taxable year.
- The basis for determining the income tax cannot be less than 3,5% of liquid equity on the last day of the immediately preceding taxable period, calculated by deducting such items duly authorized in the tax laws.
- Law 1819 of 2016 established, as of the 2017 taxable year, the use of International Accounting Standards applicable for Colombia as the base for the calculation of taxable income for the income tax, and the different tax treatments were made explicit.
- As of the 2017 taxable year, an anti-deferral regime for passive income obtained abroad by Colombian residents starts being enforced. It is called Empresas Controladas del Exterior (Foreign Controlled Corporations (ECE)), through which passive income obtained by corporations or other foreign corporations controlled by Colombian residents, has to be immediately declared in Colombia once ECE is enforced.

To calculate the income tax and Income Tax for Equality (CREE) for the Company, it is necessary to consider the following situations:

- a. On June 27, 2008, ISA and the Nation –Ministry of Mines and Energy– signed a legal stability agreement for the energy transmission activity for a 20-year period. This agreement basically provided for stabilization of income tax regulations,

including an income tax rate, deduction of the inflationary component of financial expenses, special deduction of 40% for new investments in real productive fixed assets, tax discount by VAT paid in the import of machinery for the energy transmission and presumptive income as 3% of liquid assets, as well as the time limit of the equity tax.

This agreement ensures that in the event of adverse changes to the rules stabilized in the agreement, those rules will continue to apply during the term thereof.

- b. Decision N° 578 of the Andean Community of Nations (Comunidad Andina de Naciones (CAN)), seeks the elimination of double taxation for income earned in any of the member countries (Ecuador, Peru, Bolivia and Colombia) through the mechanism of the exoneration.

In determining the net income in the income tax for the 2018 and 2017 years, it is included as exempted income the value obtained in the member countries of the Andean Community of Nations, (Peru, Ecuador, and Bolivia). This value results from subtracting the corresponding costs and deductions from the revenues generated by the exempted activity.

Occasional earnings are cleared separately from ordinary income. Occasional earnings are obtained from the disposal of fixed assets held for two or more years, the income generated from the liquidation of companies and those from inheritances, bequests and donations.

### **Financing Law 2018**

The Financing Law –Law 1943– was approved in December 2018. Some of the most important aspects of this reform are:



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- A gradual reduction of the income tax general rate for companies is established.

2019	2020	2021	2022 AND FOLLOWING
33%	32%	31%	30%

- The rate by which the presumptive income is calculated, is decreased until disappearing: 1,5% for 2019 and 2020 years, and 0% for 2021 year and following.
- For sales tax payers, VAT paid for the acquisition, construction or formation, and importation of capital assets of any industry may be deducted from income tax. With respect to formed assets, the discount can only be considered from the moment the asset is activated and its depreciation begins.
- It is established that 50% of industry and commerce tax and tax on advertising signs and boards settled and paid by the taxpayers, may be taken as a tax deduction in the income tax. As from the taxable year 2022, said discount will be transferred to 100% of the value paid for these taxes.
- In the regime of (Controlled Foreign Corporations (ECE)), presumption is established when 80% or more of the affiliate's revenues is active (operating) income; it will be understood that the totality of the income is active and, consequently, it will not be necessary to attribute any portion of passive income of the controlled foreign corporation.
- A regime of Colombian Holding Companies (CHC) was created for companies which main activities include securities holding, investment in shares or stakes abroad and investment management; some of its aspects are:
  - Decentralized entities, such as ISA, are understood to be included in the CHC regime.

- To belong to the CHC regime, entities must have direct or indirect stake in at least 10% of the capital of two or more Colombian and/or foreign companies or entities, for a minimum period of 12 months.
- They must have a real structure, with human and material resources that allow them to fulfill their business purpose completely.
- CHC dividends received from abroad are considered exempt income.
- Income from the sale or transfer of the stake of a CHC in entities not domiciled in Colombia are considered exempt income.
- Dividends paid by the CHC to residents in Colombia that come from dividends from abroad are taxed at the general rate for income and dividends.
- Dividends paid by the CHC to non-residents of Colombia and that come from dividends from abroad, are considered foreign income.
- CHCs and their shareholders will be subject to the income tax general regime with respect to taxed activities carried out in the national territory.
- CHCs will pay industry and commerce tax only for Colombian income.
- A 7,5% withholding is established for dividends distributed to companies domiciled in Colombia. This withholding is calculated and paid for the distribution of dividends to the first company, and is credited until the final beneficiary. Companies that belong to the CHC regime will not be subject to this withholding, due to dividends received from national companies.
- The dividend tax rate, when paid to non-residents of Colombia, is now 7,5% (previously 5%).
- The dividend tax rate, when paid to natural persons in Colombia, is 15% for dividends exceeding COP10, and tax withheld at source of 7,5% will be deducted from this 15%. This rate before Finance Law was 5% for dividends exceeding COP19,8 and 10% for dividends exceeding COP33.
- A mega-investment regime was created for new investments of at least COP1

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trillion in any industrial, commercial and/or service activity and that generate at least 250 direct jobs, with the following considerations:

- The investment must be made in property, plant, and equipment, and must be executed in a maximum period of five years.
- Investments that qualify as mega investments will apply a 27% rate on income tax.
- The depreciation of fixed assets would be made in two years, regardless of their useful life.

- Presumptive income would not be applied.
- It will be possible to enter into a legal stability contract, for which a premium of 0,75% must be paid from the investment executed in each year for a maximum period of five years in which the investment must be executed.

## 18.2 TAX ASSETS

Tax assets to December are:

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Estimated income tax receivable	(1)	36.974	-	19.273	-
Other assets from taxes and contributions	(2)	192	24.955	1.624	44.649
<b>TOTAL</b>		<b>37.166</b>	<b>24.955</b>	<b>20.897</b>	<b>44.649</b>

(1) This income tax receivable is calculated by estimating the income tax for the year with its corresponding surtax, decreased due to the application of tax discounts due to taxes paid abroad and deductible VAT from import and procurement of heavy machinery for basic industries (Article 258-2 Tax Statute), and the application of withholding tax at source paid during the year and advance payments in the income tax statements corresponding to the former period.

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Current income tax		(85.748)	-	(58.704)	-
Discounts, withholdings, advances		122.722	-	77.977	-
<b>TOTAL ESTIMATED INCOME TAX RECEIVABLE</b>		<b>36.974</b>	<b>-</b>	<b>19.273</b>	<b>-</b>

(2) This item corresponds to deferred withholding tax advance payments, to the amount of deductible VAT from import and procurement of heavy machinery for basic industries (Article 258-2 Tax Statute) that will be offset in subsequent periods, and to the industry and commerce credit balance from some of the municipalities in which the Company is a taxpayer.

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### **18.3 RECONCILIATION OF INCOME TAX EXPENSE**

The reconciliation between the income tax expense and the product of accounting profit multiplied by the local tax rate of the Company is as follows:

	2018	2017
Net profits before income tax	1.545.917	1.516.505
Income tax rate in Colombia	37%	40%
Income tax expense at local rate	571.989	606.602
<b>INCREASE (DECREASE) IN THE PROVISION OF TAX AS A RESULT OF:</b>		
Application of fixed assets benefit	(85.913)	(106.533)
Non-deductible expenses	7.606	22.961
Taxable dividends, CAN dividends, ECE income	88.142	30.290
Equity method	(396.917)	(451.310)
Exempted income	(92.078)	(21.865)
Lower tax paid in other jurisdictions	7.353	(3.690)
Current and deferred rates difference	(83.420)	(2.658)
<b>INCOME TAX EXPENSE</b>	<b>16.762</b>	<b>73.797</b>
<b>INCOME TAX EFFECTIVE RATE</b>	<b>1,08%</b>	<b>4,87%</b>

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The reconciliation between the income tax expense and the product of accounting profit, excluding the equity method impact, multiplied by the local tax rate of the Company is as follows:

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	2018	2017
Net profits before income tax	1.545.917	1.516.505
Equity method	(1.072.787)	(1.128.274)
Net profits before income tax excluding equity method	473.130	388.231
Income tax rate in Colombia	37%	40%
Income tax expense at local rate	175.057	155.292
<b>INCREASE (DECREASE) IN THE PROVISION OF TAX AS A RESULT OF:</b>		
Application of fixed assets benefit	(85.913)	(106.533)
Non-deductible expenses	7.606	22.961
Taxable dividends, CAN dividends, ECE income	88.142	30.290
Exempted income	(92.078)	(21.865)
Lower tax paid in other jurisdictions	7.353	(3.690)
Current and deferred rates difference	(83.405)	(2.658)
<b>INCOME TAX EXPENSE</b>	<b>16.762</b>	<b>73.797</b>
<b>INCOME TAX EFFECTIVE RATE</b>	<b>3,54%</b>	<b>19,01%</b>

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The amount of income tax in the income statement for the period corresponds to the recognition of the current tax on profits of the year for Colombia, the amount withheld abroad that cannot be accredited from the national tax, previous year tax adjustments, and the change in deferred tax, as follows:

	2018	2017
<b>THE INCOME TAX EXPENSE CONSISTS OF:</b>		
Current income tax expense	85.748	58.704
Expenses for taxes paid in other jurisdictions	7.353	4.484
Deferred income tax expense	(60.995)	11.722
Income tax adjustment former years	(15.344)	(1.113)
<b>INCOME TAX EXPENSE</b>	<b>16.762</b>	<b>73.797</b>

• **Effective rate vs. nominal income tax rate**

**Income tax effective rate**

	2018	2017
Income tax provision	16.762 = 1,08%	73.797 = 4,87%
Income before taxes	1.545.917	1.516.505

**Income tax effective rate deducting the equity method impact**

The equity method found on income is not a basis for calculating the income tax. To calculate income tax, the basis taken into account is dividends actually received in the year and which are taxable under current tax regulations. This makes the

effective rate of the Company to be distorted. The following is the calculation of the effective tax rate by debugging the impact from equity method included in the income statement.

	2018	2017
Income tax provision	16.762 = 3,54%	73.797 = 19,01%
Income before tax excluding the equity method.	473.130	388.231

The effective rate, excluding the equity method impact, for 2018 was 3,54% compared with a nominal rate of 37% (Income Tax 33%, Surtax 4%), while for 2017, the effective rate was 19,01% compared with a nominal rate of 40% (Income Tax 34% and CREE surtax 6%), mainly explained by:

- The application of the deduction for investment in productive fixed assets reduces the payment of income tax. For 2018, there is a reduction of 18% of the effective rate compared with the nominal rate. For 2017, this item reduced the rate by 27%.
- The non-deductibility of expenses, and other differences in accounting and tax treatments, generates an increase of the rate in 2%. For 2017, the effect on the rate was 6%.
- The impact of the application of the Controlled Foreign Corporations (ECE) regime, created by the 2016 tax reform and applicable from the 2017 tax year, combined with the application of the exempted income by executing operation in the (Andean Community of Nations (CAN)), caused a tax decrease by 1%, in 2018. For 2017, it represented an increase of 2% for the effective rate.
- The amount of taxes paid abroad and that cannot be held as tax credit in income tax, generated an increase of 2% in the effective rate, and an increase of 1% in 2017.

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- Considering the income tax rate decrease regulated by the Financing Law, Law 1943 of 2018, the Company adjusted deferred taxes at the future rates for which the temporary differences originating them are expected to be reversed, meaning the recognition of a lower deferred tax provision for COP83 billion, in 2018. Accordingly, the calculation of deferred taxes at rates under current rates represented a decrease of the effective rate by 18%, in 2018. For 2017, the effect on the rate was a decrease of 1%.

#### **18.4 DEFERRED TAX**

The Company's deferred tax is related to the following:

- In property, plant and equipment by differences in the recognition of deemed cost, inflation adjustments for tax purposes, recognition of finance leases and the use of different useful lives for tax and accounting purposes.
- In Liabilities, by differences for determining financial obligations, the recognition of finance leases, non-deductible provisions and the difference between the amortization of the actuarial calculation.

Following is the detailed balance of the Company's net deferred tax:

	2018		2017	
	BEGINNING OF THE PERIOD	END OF THE PERIOD	BEGINNING OF THE PERIOD	END OF THE PERIOD
<b>DEFERRED TAX ASSETS</b>				
Accounts receivable	2.280	(4.040)	536	2.279
Estimated liabilities and provisions	2.943	2.486	7.938	2.943
Accounts payable	1.282	1.186	1.733	1.282
Intangibles and other assets	9.437	6.998	9.838	9.437
Labor liabilities	32.999	30.923	26.438	32.999
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>48.941</b>	<b>37.553</b>	<b>46.483</b>	<b>48.940</b>
<b>DEFERRED TAX LIABILITY</b>				
Property, plant and equipment	(952.543)	(880.031)	(944.364)	(952.542)
Financial liabilities	(5.393)	(5.738)	(2.471)	(5.393)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(957.936)</b>	<b>(885.769)</b>	<b>(946.835)</b>	<b>(957.935)</b>
<b>NET DEFERRED TAX</b>	<b>(908.995)</b>	<b>(848.216)</b>	<b>(900.352)</b>	<b>(908.995)</b>

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Annual changes in the deferred tax balance were recognized as shown below:

	2018	2017
<b>DEFERRED TAX VARIATION</b>		
Beginning of the period (net)	(908.995)	(900.352)
End of the period (net)	(848.216)	(908.995)
<b>VARIATION OF THE PERIOD</b>	<b>(60.779)</b>	<b>8.643</b>
<b>DETAIL OF THE DEFERRED TAX VARIATION</b>		
Variation recognized in income	21.743	11.722
Variation recognized in income from rate change	(82.738)	-
Variation recognized in other comprehensive income	43	(3.079)
Variation recognized in retained earnings	173	-
<b>TOTAL DEFERRED TAX VARIATIONS</b>	<b>(60.779)</b>	<b>8.643</b>

The Company has permanent investments, which have accounting and tax differences resulting from the application of the equity method for accounting purposes and the fiscal cost of the same. No deferred taxes have been calculated on these differences as there is no expectation of realization on the same. The non-recognized deferred tax would be determined by applying the rate at which capital gains would be taxed depending on the country where the investment is located, to the differences between the carrying cost and the tax cost of the investment.

The Company does not have any tax losses or presumptive income excesses pending to take advantage for future tax calculations, and therefore it has not recognized any deferred tax amount for this item.

### **18.5 TAX LIABILITIES**

Tax liabilities include withholding balances and self-withholding at source payable, sales tax of the last two months of the year, withholding at source from industry and commerce tax, withholding of Universidad National stamp, and the contributions pending payment. These amounts are paid in the following year.

	2018		2017	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Other tax liabilities	12.590	-	10.271	-
<b>TOTAL OTHER TAX LIABILITIES</b>	<b>12.590</b>	<b>-</b>	<b>10.271</b>	<b>-</b>

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**18.6 TOTAL TAXES 2018**

The Company contributed during 2018 with COP41.810 in total taxes, of which COP7.274 are recognized by the regulator. The following table shows the amounts the Company disclosed in its 2018 Financial Statements as costs/expenses for the year.

2018 TAXES	NATIONAL GOVERNMENT	DEPARTMENTAL AND MUNICIPAL GOVERNMENTS	SECTOR CONTRIBUTIONS	REGULATION, SURVEILLANCE AND CONTROL ENTITIES	TOTAL TAXES, FEES AND CONTRIBUTIONS
Income tax	16.762	-	-	-	16.762
Industry and trade tax	-	2.572	-	-	2.572
Financial transaction tax	7.075	-	-	-	7.075
Street lighting tax	-	1.378	-	-	1.378
Real estate tax	-	3.360	-	-	3.360
Other municipal taxes (1)	-	797	-	-	797
<b>SUBTOTAL TAXES</b>	<b>23.837</b>	<b>8.107</b>	-	-	<b>31.944</b>
Contribution SSPD and CREG	-	-	523	-	523
Inspection fee - Comptroller's Office of the Republic	-	-	-	2.069	2.069
<b>SUBTOTAL CONTRIBUTIONS</b>	-	-	<b>523</b>	<b>2.069</b>	<b>2.592</b>
Energy Mining Planning Unit (UPME)	-	-	-	7.274	7.274
<b>SUBTOTAL RECOGNIZED CONTRIBUTIONS</b>	-	-	-	<b>7.274</b>	<b>7.274</b>
<b>TOTAL TAXES</b>	<b>23.837</b>	<b>8.107</b>	<b>523</b>	<b>9.343</b>	<b>41.810</b>

(1) Other municipal taxes include: tax on advertising signs and boards, fire department surtax, vehicle tax, surtax on disaster prevention and environmental surtax.

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## 19. Employee benefits

The Company offers its retired employees contributions subsequent to the employment relationship by pension, medical assistant plan, education support, and seniority premium.

The structure of the benefits to non-current employees as of 31 December 2018 and 2017 is the following:

		2018	2017
<b>BENEFIT</b>	<b>NOTE</b>		
Retirement pensions	<u>19.1</u>	136.076	137.629
Health plans, prepaid medicine, and medical assistance	<u>19.2</u>	78.202	74.721
Education support	<u>19.3</u>	9.673	9.059
Seniority and quinquennium bonus	<u>19.4</u> <u>19.5</u>	2.255	1.885
<b>TOTAL LONG-TERM EMPLOYEE BENEFITS</b>		<b>226.206</b>	<b>223.294</b>

### 19.1 RETIREMENT PENSIONS

ISA, according to the collective and individual employment contracts, must pay retirement pensions to those employees who meet certain requirements of age and service delivery time. The Social Security Institute (ISS) (today Colpensiones), and pension management companies, assume the major portion of this obligation, according to the compliance with legal requirements.

The present value of the pension obligation, as of December 31, 2018 and 2017 was determined based on actuarial studies in accordance with IAS 19 using the

actuarial valuation method. Projected unit credit is used to determine the present value of the defined benefit obligation, and where appropriate, the cost for services and the cost of past services.

Under this method, the benefits are attributed to periods in which the obligation to provide benefits is created by directly applying the formula of the benefit of the service-based plan on the valuation date. When the benefit is based on compensation or salary, or salary increases, they are applied until the date on which the participant is expected to end the service. However, if the service in recent years leads to significant additional benefits in previous years, these benefits are linearly attributed from the date when service by the employee entitles to benefits under the plan, until such date when subsequent services lead to no additional material amount of benefits under the plan.

The primary actuarial assumptions used in the valuation are:

	2018	2017
<b>VARIABLES</b>		
Discount rate	7,30%	7,10%
Future salary increase	4,00%	4,00%
Future pension increase	3,50%	3,50%
Inflation rate	3,50%	3,50%
Minimum salary increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rates	2008 valid rentiers	2008 valid rentiers
Number of people covered by pension plan	407	410
Number of people covered by contributions plan	-	9



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**19.2 HEALTH PLANS, PREPAID MEDICINE, AND MEDICAL ASSISTANCE**

ISA will pay the following percentages on premiums for health plans corresponding to prepaid medical assistance and hospitalization policy:

- For salaries and pensions up to four point three (4,3) current minimum legal monthly salaries (SMLMV) in force, 90% of the premium value.
- For salaries and pensions above four point three (4,3) and up to five point five (5,5) current minimum legal monthly salaries (SMLMV), eighty percent (80%) of the premium value.
- For salaries and pensions above five point five (5,5) current minimum legal monthly salaries (SMLMV), seventy percent (70%) of the premium value.

ISA acknowledges 1,70 SMLMV as medical assistance. This benefit is granted to the employee and its beneficiaries.

The primary actuarial assumptions used in the valuation are:

	2018	2017
<b>VARIABLES</b>		
Discount rate	7,30%	7,20%
Minimum salary increase	4,00%	4,00%
Initial increase rate for benefit cost	6,17%	7,00%
Final increase rate for benefit cost	4,50%	4,50%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by medical assistance plan	1.043	1.052

**19.3 EDUCATION ASSISTANCE**

Employees are entitled to a recognition for education support, for each child of active employees and pensioned personnel, below 18 years old, and above 18 to 25 years old, provided they are single and are not working.

The values to recognize will be provided in the collective agreements in effect:

EDUCATIONAL LEVEL	AMOUNT TO BE RECOGNIZED FOR EACH PERIOD BENEFICIARIES OF THE LABOR COLLECTIVE PACT
Preschool, kindergarten, primary and secondary, for each child	4,5 SMLMV (annual)
Technology, technical, professional and specialization in technology, for each child	2,25 SMLMV (per semester)
Children with learning disabilities, any age	4,5 SMLMV (annual)

The assistance will be paid per year or early school semester, and must be made in education centers duly approved by the competent entity.

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The primary actuarial assumptions used in the valuation are:

	2018	2017
<b>VARIABLES</b>		
Discount rate	7,40%	7,20%
Minimum salary increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by education plan	213	219

These benefits are valued annually. Reconciliation movements are presented below:

	PENSION AND CONTRIBUTIONS	MEDICAL ASSISTANCE PLAN	EDUCATION ASSISTANCE	TOTAL
<b>BALANCE AS OF DECEMBER 31, 2017</b>	<b>137.629</b>	<b>74.721</b>	<b>9.059</b>	<b>221.409</b>
Current period service costs	-	604	328	932
Interest expense/revenue	9.441	5.227	642	15.310
Actuarial (profit)/Loss from experience	1.115	2.785	203	4.103
Actuarial (Gains)/Losses from financial assumptions	(2.787)	(898)	(274)	(3.959)
Benefits directly paid by the Company	(9.322)	(4.237)	(285)	(13.844)
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b>136.076</b>	<b>78.202</b>	<b>9.673</b>	<b>223.951</b>

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The quantitative analysis of sensitivity to a change in a key assumption would generate the following effect on net obligation of defined benefits:

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ASSUMPTIONS	PENSION	MEDICAL	EDUCATIONAL
<b>CHANGE IN DISCOUNT RATE</b>			
Increase in discount rate in +1%	(12.597)	(8.096)	(1.202)
Decrease in discount rate in -1%	14.970	9.841	1.508
<b>CHANGE IN BENEFIT INCREASE</b>			
Increase in benefit rise in +1%	-	-	1.601
Decrease in benefit increase in -1%	-	-	(1.289)
<b>CHANGE IN MEDICAL TREND</b>			
Increase in medical trend in +1%	-	8.675	-
Decrease in medical trend in -1%	-	(7.195)	-
<b>OBLIGATION BASE</b>	<b>136.077</b>	<b>78.202</b>	<b>9.673</b>
<b>TERM OF PLAN</b>	<b>10,8</b>	<b>12,1</b>	<b>15,0</b>

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Sensitivity analysis estimates the effect on post-employment benefit obligation as a result of reasonably possible changes in key assumptions used at each reporting date.

In 2018, COP144 was recorded in other comprehensive income for defined benefit plans, net of taxes.

The estimate of pension liabilities will have the following results, in case it was calculated under the terms of the Regulatory Technical Framework, from Decree 2420 of 2015, modified by Decree 2496 of 2015 and subsequent adjustments.

The primary actuarial assumptions used in the valuation are:

	2018
<b>VARIABLES</b>	
Technical interest real rate	4,80%
Salary increase rate	5,09%
Pension increase rate	5,09%
Inflation rate	5,09%
Mortality rate	2008 valid rentiers
Number of people covered by pension plan	407

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The results of the estimate as of December 31, 2018 of mathematical retirement pension reserve in charge of ISA, considering the Regulatory Technical Framework, are presented below:

GROUP	NUMBER OF PERSONS	MATHEMATICAL RESERVE VALUE AS OF DECEMBER 31, 2018
Pension liability increase	3	1.718
Retired staff with shared pension	324	93.732
Beneficiary staff in charge of the Company	6	1.132
Retired staff by the Company and in expectation of ISS (Colpensiones)	2	355
Beneficiary shared staff with the ISS (Colpensiones)	62	19.525
Active staff with requirements met with the Company and ISS (Colpensiones)	3	4.348
Voluntarily retired staff affiliated to ISS (Colpensiones)	2	864
Staff with temporary and shared rents with ISS (Colpensiones)	4	572
Disability pension (replacement) shared with ISS (Colpensiones)	1	254
<b>TOTAL</b>	<b>407</b>	<b>122.500</b>

**19.4 QUINQUENNium**

The benefit is provided every five years of service in the Company. It consists of paying a fixed amount when the employee turns five years of service.

**19.5 SENIORITY PREMIUM**

The benefit consists of the annual payment of one day's salary per each year of service with the Company, in the month of completion of each year of service. The benefit begins when participant completes five years of service with the Company.

The primary actuarial assumptions used in the valuation are:

	2018	2017
<b>VARIABLES</b>		
Discount rate	6,90%	6,90%
Minimum salary increase	4,50%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by seniority premium and quinquennium	110	109

These benefits are valued annually. Reconciliation movements are presented below:

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<b>SENIORITY PREMIUM AND QUINQUENNium</b>	
<b>BALANCE AS OF DECEMBER 31, 2017</b>	<b>1.885</b>
Current period service costs	205
Interest expense/revenue	117
Actuarial (profits)/Losses from experience	355
Actuarial (profits)/Losses from financial assumptions	79
Benefits directly paid by the Company	(386)
<b>BALANCE AS OF DECEMBER 31, 2018</b>	<b>2.255</b>

The quantitative analysis of sensitivity to a change in a key assumption would generate the following effect on net obligation of long-term benefits:

<b>ASSUMPTIONS</b>	<b>SENIORITY/ QUINQUENNium</b>
<b>CHANGE IN DISCOUNT RATE</b>	
Increase in discount rate in +1%	(146)
Decrease in discount rate in -1%	164
<b>CHANGE IN SALARY INCREASE</b>	
Increase in salary rise in +1%	171
Decrease in salary raise -1%	(155)
<b>OBLIGATION BASE</b>	<b>2.255</b>
<b>TERM OF PLAN</b>	<b>7,3</b>

Sensitivity analysis estimates the effect on long-term benefit obligation as a result of reasonably possible changes in key assumptions used at each reporting date.

## 20. Other non-financial liabilities

		2018		2017	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Deferred revenues and credits	(1)	-	173.232	-	191.812
Revenues received in advance from sales		3.495	-	3.710	-
Collections in favor of third parties		488	-	330	-
<b>TOTAL OTHER NON-FINANCIAL LIABILITIES</b>		<b>3.983</b>	<b>173.232</b>	<b>4.040</b>	<b>191.812</b>

(1) Deferred revenues from the National Transmission System (STN), COP170.958 (2017: COP186.117) from call for bids assets (UPME) and infrastructure use rights for COP2.274 (2017: COP5.695).

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## 21. Equity

### 21.1 SUBSCRIBED AND PAID-IN CAPITAL AND NUMBER OF SHARES

ISA's subscribed and paid-in capital, as of December 31, 2018 and 2017, is COP36.916, represented in 1.125.498.016 shares, distributed as follows:

	2018		
SHAREHOLDER	NUMBER OF SHARES	COP MILLION	INTEREST (1) (%)
<b>STATE INVESTORS</b>			
Ministry of Finance and Public Credit	569.472.561	18.679	51,4114
Empresas Públicas de Medellín E.S.P., (EPM)	112.605.547	3.693	10,1659
<b>SUBTOTAL</b>	<b>682.078.108</b>	<b>22.372</b>	<b>61,5773</b>
<b>PRIVATE CAPITAL INVESTORS</b>			
Mandatory Pension Fund Porvenir Moderate	98.326.440	3.225	8,8768
Mandatory Pension Fund Protección Moderate	67.955.404	2.229	6,1349
Mandatory Pension Fund Colfondos Moderate	26.990.789	885	2,4367
Fondo Bursátil Ishares Colcap	21.002.149	689	1,8961
Mandatory Pension Fund Old Mutual Moderate	10.904.210	358	0,9844
Norges Bank-Cb New York	10.844.779	356	0,9791
Vanguard Emerging Markets Stock Index Fund	6.638.937	218	0,5994
Abu Dhabi Investment Authority J.P. Morgan	6.147.953	202	0,5550
Vanguard Total International Stock Index Fund	5.999.852	197	0,5417

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	2018			
SHAREHOLDER	NUMBER OF SHARES	COP MILLION	INTEREST (1) (%)	
Fondo Bursátil Horizons Colombia Select De S&P	5.616.811	184	0,5071	
Ishares Edge Msci Min Vol Emerging Markets Etf	5.553.153	182	0,5013	
Ishares Core Msci Emerging Markets Etf	3.792.111	124	0,3423	
Fondo de Cesantias Porvenir	3.062.234	100	0,2765	
Msci Equity Index Fund B - Colombia	2.701.764	89	0,2439	
Emerging Markets Core Equity Portfolio of Dfa Inve	2.504.033	82	0,2261	
Ishares Msci Emerging Markets Etf	2.490.129	82	0,2248	
Monetary Authority of Singapore State Street	2.402.546	79	0,2169	
The Bank of Nova Scotia	2.131.154	70	0,1924	
Other shareholders	140.535.338	4.608	12,6873	
<b>SUBTOTAL</b>	<b>425.599.786</b>	<b>13.959</b>	<b>38,4227</b>	
<b>TOTAL OUTSTANDING SUBSCRIBED CAPITAL</b>	<b>1.107.677.894</b>	<b>36.331</b>	<b>100,0000</b>	
Own shares reacquired (2)	17.820.122	585		
<b>TOTAL SUBSCRIBED AND PAID-IN CAPITAL</b>	<b>1.125.498.016</b>	<b>36.916</b>		

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<b>SHAREHOLDER</b>	<b>NUMBER OF SHARES</b>	<b>COP MILLION</b>	<b>INTEREST (1) (%)</b>
<b>STATE INVESTORS</b>			
Ministry of Finance and Public Credit	569.472.561	18.679	51,4114
Empresas Públicas de Medellín E.S.P., (EPM)	112.605.547	3.693	10,1659
<b>SUBTOTAL</b>	<b>682.078.108</b>	<b>22.372</b>	<b>61,5773</b>
<b>PRIVATE CAPITAL INVESTORS</b>			
Mandatory Pension Fund Porvenir Moderate	101.141.309	3.316	9,1309
Mandatory Pension Fund Protección Moderate	69.095.393	2.266	6,2379
Mandatory Pension Fund Colfondos Moderate	28.630.240	939	2,5847
Ishares Colcap Stock Fund	16.164.729	530	1,4593
Mandatory Pension Fund Old Mutual Moderate	10.704.210	351	0,9664
Norges Bank-Cb New York	10.617.842	348	0,9586
Vanguard Emerging Markets Stock Index Fund	6.700.140	220	0,6049
Abu Dhabi Investment Authority J.P. Morgan	5.505.236	181	0,497
Ishares Edge Msci Min Vol Emerging Markets Etf	4.806.895	158	0,434
Horizons Colombia Select De S&P Stock Fund	4.743.195	156	0,4282
Vanguard Total International Stock Index Fund	4.630.465	152	0,418
Ishares Msci Emerging Markets Etf	2.810.216	92	0,2537

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	2017			
SHAREHOLDER	NUMBER OF SHARES	COP MILLION	INTEREST (1) (%)	
Ishares Core Msci Emerging Markets Etf	2.767.563	91	0,2499	
Blackrock Institutional Trust Company N.A.	2.554.509	84	0,2306	
Monetary Authority of Singapore	2.387.797	78	0,2156	
Caxdac - Old-age	2.185.377	72	0,1973	
Emerging Markets Core Equity Portfolio of Dfa Inve	2.136.337	70	0,1929	
Pension Fund Protección Vol-Moder	2.031.959	67	0,1834	
Other shareholders	145.986.374	4.788	13,1794	
<b>SUBTOTAL</b>	<b>425.599.786</b>	<b>13.959</b>	<b>38,4227</b>	
<b>TOTAL OUTSTANDING SUBSCRIBED CAPITAL</b>	<b>1.107.677.894</b>	<b>36.331</b>	<b>100</b>	
Own shares reacquired (2)	17.820.122	585		
<b>TOTAL SUBSCRIBED AND PAID-IN CAPITAL</b>	<b>1.125.498.016</b>	<b>36.916</b>		

(1) Percentage of interest on outstanding shares, which are common, nominal and dematerialized.

(2) Shares belonged to CORELCA, and were reacquired by ISA in August, 1998. To this date, all rights inherent thereto have been suspended, and consequently, they do neither participate in the distribution of dividends nor are part of the quorum to deliberate and decide.

The Colombian Centralized Deposit of Securities (Depósito Centralizado de Valores de Colombia (DECEVAL)), is an entity that receives securities in deposit, for their administration and custody, thereby contributing to facilitate and speed up market agents' operations.

### **21.2 AUTHORIZED SHARES AND NOMINAL VALUE**

As of December 31, 2018 and 2017, the authorized capital stock included 1.371.951.219 common shares, with a nominal value of COP32,800000005352. All issued shares are fully paid.

### **21.3 RIGHTS AND RESTRICTIONS OF SHAREHOLDERS**

Shareholders with common shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at the Company Shareholders' Meetings. ISA is listed in the Colombia Stock Exchange.

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## **21.4 PREMIUM FOR PLACEMENT OF SHARES**

This item amounts to COP1.428.128 in 2018 and 2017. (See Note 3.18)

## **21.5 DIVIDENDS**

Dividends declared in 2018 and 2017, on income from the previous year, are as detailed below:

	2018	2017
Net income of previous period	1.442.708	2.141.460
Outstanding shares:	1.107.677.894	1.107.677.894
Ordinary dividend per share (in COP)	266	248
Extraordinary dividend per share (in COP)	276	144
Total declared dividends per share	542	392
Declared dividends	600.361	434.210
Payment method	Ordinary and extraordinary dividends payable in two installments, July and December 2018.	Ordinary and extraordinary dividends payable in two installments, July and December 2017.

The detail of paid dividend in the last years is as follows:

ATTRIBUTED TO THE PERIOD	TYPE OF DIVIDEND	DATE OF PAYMENT	COP PER SHARE
2015	Ordinary	26-Jul-16	114
2015	Extraordinary	26-Jul-16	30
2015	Ordinary	15-Dec-16	114
2015	Extraordinary	15-Dec-16	30
2016	Ordinary	25-Jul-17	124
2016	Extraordinary	25-Jul-17	72
2016	Ordinary	12-Dec-17	124
2016	Extraordinary	12-Dec-17	72
2017	Ordinary	12-Jul-18	133
2017	Extraordinary	12-Jul-18	138
2017	Ordinary	04-Dec-18	133
2017	Extraordinary	04-Dec-18	138

**21.6 RESERVES**

		2018	2017
Legal	(1)	18.458	18.458
Legal under tax provisions		898.802	898.802
For equity strengthening	(2)	3.473.612	2.631.265
For rehabilitation and replacement of STN assets	(3)	37.434	37.434
<b>TOTAL</b>		<b>4.428.306</b>	<b>3.585.959</b>

(1) According to the law, the Company is required to set aside 10% of its net annual profits as legal reserve until the balance of this reserve equals 50% of the subscribed capital. The mandatory legal reserve may not be distributed before the liquidation of the Company, but may be used to absorb or reduce net annual losses. Reserve balances are freely available to shareholders, as to the amount exceeding 50% of the subscribed capital.

(2) In compliance with Article 47 of the Bylaws, the General Shareholders' Meeting has established this reserve occasionally, so that the Company keeps its financial strength, maintains the level of financial indicators required by credit rating agencies

to provide investment grade and fulfill the contractual commitments acquired with financial entities. On March 31, 2018, the General Shareholders' Meeting decided to constitute an occasional reserve for equity strengthening for COP842.347 million, to cover investment commitments already acquired and maintaining financial strength.

(3) On March 30, 2000, the General Shareholders' Meeting approved an appropriation of COP24.933 for the rehabilitation and replacement of the National Transmission System assets, and on March 18, 2002 an addition to this reserve was approved for COP12.501, for a total of COP37.434.

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## 22. Revenues from contracts with clients

		2018	2017
Participation account	(1)	826.231	805.898
Energy Transmission services	(2)	118.012	64.590
Connection to the STN		2.228	2.176
Management, operation and maintenance		87	99
<b>SUBTOTAL ENERGY TRANSMISSION</b>		<b>946.558</b>	<b>872.763</b>
Information and Telecommunications Technologies	(3)	4.463	3.783
<b>SUBTOTAL INFORMATION AND TELECOMMUNICATIONS TECHNOLOGIES</b>		<b>4.463</b>	<b>3.783</b>
Construction services for infrastructure projects	(4)	6.988	6.472
<b>SUBTOTAL FOR CONSTRUCTION SERVICES FOR INFRASTRUCTURE PROJECTS</b>		<b>6.988</b>	<b>6.472</b>
<b>TOTAL ENERGY TRANSMISSION BUSINESS UNIT</b>		<b>958.009</b>	<b>883.018</b>
Technology transference		6.311	6.221
Other services		-	-
<b>TOTAL REVENUES OTHER SERVICES</b>		<b>6.311</b>	<b>6.221</b>
<b>TOTAL REVENUES FROM CONTRACTS WITH CLIENTS</b>		<b>964.320</b>	<b>889.239</b>

(1) Since 2014, ISA INTERCOLOMBIA, ISA's affiliate, is responsible for the representation of energy assets and therefore it receives most of the revenues from the Existing Grid, UPMEs and connection to the STN. Periodically and with the settlement of the participation account contract, ISA, inactive partner, receives 95% of income as revenue from participation account.

(2) They represent the remuneration due to services rendered by the Company for Energy Transmission (STN use) and connection to the National Transmission System (STN). For 2018, an increase of income due to STN use services occurred, since ISA started to receive income from the following UPMEs: UPME 03-16 from July 2018, with an average monthly income of COP1.840; UPME 03-14 from September 2018, with an average

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monthly income of COP11.509; and UPME 05-14 from October 2018, with an average monthly income of COP3.908, offset with the decrease of UPME 06-13 transferred to ISA INTERCOLOMBIA in May 2018, which generated average income of COP1.822.

(3) It mainly includes use rights income from members of the alliance made in 1997 between ISA and sector companies of Information and Telecommunications Technologies in order

to jointly develop an optical fiber network across Bogota, Medellin, and Cali, to improve the country's telecommunication system. Income from this contract are COP3.323 (2017: COP2.544)

(4) Income from engineering services, management, and consultancy in construction projects from third parties, which are described as follows:

	2018	2017
<b>PROJECT NAME</b>		
Mantaro-Montalvo 500 kV line	2.172	1.701
Maitencillo–Pan de Azúcar 2x500 kV New Line and Pan de Azúcar–Polpaico 2x500 kV New Line (PLEX 1)	2.215	86
Project management consultancy	1.424	851
Operation and maintenance services INTERCHILE S.A.	781	-
Reactive Compensation in 2x500 kV Pan de Azúcar–Polpaico New Line	181	-
Maitencillo–Pan de Azúcar Autotransformer Bank	158	1.796
Carapongo Substation	-	1.464
Planicie Industriales Line 220 kV	-	574
Other	57	-
<b>TOTAL REVENUES FOR CONSTRUCTION SERVICE PROJECTS</b>	<b>6.988</b>	<b>6.472</b>

Currently, all income from construction services come from contracts with related companies.

The Company does not have any customers with whom it records sales representing 10% or more of its income for the year ended December 31, 2018 and 2017.

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## 23. Operating costs and expenses

### 23.1 OPERATING COSTS

Operating costs for years ending December 31 are detailed below:

		2018	2017
Personnel expenses	(1)	21.597	20.010
Contributions and taxes	(2)	20.223	18.054
Insurances	(3)	6.844	6.530
Studies	(4)	4.164	2.786
Maintenance of intangibles		2.213	1.678
Environmental - Social		1.791	1.617
Services	(5)	1.025	1.630
Fees		1.726	1.475
Miscellaneous		954	567
Communications		357	361
Materials and maintenance		25	30
Advertising, printed material, and publications		1	3
<b>TOTAL OPERATING COSTS BEFORE DEPRECIATION AND AMORTIZATION</b>		<b>60.920</b>	<b>54.741</b>
Depreciations	(6)	158.278	159.238
Amortizations		443	777
<b>TOTAL DEPRECIATION AND AMORTIZATION</b>		<b>158.721</b>	<b>160.015</b>
<b>TOTAL OPERATING COSTS</b>		<b>219.641</b>	<b>214.756</b>

(1) Personnel expenses include all short-term, long-term, and post-employment benefits.

(2) Contributions and taxes are mainly composed of: UPME contribution for COP7.274 (2017: COP7.522), financial transaction tax for COP7.075 (2017: COP5.428), real estate tax for COP1.789 (2017: COP1.907), and Industry and Commerce Tax for COP1.443 (2017: COP969).

(3) Property damage insurance costs, terrorism, civil liability, transports, among others. Insurance increase mainly responds to a higher property damage insurance cost for COP5.160 (2017, COP4.482).

(4) These costs integrate studies, designs, pre-engineering, and cost of infrastructure projects.

(5) This item includes services related to supervision, transport, administration, processes outsourcing, management, and public utilities. There is a decrease of services compared with 2017 for lower costs of: Supervision COP557 (2017: COP1.225); management services with ISA INTERCOLOMBIA COP647 (2017: COP781).

(6) Depreciation expense decrease for 2018 compared with 2017 mainly corresponds to a depreciation expense increase for COP3.489 in June 2017 due to assets that are about to end their useful life. In 2018 period, new projects started, such as COLI, offsetting the value of such decrease for the period, resulting in a variation of 0.6%.

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## **23.2 ADMINISTRATIVE EXPENSES**

Administrative expenses for years ending December 31 are detailed below:

		2018	2017
Personnel expenses	(1)	39.467	36.946
Fees	(2)	11.745	10.889
Advertising, printed material, and publications	(3)	3.118	5.876
Contributions and taxes	(4)	4.825	16.751
Studies and projects		2.635	3.500
Environmental - Social		2.033	2.421
Maintenance of intangibles		1.935	2.211
Services		1.415	1.220
Miscellaneous	(5)	745	1.365
Communications		842	786
Insurances		401	412
Leases		66	16
Materials and maintenance		33	109
<b>TOTAL ADMINISTRATIVE EXPENSES BEFORE DEPRECIATIONS, AMORTIZATIONS AND PROVISIONS</b>		<b>69.260</b>	<b>82.502</b>
Depreciations		5.369	4.858
Provisions	(6)	1.944	635
Amortizations		410	669
<b>TOTAL DEPRECIATIONS, AMORTIZATIONS AND PROVISIONS</b>		<b>7.723</b>	<b>6.162</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>		<b>76.983</b>	<b>88.664</b>

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- (1) Personnel expenses include all short-term, long-term, and post-employment benefits.
- (2) It includes fees regarding legal, technical, administrative, and financial consultancy, as well as board of directors' fees.
- (3) The decrease mainly occurs since, in 2017, there was an increase of advertising expenses due to ISA's brand positioning.
- (4) This item includes contributions of audit and supervision of the Comptroller General of the Republic, industry and trade tax, real estate tax, among others. In such year, compared with 2017, a decrease occurred by the recognition of the wealth tax for COP11.812.
- (5) It includes: travel expenses, event organization, cleaning elements, legal expenses, and court proceedings expenses. In such year, compared with 2017, an increase of proceedings expenses was recognized for COP842.
- (6) It includes provisions from debtors and disputes. In 2018, this item increased due to the update and execution of new legal proceedings for COP999 and further impairment of accounts receivable through the application of IFRS 9 for COP309.

## 24. Other extraordinary revenues

On January 22, 2018, the National Tax and Customs Department issued eight resolutions numbered from 497 to 504, ordering to repay to ISA equity tax paid in excess/not owed for 2011, of the portion corresponding to the Energy Transmission activity equity.

This tax repayment is due to the application of the legal stability agreement signed with the Nation for the Energy Transmission activity, which stabilized, among others, the equity tax regulations in force in 2008.

	2018	2017
Other extraordinary revenues	60.901	-

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## 25. Other revenues and expenses and equity method

Other revenues and expenses and equity method for years ending December 31, are detailed below:

		2018	2017	
	Recoveries	(1)	2.038	2.845
	Indemnities		1.685	127
	Other		225	955
	Revenues due to property, plant and equipment sales		80	139
	Leases		3	3
	<b>TOTAL OTHER REVENUES</b>		<b>4.031</b>	<b>4.069</b>
	Loss from write-off/sales of assets	(2)	4.305	139
	Other expenses		445	-
	<b>TOTAL OTHER EXPENSES</b>		<b>4.750</b>	<b>139</b>
	<b>OTHER NET REVENUES/(EXPENSES)</b>		<b>(719)</b>	<b>3.930</b>
	<b>REVENUES FROM EQUITY METHOD</b>		<b>1.175.495</b>	<b>1.149.278</b>
	<b>EXPENSE BY EQUITY METHOD</b>		<b>102.708</b>	<b>21.004</b>
	<b>NET EQUITY METHOD REVENUES/(EXPENSES)</b>	<b>(3)</b>	<b>1.072.787</b>	<b>1.128.274</b>

(1) Recoveries related to the closure of civil processes for COP1.398 (2017: COP1.685), recovery by the impact in the estimated actuarial calculation for COP473 (2017: COP557), recovery of the portfolio impairment for COP141 (2017, COP 0), associated with legal seizures portfolio, quota-shares, and STN; and recoveries of costs and expenses for COP2 (2017: COP603).

(2) In 2018, there was a decrease from remodeling of buildings at the World Business Port office and Bloque 5 of the Headquarters for COP1.612 and COP999, respectively. Also, transmission lines works resulted in a decrease for COP1.594. (See Note 10).

(3) The equity method's net effect represented lower profits, explained by the following events:

- Income increase in ISA CTEEP and TAESA from changes in contractual asset valuation; partly

offset with lower revenues recognized in 2018, since in 2017 non-recurrent events were recognized regarding the use of PERT in ISA Capital do Brasil and ISA CTEEP.

- Income increase from tariff update in Brazil and the entry into commercial operation of new transmission projects.
- Expense increase from recognition of asset impairment in INTERNEXA BRAZIL.
- Income increase from IENNE due to deferred tax adjustment from changes in income tax calculation methodology.
- Loss increase in ATP Tower Holdings LLC from greater amortizations of intangibles identified in the purchase of Torres Unidas.



		2018	2017
Loans	(7)	11.653	(1.440)
Debtors		(454)	(4.132)
Cash		5.852	3.564
Accounts payable		1.278	5.273
Financial liabilities		1.998	(2.049)
<b>TOTAL NET EXCHANGE DIFFERENCE REVENUE / (EXPENSE)</b>		<b>20.327</b>	<b>1.216</b>
<b>TOTAL FINANCIAL EXPENSES</b>		<b>(254.748)</b>	<b>(201.518)</b>

(1) In 2018, the National Tax and Customs Department recognized ISA COP4.752 from interests, as a result of the expiration of the term originated to repay the credit balance of the income statement corresponding to taxable year 1995. In addition, this item includes interests generated in the loan regarding affiliate ISA Inversiones Maule, COP6.911 (2017: COP7.480), which decreases in 2018 as a result of payments received.

(2) Interest income recognized on bank deposits and trust returns.

(3) Dividends declared by Empresa Propietaria de la Red (EPR), on April 19, 2018, at the Ordinary General Shareholders' Meeting, where the distribution of income generated during 2017 for USD7.312.500 was approved. ISA was allocated with the amount of USD812.500.

(4) Interest expense increase from more months settled in 2018 regarding bonds issued in April and November 2007 for COP700.000 and COP500.000, respectively, and new bond issues in July 2018 for COP500.000.

(5) The significant change in interests on financial liabilities responds to greater settlement time of credits acquired in the second quarter of 2017 for COP600.000.

(6) Interests generated on the loan with affiliate ISA TRANSELCA that as of December 31, 2018 presented a balance of COP244.885 (2017: COP244.885), on which interests are settled at a rate of DTF E.A., of the immediately preceding year.

(7) Exchange effect on the loan with affiliate ISA Inversiones Maule that as of December 31, 2018

presented a balanced of USD45.488.000 (2017: USD65.559.000). In 2018, payments for USD20.070.000 were received.

## 27. Net income per share

Net income per share has been calculated on the basis of the annual weighted average of outstanding shares at the date of the statement of financial position.

As of December 31, 2018 and 2017, the number of outstanding shares was 1.107.677.894. The net income per share determination is as follows:

	2018	2017
Net income of the period	1.529.155	1.442.708
Average of outstanding shares in the period	1.107.677.894	1.107.677.894
Net income per share (expressed in COP)	1.380,51	1.302,46

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## 28. Guarantees and commitments in effect

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	ORIGINAL CURRENCY	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	DUE DATE	
BANK GUARANTEES	ENERGY MINING PLANNING UNIT (UPME)	Secure compliance with the obligations assumed under the award of the following Public Biddings	UPME 07-2013, Montería	COP	COP29.389.479.176	COP29.389	25-09-19
			UPME 03-2014, Ituango	COP	COP153.996.186.861	COP153.996	01-09-19
			UPME 05-2014, Costa Caribe Reinforcement	COP	COP77.802.889.561	COP77.803	01-10-19
			UPME 06-2013, Caracolí	COP	COP9.212.264.340	COP9.212	04-06-19
			UPME 03-2016 San Antonio	COP	COP13.753.262.893	COP13.753	30-06-19
			UPME 01-2017, El Bosque	COP	COP1.910.392.906	COP1.910	02-04-19
			UPME 09-2016, Cuestecitas	COP	COP71.132.455.396	COP71.132	02-03-21
			UPME 08-2017, Sogamoso	COP	COP10.259.802.193	COP10.260	15-05-19
			UPME 01-2018, Ocaña	COP	COP10.059.803.046	COP10.060	21-06-19
			UPME 07-2017 Sabanalarga-Bolívar	COP	COP29.909.509.913	COP29.910	11-12-19
<b>Subtotal</b>					<b>COP 407.426</b>		
	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 1 - Effective execution of Project and payment of fines, in accordance with technical offer for the exploitation and execution of new work "Maintencillo – Pan de Azúcar 2x500kV New Line".	USD	USD10.408.800	COP33.826	28-04-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	ORIGINAL CURRENCY	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	DUE DATE
BANK GUARANTEES	CHILEAN MINISTRY OF ENERGY	PLEX 1 - Effective execution of Project and payment of fines, in accordance with technical offer for the exploitation and execution of new work "Pan de Azúcar – Polpaico 2x500kV New Line".	USD	USD22.400.000	COP72.794	28-02-19
		PLEX 1 - Execution of Relevant Milestone N° 5: Entry into operation of the project regarding new works "Maintencillo – Pan de Azúcar 2x500 kV New Line".	USD	USD2.602.200	COP8.456	31-08-19
		PLEX 1 - Execution of Relevant Milestone N° 5: Entry into operation of the project regarding new works "Pan de Azúcar - Polpaico 2x500kV New Line".	USD	US5.600.000	COP18.199	29-03-19
		PLEX 1 - Entry into operation of the project regarding new works "Cardones-Maintencillo 2x200 kV New Line".	USD	USD2.379.600	COP7.733	01-03-19
		PLEX 1 - Entry into operation of the project regarding new works "Maintencillo - Pan de Azúcar 2x500 kV New Line".	USD	USD3.903.300	COP12.685	26-03-19
		PLEX 1 - Entry into operation of the project regarding new works "Pan de Azúcar - Polpaico 2x500 kV New Line".	USD	US8.400.000	COP27.298	15-04-19
		PLEX 2 - Entry into operation of the project regarding new works "Encuentro - Lagunas 2x220 kV New Line, first circuit".	USD	USD1.161.000	COP3.773	14-03-19

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	ORIGINAL CURRENCY	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	DUE DATE
BANK GUARANTEES	CHILEAN MINISTRY OF ENERGY	PLEX 4 - Entry into operation of new works: (1) Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA. (2) Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA. (3) Autotransformer Bank S/E Nueva Pan de Azúcar, 500/220 kV, 750 MVA.	USD	USD2.274.300	COP7.391	30-04-19
		PLEX 7 - Effective execution of the project and payment of fines for new works "1X750 MVA 500/220 KV New Autotransformers Bank in Nueva Cardones, Nueva Maitencillo, and Nueva Pan de Azúcar Substations."	USD	USD5.801.520	COP18.853	05-08-21
		PLEX 7 - Execution of Relevant Milestone N° 1, Exploitation and Execution of new works "1X750 MVA 500/220 KV New Autotransformers Bank in Nueva Cardones, Nueva Maitencillo, and Nueva Pan de Azúcar Substations."	USD	USD1.450.380	COP4.713	11-12-18
		PLEX 8 - Formality of the proposal in the bidding process for the adjudication of exploitation and execution rights of new works "Seccionadora Nueva Chuquicamata 220 kV Substation and 2x220 New Line between Nueva Chuquicamata and Calama Substations, power line first circuit".	USD	USD450.000	COP1.462	02-01-19

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TYPE OF GUARANTEE	BENEFICIARY		PURPOSE	ORIGINAL CURRENCY	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP MM	DUE DATE
	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 8 - Incorporation of the transmission or transport open joint-stock company of exclusive draft, and to agree solidarity for exploitation and execution rights of new works "Seccionadora Nueva Chuquicamata 220 kV Substation and 2x220 New Line between Nueva Chuquicamata, and Calama Substations, energy line first circuit".	USD	USD2.000.000	COP6.500	02-01-19
<b>SUBTOTAL</b>						<b>COP223.684</b>	
<b>BANK GUARANTEES</b>							
	SOME MUNICIPALITIES FROM ANTIOQUIA, COLOMBIA	Guarantee compliance with payment of Public Lighting Tax as settled.	Los Palmitos Municipality (9)	COP	COP1.989.468.182	COP1.989.468.182	17-10-19
			San Roque Municipality (5)	COP	COP197.055.000	COP197.055.000	17-10-19
			Albania Municipality (8)	COP	COP3.778.473.073	COP3.778.473.073	17-10-19
			Caucasia Municipality (1)	COP	COP1.920.558.000	COP1.920.558.000	17-09-19
			Palestina Municipality	COP	COP64.500.000	COP64.500.000	17-09-19
	Others	Guarantee payment compliance	Power supplier, transmission cables import	USD	USD53.504	COP174	24-02-19
<b>SUBTOTAL</b>						<b>COP 8.124</b>	
<b>TOTAL</b>						<b>COP 639.234</b>	

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Previous authorization from the Ministry of Finance and Public Credit, ISA granted guarantees to the following companies:

### GUARANTEES GRANTED TO AFFILIATES

TYPE OF GUARANTEE	BENEFICIARY	OBJECTIVE	CURRENCY OF ORIGIN	BALANCE IN ORIGINAL CURRENCY	BALANCE IN COP	DUE DATE
Stock pledge	BID - CAF	ISA BOLIVIA S.A. Securing payment compliance of credits granted to the affiliate, with 100% pledge of ISA shares in favor of lenders.	USD	1.271.188	4.131	15-02-19
Joint and several guarantee bond	BCIE	Secure payment obligations to lenders of the following affiliates: Empresa Propietaria de la Red S.A., (EPR). Securing loan agreement between EPR and BCIE up to USD44.500.000, related to the financing of SIEPAC Project. Collateral should be kept until full payment of principal.	USD	26.037.035	84.614	29-06-27
Stock pledge	Credit senior creditors	INTERCHILE S.A. Securing payment compliance of credits granted to the affiliate, with 100% pledge of Interconexión Eléctrica S.A. E.S.P., ISA shares in favor of lenders.	USD	689.333.787	2.240.162	31-03-31
	Creditors Vat credit		CLP	18.925.704.741	88.524	31-03-20
<b>Subtotal</b>					<b>2.417.431</b>	
<b>TOTAL BANK GUARANTEES PLUS GUARANTEES TO AFFILIATES</b>					<b>3.056.665</b>	

## 29. Subsequent events

At the cutoff date and the elaboration of financial statements, no events or additional transactions have been or are pending, nor there is information about any data or event that modify figures or information included in the financial statements.

**TABLE OF REFERENCE FOR ACRONYMS**

<b>ANEEL:</b>	Agência Nacional de Energia Elétrica	<b>FDN:</b>	Financiera de Desarrollo Nacional S.A.
<b>AOM:</b>	Management, Operation, and Maintenance	<b>FEN:</b>	Financiera Energética Nacional S.A.
<b>BCIE:</b>	Central American Bank of Economic Integration	<b>IASB:</b>	International Accounting Standards Board
<b>IDB:</b>	Inter-American Development Bank	<b>IPC:</b>	Índice de Precios al Consumidor (Consumer Price Index)
<b>BOB:</b>	Bolivian Peso	<b>IPP:</b>	Índice de Precios al Productor (Producer Price Index)
<b>BRL:</b>	Brazilian Real	<b>ISS:</b>	Instituto de Seguros Sociales (Social Security Institute)
<b>CADE:</b>	Conselho Administrativo de Defesa Econômica	<b>NCIF:</b>	Normas de Contabilidad e Información Financiera (Accounting and Financing Reporting Standards)
<b>CAF:</b>	Corporación Andina de Fomento (Andean Development Corporation)	<b>PEN:</b>	Peruvian Nuevo Sol
<b>CAN:</b>	Comunidad Andina de Naciones (Andean Community of Nations)	<b>PERT:</b>	Programa Especial de Regularización Tributaria (Tax Regulation Special Program)
<b>CDT:</b>	Certificado de Depósito a Término (Term Deposit Certificate)	<b>PLEX:</b>	Plan de Expansión de Chile (Expansion Plan of Chile)
<b>CHC:</b>	Colombian Holding Companies	<b>PLC:</b>	Power Line Carrier
<b>CLP:</b>	Chilean Peso	<b>PT:</b>	Power Transformer
<b>COP:</b>	Colombian Pesos	<b>SAC:</b>	Sociedad Anónima Cerrada (Close Stock-held Company)
<b>CREE:</b>	Contribución Empresarial para la Equidad (Business Contribution for Equity) or Impuesto sobre la Renta para la Equidad (Income Tax for Equity)	<b>SAS:</b>	Sistema Automatización de Subestaciones (Substation Automation System)
<b>CREG:</b>	Comisión de Regulación de Energía y Gas (Commission for the Regulation of Energy and Gas)	<b>SCI:</b>	Sistema Contra Incendio (Fire Control System)
<b>CSM:</b>	Centro de Supervisión y Maniobras (Supervision and Maneuvers Center)	<b>SENA:</b>	Servicio Nacional de Aprendizaje (National Learning Service)
<b>CT:</b>	Current Transformer	<b>SIEPAC:</b>	Sistema de Interconexión Eléctrica de los Países de América Central (Electric Interconnection System for Central American Countries)
<b>DECEVAL:</b>	Depósito Central de Valores (Central Securities Depository)	<b>SMLMV:</b>	Salarios Mínimos Legales Mensuales Vigentes (Legal Minimum Monthly Salary in Force)
<b>DTF:</b>	Depósito a Término Fijo (Fixed-Term Deposit)	<b>SSPD:</b>	Superintendencia de Servicios Públicos Domiciliarios (Superintendence of Household Utilities)
<b>E.A.:</b>	Effective Annual Rate	<b>STN:</b>	Sistema de Transmisión Nacional (National Transmission System)
<b>E.S.P:</b>	Depósito Central de Valores (Central Securities Depository)	<b>SVC:</b>	Static Varistor Compensator
<b>ECE:</b>	Empresas Controladas del Exterior (Foreign Controlled Corporations)	<b>UGEs:</b>	Unidades Generadoras de Efectivo (Cash Generating Units)
<b>EPR:</b>	EMPRESA PROPIETARIA DE LA RED S.A.	<b>UPME:</b>	Unidad de Planeación Minero Energética (Energy Mining Planning Unit)
<b>EUR:</b>	Euro	<b>USD:</b>	US Dollar
<b>FAER:</b>	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Energizing Rural Zones)	<b>VQ:</b>	Voltage Quality
<b>FAZNI:</b>	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Energizing Non-Interconnected Zones)	<b>\$:</b>	Colombian peso

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## STATUTORY AUDITOR'S REPORT TO THE ISA FINANCIAL STATEMENTS

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**Statutory Auditor's Report**

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of Interconexión Eléctrica S.A. E.S.P., which comprise the separate statement of financial position as at December 31, 2018 and the related separate statements of comprehensive income, of changes in shareholder's equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

**Management Responsibilities Relating to the Financial Statements**

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Accounting and Financial Information Standards accepted in Colombia (NCIF) adopted by the Contaduría General de la Nación; of designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements free from material misstatements whether due to fraud or error; of selecting and applying appropriate accounting policies; and of establishing reasonable accounting estimates in the circumstances.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with International Auditing Standards accepted in Colombia. These standards require that I meet ethical requirements, of independence, plan and perform my audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes developing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatements in the financial statements. In the process of evaluating these risks, the auditor considers internal control relevant to the preparation and presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. Also, includes an assessment of the accounting policies adopted and the significant estimates made by the Management, as well as the presentation of the financial statements as a whole.

I believe that the audit evidence obtained provides a reasonable basis for expressing my opinion.

<b>Ernst &amp; Young Audit S.A.S.</b> Bogotá D.C. Carrera 11 96 - 07 Tel: +57 (1) 484 7000 Fax: +57 (1) 484 7474	<b>Ernst &amp; Young Audit S.A.S.</b> Medellín - Antioquia Carrera 43 A 3 Sur - 130 Tel: +57 (4) 369 8400 Fax: +57 (4) 369 8484	<b>Ernst &amp; Young Audit S.A.S.</b> Cali - Valle del Cauca Avenida 4 Norte No. 6N - 61 Tel: +57 (2) 485 6280 Fax: +57 (2) 661 8007	<b>Ernst &amp; Young Audit S.A.S.</b> Barranquilla - Atlántico Calle 77b No 59 - 61 Tel: +57 (5) 385 2201 Fax: +57 (5) 389 0580
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**Opinion**

In my opinion, the accompanying separate financial statements, taken from the accounting books, present fairly, in all material respects, the financial position of Interconexión Eléctrica S.A. E.S.P. as of December 31, 2018, the results of its operations and the cash flows for the year then ended in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF) Adopted by Contaduría General de la Nación.

**Emphasis Paragraph**

As described in Note 9 of the financial statements, CTEEP, a subsidiary of Interconexión Eléctrica S.A. E.S.P. through ISA Capital do Brasil, has recorded a net balance of accounts receivable from the Sao Paulo State of approximately \$1.196.040 million, related to the impacts of Law 4,819 of 1958, which granted to the employees of companies subject to the control of the Sao Paulo State, benefits already granted to other public servers. CTEEP has undertaken legal actions before the respective State authorities to collect these accounts receivable. The accompanying financial statements do not include adjustments that could result from the outcome of the uncertainty. My opinion has not been modified by this matter.

**Other Issues**

The financial statements, prepared in accordance with Accounting and Financial Information Standards accepted in Colombia of Interconexión Eléctrica S.A. E.S.P. as at December 31, 2017, which are part of the comparative information of the accompanying financial statements, were audited by me, in accordance with international auditing standards accepted in Colombia, about which I expressed my unqualified opinion on February 23, 2018.

**Other Legal and Regulatory Requirements**

Based on the scope of my audit, I am not aware of situations indicating that the Company has not complied with the following obligations: 1) kept the minute books, the Shareholders' register and the accounting records in accordance with legal requirement and the accounting technique; 2) carry out its operations in accordance with the by-laws and the decisions of the Shareholders' and the Board of Directors, and the rules related with the integral social security and; 3) retained correspondence and accounting vouchers. Additionally, there is agreement between the accompanying financial statements and the accounting information included in the management report prepared by the Company's Administration, which includes management representation on the free circulation of invoices with endorsement issued by vendors or suppliers. In accordance with the requirements of Article 1.2.1.2 Decree 2420 2015, I issued separately report on March 4, 2019.

  
 Patricia Mendoza Sierra  
 Statutory Auditor  
 Professional Card No. 78856-T  
 Designated by Ernst & Young Audit S.A.S. TR-530

Medellín, Colombia  
March 4, 2019

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## SPECIAL REPORT ON TRANSACTIONS WITH AFFILIATES AND SUBSIDIARIES

(Values expressed in million, both in pesos and in the original foreign currency)

In accordance with the requirements of Law 222 of 1995, Article 29, a special report is submitted to the General Shareholders' Meeting on the economic relations established between ISA and its affiliates and subsidiaries during 2018, which are directed and coordinated by the group's parent company, ISA.

Trade operations executed between the affiliates and the subsidiaries of ISA during 2018, comply with the provisions of the transfer prices according to Law 1607 of 2012, Law 1819 of 2016 and Decree 1625 of 2016.

The main transactions between ISA and the subsidiaries correspond to:

- Delivery of dividends.
- Capitalization.
- Project management.
- Delivery of operation and maintenance services.
- Leasing of facilities and venues for the operation.
- Delivery of installation services and assembly of information systems.
- Money lending.

It is worth mentioning that between ISA and its companies for the same period, none of the following situations has occurred:

- Offset free services.
- Loans without interest or any consideration by the borrower.
- Loans involving an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.

- Loans with different interest rates to those normally paid or charged to third parties.
- Operations whose characteristics differ from those made with third parties.

ISA makes efforts so commercial transactions executed with its affiliates or subsidiaries will generate benefits and the achievement of the corporate group's strategic objectives. Also, such transactions shall respect the rights of all shareholders and creditors of the group's companies.

Trade transactions take place under conditions and at market prices, i.e., in the terms and conditions that would be carried out with unrelated third parties, honoring the principles of transparency included in this Corporate Good Governance Code and in accordance with the Corporate Bylaws and applicable accounting, tax and commercial standards.

Regarding the equity interest in affiliates and subsidiaries, ISA updates its investments in subsidiaries by applying the equity method, prior approval of accounting rules and practices and conversion of its financial statements into Colombian pesos, using the US dollar as primary currency for investments in foreign currency.

The financial information of ISA and its companies is consolidated by the global integration method, for which all significant balances and transactions between ISA and subsidiaries are eliminated and the corresponding minority interests in equity and profit or loss for the period are recognized and disclosed in the consolidated financial statements.

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Balances with affiliates and subsidiaries are included in the financial statements of ISA according to the regulations in force. [See Note 8.1](#). Balances and transactions with related parties.

The following decisions taken during 2018 are highlighted, related to capitalizations and distribution of dividends:

### **ISA TRANSELCA**

At the Ordinary General Shareholders' Meeting held on March 23, 2018, distribution of dividends was decreed for COP99.057. ISA was allocated the amount of COP99.055.

### **ISA PERÚ**

At Mandatory Annual Meeting of Shareholders held on March 13, 2018, dividends were decreed for USD6. ISA was allocated the amount of USD3.

### **ISA REP**

At Mandatory Annual Meeting of Shareholders held on March 13, 2018, and on Universal Shareholders' Meeting held on November 20, 2018, distribution of dividends was decreed for USD40 and USD15, respectively. ISA was allocated the amounts of USD12 and USD5, respectively.

### **CONSORCIO TRANSMANTARO**

At Mandatory Annual Meeting of Shareholders held on March 13, 2018, distribution of dividends was decreed for USD65. ISA was allocated the amount of USD39.

### **ISA BOLIVIA**

At Mandatory Annual Meeting of Shareholders held on March 14, 2018, distribution of dividends was decreed for BOB34. ISA was allocated the amount of BOB18.

### **ISA INTERCOLOMBIA**

On March 20, 2018, at ordinary session of the General Shareholders' Meeting, it was approved the distribution of profits resulting from the period between January 1 and December 31, 2017 for COP21.979. ISA was allocated the amount of COP21.978.

### **ISA INTERCHILE**

During 2018, ISA made capital contributions to ISA INTERCHILE for USD15,9 (September 18: USD10,4 and December 18: USD5,5).

### **ISA CAPITAL DO BRASIL**

During 2018, ISA Capital do Brasil made an advance payment of preference shares to Banco Bradesco and Banco Votorantim, whereby, at the end of the year, there is not a balance payable for this concept.

The total payment value in 2018 was BRL633 (June 19: BRL277 and December 18: BRL356).

### **ISA Investimentos e Participações**

Prior approval by the General Ordinary Shareholders' Meeting of ISA Investimentos e Participações, the company's share capital increased from BRL696 to BRL696 through capitalization of mandatory dividends for BRL100.527 in the proportion of 99,9% for ISA's shareholder and 0,1% for ISA Capital do Brasil's shareholder.

### **PROYECTOS DE INFRAESTRUCTURA DEL PERÚ (PDI)**

On March 22, 2018 the Annual Mandatory Shareholders' Meeting of Proyectos de Infraestructura del Perú (PDI) was held, in which the distribution of dividends from the balance of earnings generated in 2014, financial income of 2015, 2016, and partially 2017, were approved for USD3, corresponding to ISA 99,97% of this amount.

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### ISA INVERSIONES MAULE

In April and August 2018, ISA Inversiones Maule deposited capital to the credit it shares with ISA. One deposit amounted to USD0,5 and the other one was USD19,6, respectively. The final balance is USD45,5.

### XM

At the Ordinary General Shareholders' Meeting held on March 21, 2018, distribution of dividends was decreed for COP12.119. ISA was allocated the amount of COP12.086.

### SISTEMAS INTELIGENTES EN RED

At the Ordinary General Shareholders' Meeting held on March 20, 2018, distribution of dividends was decreed for COP10.381. ISA was allocated the amount of COP1.557.

### EMPRESA PROPIETARIA DE LA RED

On April 19, 2018, at ordinary session of the General Shareholders' Meeting, it was approved the distribution of profits resulting from the period between January 1 and December 31, 2017 for USD7.312.500. ISA was allocated the amount of USD812.500.

In 2018, ISA constantly made decisions to serve the interest or by influence of any affiliate or subsidiary; and none of these stopped from making decisions to serve the interest or by influence of ISA. Decisions have been made in the best interest of each company that integrates the corporate group and its shareholders.

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## BOARD OF DIRECTOR'S REPORT ARTICLE 466 OF THE COMMERCE CODE

AS OF DECEMBER 31, 2018

(Amounts expressed in millions of Colombian pesos, except for foreign currency, which is expressed in thousands)

Dear Shareholders:

According to the legal and statutory provisions, we submit for consideration the 2018 report, which includes, in addition to the financial statements ending December 31, 2018, compared with those of 2017, the reports referred to by Article 446 of the Commerce Code, and Article 29 of Law 222 of 1995.

### I. REPORTS

#### 1. DEPRECIATIONS AND AMORTIZATIONS

See the detail of losses and profits as of December 31, 2018 in the Management Report submitted by the CEO.

Below is the description of depreciations and amortizations:

YEAR	2018
Depreciations	163.647
Amortizations	853

#### 2. DIVIDENDS

For approving the profits distribution project of 2018 period, the Board of Directors of ISA proposes to decree a dividend of COP611.438 million, corresponding to 40% of

net income. To distribute an ordinary dividend of COP552 per share for 1.107.677.894 ordinary outstanding shares.

#### 3. ECONOMIC AND FINANCIAL SITUATION

See the analysis of the economic and financial situation of ISA in the Management Report submitted by the CEO.

#### 4. REMUNERATION TO SENIOR MANAGEMENT

ISA's Senior Management is composed of the CEO and the employees of the first management level reporting directly to the CEO.

The remuneration received by the key staff of the Senior Management is the following:

	2018
Remuneration	9.616
Short-term benefits	4.954
<b>TOTAL</b>	<b>14.570</b>

Payments related to fees, travel expenses, and representation expenses are directly covered by the Company regarding third parties providing goods and services.

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## 5. REMUNERATION ON BEHALF OF ADVISORS OR MANAGERS

During 2018, the following expenditures to advisors or consultants were presented as fees:

	2018
Fiscal Audit Office	688
External audit	280
Legal, financial, and administrative advice	9.420
Technical advice	2.162
<b>TOTAL</b>	<b>12.550</b>

## 6. TRANSFER OF MONEY AND OTHER ASSETS

In 2018, no free transfers of money or other assets were made, nor to any other similar, made on behalf of natural or legal persons.

## 7. ADVERTISING AND PUBLICITY EXPENSES

Advertising and publicity expenses for the year ended December 31, 2018, are detailed below:

	2018
Target publicity and advertising	58
Institutional publicity and advertising	1.740
<b>TOTAL ADVERTISING AND PUBLICITY EXPENSES</b>	<b>1.798</b>

## 8. NET MONETARY POSITION

As of 31 December 2018, ISA held the following assets and liabilities in foreign currency expressed in thousands of US dollars.

	USD thousand	COP million
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalent	28.117	91.374
Non-financial assets	35	115
Financial assets	3.588	11.661
Other non-financial assets	7.003	22.758
<b>TOTAL CURRENT ASSETS</b>	<b>38.743</b>	<b>125.908</b>
<b>NON-CURRENT ASSETS</b>		
Financial assets	45.488	147.825
<b>TOTAL NON-CURRENT ASSETS</b>	<b>45.488</b>	<b>147.825</b>
<b>TOTAL ASSETS</b>	<b>84.231</b>	<b>273.733</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Financial liabilities	22	72
Accounts payable	3.053	9.920
Employee benefits	1	3
<b>TOTAL CURRENT LIABILITIES</b>	<b>3.076</b>	<b>9.995</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities	50.000	162.488
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>50.000</b>	<b>162.488</b>
<b>TOTAL LIABILITIES</b>	<b>53.076</b>	<b>172.483</b>
<b>ACTIVE NET MONETARY POSITION</b>	<b>31.155</b>	<b>101.250</b>

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## 9. INVESTMENTS

As of 31 December 2018, ISA had investments in the following national and foreign companies:

MAIN ACTIVITY	PLACE AND CREATION OF TRANSACTIONS		SHAREHOLDING (%)	BALANCE
<b>INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES</b>				
TRANSELCA S.A. E.S.P.	Energy Transmission	Colombia	99,998	922.741
INTERNEXA S.A.	Information and Telecommunications Technologies	Colombia	99,420	71.835
INTERCOLOMBIA S.A. E.S.P.	Energy Transmission	Colombia	99,997	84.207
XM S.A. E.S.P.	Management of Real-Time Systems	Colombia	99,730	18.155
INTERVIAL COLOMBIA S.A.S.	Road Concessions	Colombia	100,000	1.267
Sistemas Inteligentes en Red S.A.S.	Management of Real-Time Systems	Colombia	15,000	822
Consorcio Transmantaro S.A.	Energy Transmission	Peru	60,000	1.019.199
Red de Energía del Perú (REP)	Energy Transmission	Peru	30,000	182.174
ISA PERÚ S.A.	Energy Transmission	Peru	45,146	57.942
Proyectos de Infraestructura del Perú S.A.C.	Infrastructure	Peru	99,967	19.764
ISA Capital do Brasil S.A.	Energy Transmission	Brazil	99,990	3.362.906
ISA Investimentos e Participações S.A.	Energy Transmission	Brazil	99,899	693.141
ISA Inversiones Chile Ltda.	Road Concessions	Chile	100,000	1.981.113
ISA Inversiones Maule Ltda.	Road Concessions	Chile	100,000	1.099.652
INTERCHILE S.A.	Energy Transmission	Chile	83,078	949.969
ISA BOLIVIA S.A.	Energy Transmission	Bolivia	51,000	69.992

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MAIN ACTIVITY		PLACE AND CREATION OF TRANSACTIONS	SHAREHOLDING (%)	BALANCE
Linear Systems RE LTD	Reinsurance	Bermuda	100,000	11.566
Betania	Autonomous Equity	Colombia	100,000	10.246
<b>TOTAL INVESTMENTS IN SUBSIDIARIES</b>				<b>10.556.691</b>
<b>INVESTMENTS IN JOINT VENTURES</b>				
Interconexión Eléctrica Colombia-Panamá S.A.	Energy Transmission	Panama	50,000	8.395
Interconexión Eléctrica Colombia Panamá S.A.S., E.S.P.	Energy Transmission	Colombia	1,172	3
<b>TOTAL INVESTMENTS IN JOINT VENTURES</b>				<b>8.398</b>
<b>INVESTMENTS IN ASSOCIATES</b>				
ATP Tower Holdings LLC	Information and Telecommunications Technologies	USA	24,887	448.108
<b>TOTAL INVESTMENTS IN ASSOCIATES</b>				<b>448.108</b>
<b>FINANCIAL INSTRUMENTS</b>				
Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,000	-
Empresa Propietaria de la Red S.A., (EPR)	Energy Transmission	Costa Rica	11,110	12.524
Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,000	-
<b>TOTAL FINANCIAL INSTRUMENTS</b>				<b>12.524</b>
<b>TOTAL INVESTMENT</b>				<b>11.025.721</b>

## II. STATEMENTS

In agreement with Law 1314 of 2009, Decree 2748 of 2012, and their amendments, it is confirmed that the information and statements related to the financial statements have been duly verified and obtained from the Company's accounting books, which also include all internal controls allowing a timely and clear disclose, without presenting relevant deficiencies that affect the financial situation of the Company.

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## CERTIFICATION OF FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellín, February 25, 2019

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

The undersigned Legal Representative and the Chief Accounting Officer for Interconexión Eléctrica S.A. E.S.P., in compliance with NCIF (Colombian Financial Reporting and Accounting Standards) enforced by the Colombia's National General Accounting Office; with the provisions of Article 37, Law 222 of 1995; and Article 46, Law 964 of 2005, certify that:

1. ISA's Separate Financial Statements as of December 31, 2018 and December 31, 2017, have been faithfully taken from the books and before being made available to you and to third parties, we have verified the following statements contained therein:

- a. The events, transactions and operations have been recognized and executed during the years ended on those dates.
- b. The economic facts are disclosed pursuant to the established by NCIF, enforced by the Colombia's National General Accounting Office.
- c. The total value of assets, liabilities, equity, revenues, expenses, and costs, have been disclosed by the Company in basic accounting statements up to the cut-off date.

d. Assets represent a potential of future economic services and benefits, while liabilities represent past events representing outflow of resources, in the development of its activities, at each cut-off date.

2. Separate Financial statements and other relevant reports to the public, from the period ended on December 31, 2018 and 2017, do not have inaccuracies, errors or omissions which prevent knowing the true financial condition or operations of ISA and its companies.



**Bernardo Vargas Gibsone**  
CEO



**John Bayron Arango Vargas**  
Chief Accounting Officer  
Professional Card N° 34420-T

**INTELLECTUAL PROPERTY AND COPYRIGHT CERTIFICATION**

March 08, 2019

The undersigned Legal Representative and the Chief Technology and Information Officer for Interconexión Eléctrica S.A. E.S.P., pursuant to the established in Article 1st of Law 603 of 2000.

**Certify:**

1. That the Company complies with intellectual property and copyright laws and that the software it uses is legal and has paid for the rights to use it, whether through acquisition, licenses, or assignments. Documents are kept at the Central Archive.
2. That the Company's Chief Technology and Information Office holds inventory of the software used, and it takes control of its installation depending on the type of license held.
3. Pursuant to the Company's policies and institutional guidelines, employees are obliged to comply with the laws for intellectual property and copyrights.



**Bernardo Vargas Gibsone**  
CEO



**Olga Lucía López Marín**  
Chief Technology and Information Officer

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# *isa*

CHAPTER 12

**Annexes**

**GRI INDEX FOR THE ESSENTIAL OPTION  
«IN ACCORDANCE» WITH GRI STANDARDS\* [102-55]**

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GENERAL BASIC CONTENTS					
GRI indicator	Description	Covered on 2018 Integrated Report	Only covered on website	Page or response	External verification
<b>STRATEGY AND ANALYSIS</b>					
<b>102-14</b>	Statement from senior decision-maker	5-10		ISA's CEO MESSAGE	X
<b>COMPANY PROFILE</b>					
<b>102-1</b>	Company name	14		Company profile	X
<b>102-2</b>	Activities, brands, products, and services	14-23		Company profile	X
<b>102-3</b>	Location of headquarters	14		Company profile	X
<b>102-4</b>	Report the countries in which the company operates or that are relevant to the sustainability topics	14-23		Company profile	X
<b>102-5</b>	Nature of ownership and legal form	14		Company profile	X
<b>102-6</b>	Markets served by the company (including their geographic location, sectors, types of clients, and beneficiaries)	19-23		Company profile	X
<b>102-7</b>	Scale of the organization	17		Company profile	X
<b>102-8</b>	Information of employees and other collaborators	17-23		Company profile	X
<b>102-41</b>	Percent of employees covered by collective employment agreements	17		Company profile	X
<b>102-9</b>	Describe the company's supply chain	85-86		Energy Transmission Business Unit	X
<b>102-10</b>	Report any significant changes to the organization's size, structure, stock ownership, or supply chain.	44-40		The reporting period included a new strategic renewal cycle of the Company	X
<b>102-11</b>	Report how the company applies the precautionary principle	100		Environmental dimension	X

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\* No omissions in this report.

		<b>GENERAL BASIC CONTENTS</b>				
	<b>GRI indicator</b>	<b>Description</b>	<b>Covered on 2018 Integrated Report</b>	<b>Only covered on website</b>	<b>Page or response</b>	<b>External verification</b>
Message from ISA's CEO						
Report Profile	<b>102-12</b>	Elaborate a list of letters, principles, or other external economic, environmental, and social initiatives	28		Institutional commitments	X
Company profile	<b>102-13</b>	Elaborate a list of associations	75-76		Regulatory management	X
<b>MATERIAL ASPECTS AND BOUNDARIES</b>						
Strategy	<b>102-45</b>	Elaborate a list of all entities included in the company's consolidated financial statements			Consult Notes to Consolidated Financial Statements	X
Stakeholders	<b>102-46</b>	Describe the process for defining the report content and the topic boundaries	70-73		Materiality analysis	X
	<b>102-47</b>	List of material topics	71		Materiality analysis	X
Corporate Government	<b>102-48</b>	Describe the effect of any restatements of information provided in previous reports and the reasons for such restatements	15-18		Relevant figures	X
Energy Transmission	<b>102-49</b>	Report any significant changes from previous reporting periods in the list of material topics and topic boundaries	12		Report Profile	X
<b>PARTICIPATION OF STAKEHOLDERS</b>						
Road Concessions	<b>102-40</b>	Elaborate a list of the stakeholders related to the company	54-56		Stakeholders	X
Information and Telecommunication Technologies	<b>102-42</b>	The basis for identifying and selecting stakeholders	54		Stakeholders	X
	<b>102-43</b>	Describe the company's approach to stakeholder engagement	55-56		Stakeholders	X
	<b>102-44</b>	Report the key topics and concerns raised through stakeholder engagement	54-56		Stakeholders	X
<b>PERFIL DE LA MEMORIA</b>						
Real-Time Systems Management	<b>102-50</b>	Reporting period	12		Report Profile	X
Management	<b>102-51</b>	Date of most recent report	12		Report Profile	X
	<b>102-52</b>	Reporting cycle	12		Report Profile	X
Financial results	<b>102-53</b>	Provide a contact point for questions regarding this report	12		Report Profile	X

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<b>GRI indicator</b>	<b>Description</b>	<b>Covered on 2018 Integrated Report</b>	<b>Only covered on website</b>	<b>Page or response</b>	<b>External verification</b>
<b>102-54</b>	Option <<according to >> the guide chosen by the company	12		Report Profile	X
<b>102-56</b>	Describe the organization's policy and current practice with regard to seeking external assurance for the report.	12		Report Profile	X
<b>GOVERNANCE</b>					
<b>102-18</b>	Describe the governance structure of the organization	62		Composition of the Board of Directors	X
<b>102-22</b>	Describe the composition of the highest governance body and its committees	62-63		Corporate Government	X
<b>102-23</b>	Report whether the Chair of the highest governance body is also an executive officer. If so, report his or her function within the organization's management and the reasons for this arrangement.	62		Composition of the Board of Directors	X
<b>102-24</b>	Describe the process of nomination and election of the supreme body and its committees	62		Composition of the Board of Directors	X
<b>102-25</b>	Describe the process by which the supreme governing body prevents and manages potential conflicts of interest	62		Composition of the Board of Directors	X
<b>102-30</b>	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	62		Board Committees	X
<b>102-32</b>	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	12		Report Profile	X
<b>102-35</b>	Report the remuneration policies for the highest governance body and senior management	62		Board Remuneration	X
<b>ETHICS AND INTEGRITY</b>					
<b>102-16</b>	Describe the organization's values, principles, standards, and norms of behavior, such as codes of conduct and codes of ethics.	30		Action Framework	X
<b>102-17</b>	Mechanisms for seeking advice and concerns about ethics	58-60		Ethics code	X

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**SPECIFIC BASIC CONTENTS: MATERIAL ISSUES**

GRI indicator	Description	Covered on 2018 Integrated Report	Only covered on website	Page or response	External verification
<b>ECONOMIC IMPACT</b>					
<b>103</b>	DMA Management approach	83		Economic dimension	
<b>201-1</b>	Direct economic value generated and distributed	83,84,469		Economic dimension	X
<b>MANAGEMENT OF IMPACTS ON BIODIVERSITY</b>					
<b>103</b>	DMA Management approach	107		Management of impacts on biodiversity	
<b>304-2</b>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	107-110		Management of impacts on biodiversity	X
<b>304-3</b>	Habitats protected or restored	489-492		Management of impacts on biodiversity. An additional breakdown is reported in the complement of GRI table	
<b>MANAGEMENT OF ENVIRONMENTAL PERMITS AND LICENSES</b>					
<b>103</b>	DMA Management approach	99		Management environmental permits and licenses	
<b>307-1</b>	Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations	106		Management environmental permits and licenses	X
<b>Indicador propio</b>	Weighted compliance with projects deadline (compared with schedule)	105		Management environmental permits and licenses	
<b>Indicador propio</b>	Investments in environmental programs for project licensing	104		Management environmental permits and licenses	X
<b>Indicador propio</b>	Delay obtaining the environmental license (compared with schedule)	105		Management environmental permits and licenses	
<b>SOCIAL MANAGEMENT</b>					
<b>103</b>	DMA Management approach	79		Social management	
<b>413-1</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs	80		Social management	

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GRI indicator	Description	Covered on 2018 Integrated Report	Only covered on website	Page or response	External verification
<b>103-2</b>	Number of grievances on social impacts filed, addressed, and resolved through formal grievance mechanisms			During the term, 783 PQR's (requests, complaints, claims and suggestions) were addressed.	
<b>203-1</b>	Development and impact of infrastructure investments and types of service	78, 470		Social management: An additional breakdown is reported in the complement of GRI table	
<b>Own indicator</b>	People benefited	78		Social management	X
<b>Own indicator</b>	Social investment in critical municipalities	80		Social management	X
<b>HUMAN RIGHTS</b>					
<b>103</b>	DMA Management approach	93		Human Rights	
<b>412-3</b>	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	471		Human Rights: An additional breakdown is reported in the complement of GRI table	
<b>412-2</b>	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	481		Human Rights: An additional breakdown is reported in the complement of GRI table	
<b>406-1</b>	Total number of incidents of discrimination and corrective actions taken	99		Human Rights	
<b>407-1</b>	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	477		Human Rights	
<b>408-1</b>	Operations and suppliers identified as having significant risk for incidents of child labor	479		Human Rights	
<b>409-1</b>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	480		Human Rights	

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<b>SPECIFIC BASIC CONTENTS: MATERIAL ISSUES</b>					
<b>GRI indicator</b>	<b>Description</b>	<b>Covered on 2018 Integrated Report</b>	<b>Only covered on website</b>	<b>Page or response</b>	<b>External verification</b>
<b>410-1</b>	Percentage of security personnel that has been trained on the policies or procedures of the organization in the field of human rights relevant to operations	481		Human Rights: An additional breakdown is reported in the complement of GRI table	
<b>411-1</b>	Total number of incidents of violations involving rights of indigenous communities and actions taken	481		No cases of violation of human rights of the indigenous community occurred.	
<b>412-1</b>	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	482		Human Rights	X
<b>103-2</b>	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	99		No grievances on human rights were reported through formal mechanisms	
<b>Own indicator</b>	Complaints annually addressed by ethics line	99		Human Rights	
<b>Own indicator</b>	Number of events related to human rights violations	99		Human Rights	X
<b>SUPPLIERS AND CONTRACTORS MANAGEMENT</b>					
<b>103</b>	DMA Management approach	88		Suppliers management	
<b>308-1</b> <b>308-2</b>	Percentage of new suppliers that were screened using environmental criteria	472-474		Suppliers management: An additional breakdown is reported in the complement of GRI table	X
<b>414-2</b>	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	476		Suppliers management: An additional breakdown is reported in the complement of GRI table	
<b>414-2</b>	Social negative impacts in the supply chain and actions taken	476		Suppliers management: An additional breakdown is reported in the complement of GRI table	
<b>414-1</b>	New suppliers that were screened using social criteria	476		Suppliers management: An additional breakdown is reported in the complement of GRI table	X
<b>204-1</b>	Proportion of spending on local suppliers at significant locations of operation	471		Supply chain	

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<b>Own indicator</b>	Strategic suppliers evaluated according to corporate guidelines	90		Suppliers management	
<b>TRAINING AND DEVELOPMENT OF HUMAN TALENT</b>					
<b>103</b>	DMA Management approach	115			
<b>403-2</b>	Occupational health and safety: Type of accidents and rates of accidents, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities or caused by occupational diseases	502-510			X
<b>404-1</b>	Yearly average training hours per employee, by gender and job category	119, 121, 494		Training and development of human talent	X
<b>404-3</b>	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	122, 496, 497		Training and development of human talent: An additional breakdown is reported in the complement of GRI table	
<b>Own indicator</b>	Evaluation of organizational climate	122		Training and development of human talent	X
<b>REGULATORY MANAGEMENT</b>					
<b>103</b>	DMA Management approach	73		Regulatory management	
<b>419-1</b>	Non-compliance with laws and regulations in the social and economic area	74		Regulatory management	X
<b>419-1</b>	Monetary value of significant fines and numbers of non-monetary sanctions by non-compliance of legislation and environmental regulation	74		No significant fines or monetary sanctions were reported	

**SPECIFIC BASIC CONTENTS: NON-MATERIAL ISSUES**

GRI indicator	Description	Covered on 2018 Integrated Report	Only covered on website	Page or response	External verification
<b>INITIATIVES IN ECO-EFFICIENCY</b>					
<b>302-1</b>	Energy consumption within the organization		X		
<b>303-1</b>	Total water withdrawal by source		X		
<b>305-1</b>	Direct greenhouse gas (GHG) emissions (Scope 1)		X	<a href="http://www.isa.co/es/sala-de-prensa/Documents/etica-y-sostenibilidad/modelo-gestion/2016estrategiaclimatica.pdf">http://www.isa.co/es/sala-de-prensa/Documents/etica-y-sostenibilidad/modelo-gestion/2016estrategiaclimatica.pdf</a>	X
<b>305-2</b>	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		X		X
<b>305-3</b>	Other indirect greenhouse gas (GHG) emissions (Scope 3)		X		X
<b>306-2</b>	Waste by type and disposal method		X		

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**DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED [GRI 201-1] (COP million)**

Concepts	ISA ENERGY TRANSMISSION + INTERCOLOMBIA*	ISA CTEEP	CTM	ISA TRANSELCA	ISA BOLIVIA	ISA PERU	ISA INTERCHILE	ISA REP
Net operating revenues	2.155.424	2.951.785	691.298	253.360	102.973	73.586	50.256	528.991
Income from financial investments	56.919	447.446	60.880	87.176	60.146	3.056	1.760	209.563
Income from sale of assets	89	-	-	308	-	1	-	-
<b>Direct economic value generated</b>	<b>2.212.432</b>	<b>3.399.231</b>	<b>752.178</b>	<b>340.844</b>	<b>163.119</b>	<b>76.643</b>	<b>52.016</b>	<b>738.554</b>
Operating costs	97.914	455.378	220.604	45.353	11.562	5.181	4.727	90.192
Wages and benefits of employees	127.137	211.797	1.875	36.539	7.694	5.546	132	71.186
Payments to capital suppliers	600.362	990.102	193.881	99.057	-	14.614	17.940	164.802
Payments to capital suppliers	335.811	410.738	138.001	39.832	92.524	2.410	5.663	242.696
Payment to government	126.353	769.230	10.948	50.427	2.289	15.151	8.186	76.784
Community investments	30.646	12.815	-	342	652	1.218	-	660
<b>Distributed economic value</b>	<b>1.318.223</b>	<b>2.850.060</b>	<b>565.309</b>	<b>271.550</b>	<b>114.721</b>	<b>44.120</b>	<b>36.648</b>	<b>646.320</b>
<b>Retained economic value</b>	<b>894.209</b>	<b>549.171</b>	<b>186.869</b>	<b>69.294</b>	<b>48.398</b>	<b>32.523</b>	<b>15.368</b>	<b>92.234</b>
Provisions, Depreciations, and Repayments	159.764	7.447	159.139	41.723	26.767	15.039	11.672	125.919
Reserves	734.445	541.724	27.730	27.571	21.631	17.484	3.696	(33.685)

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\* ISA and INTERCOLOMBIA provide an energy transmission service in Colombia through a participation account contract, by which they are presented in an integrated way.

Message from  
ISA's CEO

### OWN INDICATOR

#### SOCIAL MANAGEMENT

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP	TOTAL
<b>Total social investment (amount)</b>	246.173	9.184.053	105.338	223.295	212.044	412.100	4.082.301	<b>12.368.596</b>
<b>People benefited (number)</b>	15.000	229.102	131.724	134.724	2.457	5.000	8.094	<b>526.101</b>
<b>Organizations benefited (number)</b>	100	854	225	450	28	76	105	<b>1.838</b>

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#### MUNICIPALITIES WHERE OPERATIONS ARE CARRIED OUT AND MUNICIPALITIES BENEFITED BY SOCIAL INVESTMENT

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	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP	TOTAL
<b>Total municipalities where operations are carried out</b>	NA	394	33	1.860	22	22	404	<b>2.735</b>
<b>Municipalities benefited (number)</b>	13	290	11	450	5	17	183	<b>969</b>
<b>% of municipalities benefited</b>	NA	73,60%	33,33%	24,19%	22,73%	77,27%	45,30%	<b>35,43%</b>

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#### INVESTMENT AMOUNT PER LINE IN COP

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	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP	TOTAL
<b>Educational</b>	233.556	28.885	53.386	67.098	10.551	23.778	426.129	<b>838.780</b>
<b>Institutional strengthening</b>		150.053	9.160	41.136			419.692	<b>547.909</b>
<b>Local development and peace</b>	12.616	673.497		20.740		385.094	63.083	<b>955.108</b>
<b>Community infrastructure</b>		5.690.689		7.574	63.531			<b>6.199.331</b>
<b>Coexistence with infrastructure</b>		2.518.861	20.948	54.260			333.488	<b>669.969</b>
<b>Health and welfare</b>			9.164				1.186.632	<b>1.195.796</b>
<b>Others: support to culture, sports, etc.</b>			12.680		137.962	3.228	1.653.278	<b>1.807.148</b>
<b>Donations</b>		122.068		32.487				<b>154.555</b>
<b>Total</b>	246.172	9.184.053	105.338	223.295	212.044	412.100	4.082.302	<b>12.368.596</b>

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**OWN INDICATOR**

**PROCUREMENT PRACTICES**

	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA	
	2017 (USD)	2018 (USD)	2017 (USD)	2018 (USD)	2017 (USD)	2018 (USD)
Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).	90%	89%	100%	99,89%	99%	72%
Local purchase value	715.255.026	84.980.804	28.198.726	28.462.897.083	32.446.857	16.197.334
Total purchases	793.945.040	95.253.227	28.200.067	28.493.726.840	32.671.961	22.391.919
The organization's geographical definition of "local"	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia
Significant locations of operation: where was the Energy Transmission Business unit developed?	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia

**OWN INDICATOR**

**PROCUREMENT PRACTICES**

	ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017 (USD)	2018 (USD)	2017 (USD)	2018 (USD)	2017 (USD)	2018 (USD)	2017 (USD)	2018 (USD)
Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).	95%	94%	ND	ND	62%	93%	91%	99,53%
Local purchase value	18.488.605	130.047.981	ND	ND	1.401.297	275.286	98.207.813	109.971.454
Total purchases	19.413.036	121.848.319	ND	ND	2.263.923	296.288	108.158.384	110.495.884
The organization's geographical definition of "local"	Peru	Peru	Chile		Bolivia	Bolivia	Brazil	Brazil
Significant locations of operation: where was the Energy Transmission Business unit developed?	Peru	Peru	Chile		Bolivia	Bolivia	Brazil	Brazil

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[GRI 308-1]

SUPPLIER ENVIRONMENTAL ASSESSMENT																
	ISA				ISA INTERCOLOMBIA				ISA TRANSELCA				ISA REP			
	2017		2018		2017		2018		2017		2018		2017		2018	
Percentage of new suppliers that were screened using environmental criteria	204	7%	78	5%	185	19%	79	6%	323	0%	280	16%	87	0%	73	32%
	15		4		35		5		0		45		0		23	

[GRI 308-2]

	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP	
	2017	2018	2017	2018	2017	2018	2017	2018
Number of suppliers assessed for environmental impacts	64	44	74	33	0	45	48	23
Number of suppliers identified as having significant actual and potential negative environmental impacts	64	44	74	33	0	45	48	23
Significant actual and potential negative environmental impacts identified in the supply chain	Breach of environmental and legal requirements.					<ul style="list-style-type: none"> <li>• Pollution generated by hazardous waste.</li> <li>• Emissions of sulphur hexafluoride into the air.</li> <li>• Refrigerant gas emissions (maintenance of air conditioning).</li> <li>• Chemical substances spill.</li> <li>• Breach of environmental and legal requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Chemical spill.</li> <li>• Atmospheric emissions due to traffic.</li> <li>• Alterations in the landscape due to the use of non-vehicular access.</li> <li>• Hazardous solid waste generation.</li> </ul>	<ul style="list-style-type: none"> <li>• Chemical spill.</li> <li>• Atmospheric emissions due to traffic.</li> <li>• Alterations in the landscape due to the use of non-vehicular access.</li> <li>• Hazardous solid waste generation.</li> </ul>

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[GRI 308-2]								
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP	
Number of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon because of assessment	5	0	2	3	0	2	6	1
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon because of assessment	31%	0%	22%	0,09%	0%	0%	13%	4%
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated because of assessment, and why	0	0	0	0	0	0	0	0

[GRI 308-1]											
SUPPLIER ENVIRONMENTAL ASSESSMENT											
	ISA INTERCHILE				ISA BOLIVIA				ISA CTEEP		
	2017		2018		2017		2018		2017	2018	
Percentage of new suppliers that were screened using environmental criteria	114	0	ND	ND	29	21%	0	0%	Suppliers are not selected based on environmental criteria	222	28%
	0		ND		6		0			62	



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[GRI 308-2]						
	ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018
Number of suppliers assessed for environmental impacts	ND	ND	24	9	It does not include this assessment criterion	239
Number of suppliers identified as having significant actual and potential negative environmental impacts	ND	ND	24	9		239
Significant actual and potential negative environmental impacts identified in the supply chain	ND	ND	<ul style="list-style-type: none"> <li>Alteration on water and soil conditions.</li> <li>Destabilization of soils.</li> <li>Increasing pressure on sanitary landfills.</li> <li>Potential contamination of water and soil.</li> </ul>	<ul style="list-style-type: none"> <li>Alteration on water and soil conditions.</li> <li>Destabilization of soils.</li> <li>Increasing pressure on sanitary landfills.</li> <li>Potential contamination of water and soil.</li> </ul>		Soil degradation; soil pollution; improper waste disposal; deforestation; and breach of legal obligations.
Number of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon because of assessment	ND	ND	1	0		0
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon because of assessment	ND	ND	4%	0%		0%
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated because of assessment, and why	ND	ND	0	0		0

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<b>[GRI 414-1]</b>												
<b>SUPPLIERS SOCIAL ASSESSMENT</b>												
	ISA				ISA INTERCOLOMBIA				ISA TRANSELCA			
	2017		2018		2017		2018		2017		2018	
Percentage of new suppliers that were screened using social criteria	204	25%	78	21%	185	14%	79	15%	323	0	280	16%
	51		16		26		12		0		45	
<b>[GRI 414-2]</b>												
Number of suppliers assessed for social impacts	131		100		87		59		0		47	
Number of suppliers identified as having significant actual and potential negative social impacts	131		100		87		59		0		47	
Significant actual and potential negative social impacts identified in the supply chain	Breach of legal requirements regarding occupational health and safety											
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon because of assessment.	14%		0%		8%		0,07%		0		4%	
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated because of assessment, and why.	0		0		0		0		0		0	
	Breach of legal requirements in OHS. Increase of risk and number of accidents occurred in the year. Increase of non-compliances in OHS. Legal sanctions related to breach											

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[GRI 414-1]

SUPPLIERS SOCIAL ASSESSMENT													
	ISA REP				ISA INTERCHILE			ISA BOLIVIA			ISA CTEEP		
	2017		2018		2017		2018	2017		2018	2017	2018	
Percentage of new suppliers that were screened using social criteria	87		73		114		ND	29		24	37,5%	178	40%
	0	0	23	32%	0	0	ND	8	28%	9		71	

[GRI 414-2]

Number of suppliers assessed for social impacts	48		23		ND	ND	37		9			239
Number of suppliers identified as having significant actual and potential negative social impacts	48		23		ND	ND	37		9			239
Significant actual and potential negative social impacts identified in the supply chain	<ul style="list-style-type: none"> <li>Fieldwork operational control.</li> <li>Non-compliances to OHS requirements and to specifications of the AL-E-01 guide.</li> </ul>				ND	ND	<ul style="list-style-type: none"> <li>Working at heights.</li> <li>Electric contact.</li> <li>Hit by and against.</li> <li>Falling objects</li> </ul>	<ul style="list-style-type: none"> <li>Breach of legal requirements regarding occupational health and safety.</li> <li>Working at heights.</li> <li>Electric contact.</li> <li>Hit by and against.</li> <li>Falling objects.</li> </ul>	No new suppliers are selected from social criteria. These are reviewed after formalizing the employment relationship. The supplier shall state that it acknowledges and is adjusted to the RSE model, as well as to the social and environmental commitments of the company. In the event of non-compliance, the supplier receives penalties.		Attention to legislation; (Personal Protection Equipment -PPE, Collective Protection Equipment - CPE, working conditions, working days, occupational safety, training "NR-10", health exams). Risk of closing transmission lines due to an incorrect procedure, causing variable area.	
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon because of assessment.	7%		22%		ND	ND	38%		0			5,63%
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated because of assessment, and why.	0		0		ND	ND	0		0			0

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[GRI 408] [GRI 409] [GRI 412]

HUMAN RIGHTS														
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Number of suppliers assessed from all contracts signed in 2018, to which a Human Rights clause was included	157	78	185	79	0	4	48	23	0	0	0	0	0	100
Number of contracts signed 2018, to which a Human Rights clause was included	268	215	300	240	0	111	90	33	0	0	0	0	0	159
Percentage of significant investment agreements and contracts with Human Rights clauses	100%	100%	77%	100%	0%	26%	69%	26%	0%	0%	0%	0%	0%	72%
Total number of contracts signed in 2018	258	215	391	310	596	429	131	125	114	ND	29	24	47	222

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[GRI 406-1]

**NO DISCRIMINATION**

	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total number of incidents of discrimination during the reporting period	0	0	0	0	0	0	0	0			0	0	0	0
Status of the incidents and actions taken with reference to the following: Incident reviewed by the organization			5	3										
Status of the incidents and actions taken with reference to the following: Remediation plans being implemented	No reported cases		0	0	No reported cases	No reported cases	No reported cases	No reported cases	ND	ND	No reported cases	No reported cases	No reported cases	No reported cases
Status of the incidents and actions taken with reference to the following: Remediation plans whose results have been implemented			0	0										

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[GRI 406-1]														
CHILD LABOR														
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Operations and suppliers at significant risk for incidents of child labor	0	0	185 suppliers with potential risk	29 suppliers, (70 contracts) for service delivery of civil works, installation of lines and substations, line maintenance, under construction stage of projects, have potential risk in Colombia.	0	0	0	0	ND	ND	0	0	ND	ND
Operations and suppliers at significant risk for: young employees exposed to hazardous work.	0	0			0	0	0	0	ND	ND	0	0	ND	ND
Operations and suppliers considered to have significant risk for incidents of child labor either in terms of type of operation (such as manufacturing plant) and supplier	As a requirement, electric energy transmission requires adult people and with the minimum training criteria according to the provisions of law, in the countries where it is present.													
Operations and suppliers considered to have significant risk for incidents of child labor in countries or geographic areas with operations and suppliers considered at risk.	<ul style="list-style-type: none"> <li>Geographical areas of the countries of operation do not present significant child labor risk and the nature of the Energy Transmission Business Unit requires adult staff that can perform the tasks related to the business.</li> <li>The operational centers of the company are the administrative headquarters and substations.</li> <li>ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, ISA REP, and ISA CTEEP have not identified risks related to child labor or forced labor during their own operations or those outsourced. There was no risk of youth exposed to hazardous work at the company or at the contractors' headquarters, in the construction and operational processes. Contractual minutes for purchases made in the different countries include the respect of the law of countries of origin and delivery of the product. It specifies the prohibition of child labor and forced labor, and the countries must comply with the provisions of ISA's Ethics Code.</li> <li>ISA INTERCOLOMBIA identified potential suppliers. It has contractual clauses and follow-up mechanisms to assess its suppliers during and upon termination of the contract.</li> </ul>													



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[GRI 409-1]

**FORCED OR COMPULSORY LABOR**

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
<b>Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor in terms of type of operation.</b>	0	29 suppliers, (70 contracts) for service delivery of civil works, installation of lines and substations, line maintenance, under construction stage of projects, have potential risk in Colombia. 19 projects were conducted during the term.	0	0	ND	0	ND
<b>Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor in terms of countries or geographic areas.</b>	0	0	0	0	ND	0	ND
	As a requirement, electric energy transmission requires adult people and with the minimum training criteria according to the provisions of law, in the countries where it is present.						
<b>Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.</b>	<ul style="list-style-type: none"> <li>ISA, ISA INTERCOLOMBIA, ISA TRANSELCA, ISA REP, ISA CTEEP, and ISA INTERCHILE have not identified risks related to child labor or forced labor during their own operations or those outsourced. There was no risk of forced labor at the company or at the contractors' headquarters, in the construction and operational processes. Contractual minutes for purchases made in the different countries include the respect of the law of countries of origin and delivery of the product. It specifies the prohibition of child labor and forced labor, and the countries must comply with the provisions of ISA's Ethics Code.</li> <li>ISA INTERCOLOMBIA: ISA INTERCOLOMBIA is a signatory of the Global Compact and has measures for assurance and control of employment rights with full respect for Human Rights. Contractual minutes of its direct employees comply with Colombian laws and international standards. Also, the Company establishes contractual requirements with its suppliers, in conformity with Colombian labor law and the standards declared, as well as it monitors and follows-up such requirements. Regarding the abolition of child labor, it has specific prohibitions in the contractual minutes such as not hiring minor children. In addition, the Ethics Code and the Declaration on Human Rights provide explicit guidance, which are instruments of mandatory compliance for the company and its supply chain. During the period, 69 contracts out of 32 companies received updated information on Human Rights within the framework of social management.</li> </ul>						

ISA: 78 contracts were specifically reviewed on Human Rights. No contract (0) had a potential risk of incidents related to forced or compulsory labor.



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[GRI 410-1]

SECURITY PRACTICES														
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security.	100	100	100	100	ND	100	1	ND	ND	0	0	0	0	
Whether training requirements also apply to third-party organizations providing security personnel.	SI		SI		ND	SI	SI	ND	ND	ND		The company does not carry out trainings, so that the organizations should comply with the training provided by Brazilian law for this purpose.		

ISA INTERCOLOMBIA: In the contracts entered into between INTERCOLOMBIA and the companies in charge of providing private security services, the security personnel shall receive training and education on Human Rights. For 2018, 100% of the personnel assigned to provide private security service in INTERCOLOMBIA received training and education on Human Rights (198 persons, 30 under security contract with SEVICOL in Eastern CTE - Energy Transmission Center; and 168 persons under security contract with SEGURIDAD ATLAS LIMITADA in Northwest, Southwest, Center, and Medellin Energy Transmission Centers).

[GRI 411-1]

RIGHTS OF INDIGENOUS COMMUNITIES														
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total number of identified incidents of violations involving rights of indigenous communities.	0	0	0	0	0	0	0	0	ND	ND	0	0	0	0

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[GRI 412-1]

HUMAN RIGHTS ASSESSMENT														
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.	2 100%	2 100%	13 100%	100%	17 100%	18 100%	4 100%	4 100%	ND	ND	1 100%	1 100%	6 100%	0
Total number of hours in the reporting period devoted to training on human rights policies or procedures relevant to operations.	92	182	0	115	6	0	175	0	0	0	0	0	0	0
Percentage of employees trained on human rights policies or procedures relevant to operations.	7	40	0	5,7	50,2%	0	45,0%	0	0	0	0	0	0	0

ISA INTERCOLOMBIA: All persons entering INTERCOLOMBIA as employees, students, and trainees, during their induction or reinduction process, receive training on Human Rights' policies or procedures relevant for operations. 100% of the employees, students, and trainees that entered INTERCOLOMBIA in 2018 (115: 32 employees, and 83 students and trainees) received training on Human Rights.

ISA CTEEP: 2018 was a year marked by the launching of the business ethics program and by the review of the Code of Conduct, as well as the anti-corruption and anti-bribery policies. Training on these subjects will be made in 2019.

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[GRI 304]

**BIODIVERSITY**

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

**ISA INTERCOLOMBIA**

For each operating center located within or close to protected areas or areas of high biodiversity value, report:	Data	Positive / negative aspects Actions implemented for management
<b>Geographic location*</b>	<ul style="list-style-type: none"> <li>• <b>Bolívar - Sabanalarga 220 kV Transmission Line:</b> Department of Atlántico, Municipality of Luruaco</li> <li>• <b>Guatiguará - Tasajero 230 kV Transmission Line:</b> Department of Santander, Municipality of Piedecuesta</li> <li>• <b>Los Palos - Tasajero 230 kV Transmission Line:</b> Department of Valle del Cauca and Santander, Municipalities of Yotoco and Suratá</li> <li>• <b>Betania - San Bernardino 230 kV Transmission Line:</b> Department of Cauca, Municipality of Popayán</li> <li>• <b>La Mesa - San Felipe 230 kV Transmission Line:</b> Department of Tolima, Municipality of Armero (Guayabal)</li> </ul>	<p>Some negative impacts identified are: modification of vegetation, modification of ecosystems connectivity, and intervention of protected areas.</p> <p>It is worth mentioning that a high percentage of special management areas, and intervened by projects, have a high level of modification that is evident in the prevalence of anthropic coverage such as pastures and mosaics of crops.</p> <p>Some actions implemented for managing impacts are:</p> <ul style="list-style-type: none"> <li>• Variable strips for forestry use in order to reduce as much as possible the cutting down or removal of vegetation, optimizing and minimizing the potential impact of the project on this type of special management areas.</li> <li>• Drones will be used to reduce as much as possible the cutting down or removal of vegetation, minimizing the impact on vegetation when installing overhead power ground wire and electrical conductors.</li> <li>• Design and construction of higher towers, thus avoiding impacts on exclusion areas and optimizing exploited forest zones, which reduces the impact on ecosystems.</li> </ul>
<b>Position related to the protected area (within the area, close to the area, or with plots in the protected area), or area of high biodiversity value outside the protected area.</b>	<ul style="list-style-type: none"> <li>• <b>Bolívar - Sabanalarga 220 kV Transmission Line:</b> The transmission line crosses a Regional Natural Park.</li> <li>• <b>Guatiguará - Tasajero 230 kV Transmission Line:</b> The transmission line crosses a Regional Natural Park.</li> <li>• <b>Los Palos - Tasajero 230 kV Transmission Line:</b> The transmission line crosses a Regional Natural Park.</li> <li>• <b>Betania - San Bernardino 230 kV Transmission Line:</b> The transmission line crosses a Civil Society Nature Reserve.</li> <li>• <b>La Mesa - San Felipe 230 kV Transmission Line:</b> The transmission line crosses a Civil Society Nature Reserve.</li> </ul>	
<b>Type of operation (office, manufacturing, production, or extraction)</b>	<ul style="list-style-type: none"> <li>• <b>Bolívar - Sabanalarga 220 kV Transmission Line:</b> operation stage</li> <li>• <b>Guatiguará - Tasajero 230 kV Transmission Line:</b> operation stage</li> <li>• <b>Los Palos - Tasajero 230 kV Transmission Line:</b> operation stage</li> <li>• <b>Betania - San Bernardino 230 kV Transmission Line:</b> operation stage</li> <li>• <b>La Mesa - San Felipe 230 kV Transmission Line:</b> operation stage</li> </ul>	
<b>Surface of affected areas</b>	<ul style="list-style-type: none"> <li>• <b>Bolívar - Sabanalarga 220 kV Transmission Line:</b> 6.39 Ha</li> <li>• <b>Guatiguará - Tasajero 230 kV Transmission Line:</b> 10.34 Ha</li> <li>• <b>Los Palos - Tasajero 230 kV Transmission Line:</b> 8.47 Ha</li> <li>• <b>Betania - San Bernardino 230 kV Transmission Line:</b> 1.35 Ha</li> <li>• <b>La Mesa - San Felipe 230 kV Transmission Line:</b> 6.26 Ha</li> </ul>	
<b>Biodiversity value, characterized by appearing protected lists (such as categories of the UICN's protected areas management, the Ramsar Convention, and national laws).</b>	<ul style="list-style-type: none"> <li>• <b>Bolívar - Sabanalarga 220 kV Transmission Line:</b> Los Rosales Regional Natural Park.</li> <li>• <b>Guatiguará - Tasajero 230 kV Transmission Line:</b> Bosques Andinos Húmedos el Rasgón Regional Natural Park</li> <li>• <b>Los Palos - Tasajero 230 kV Transmission Line:</b> Santurban Regional Natural Park</li> <li>• <b>Betania - San Bernardino 230 kV Transmission Line:</b> El Porvenir Civil Society Nature Reserve</li> <li>• <b>La Mesa - San Felipe 230 kV Transmission Line:</b> Jabirú Civil Society Nature Reserve</li> </ul>	

\*The geographic location of the entire project is provided. The presence of the project in protected habitats only occurs in specific areas.

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[GRI 304]					
BIODIVERSITY					
[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas					
	ISA REP		ISA INTERCHILE		ISA BOLIVIA
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	Data	Positive / negative aspects Actions implemented for management	Data	Positive / negative aspects Actions implemented for management	
<b>Geographic location*</b>	<ul style="list-style-type: none"> <li>• <b>Suriray - Santa Teresa 220 kV Transmission Line 2049:</b> Department of Cusco</li> </ul>	In all instances, biodiversity monitoring (flora and fauna) is carried out, verifying an increase of the population density of these components.	<ul style="list-style-type: none"> <li>• <b>Cardones – Polpaico Transmission Line:</b> Atacama region, Coquimbo region, Valparaíso region y Metropolitan region.</li> </ul>	The construction and expansion of infrastructure in ISA INTERCHILE generate impacts on biodiversity, in particular on biotic component of flora, involving trees, shrubs, succulent plants, and herbaceous plants.	NA
<b>Position related to the protected area (within the area, close to the area, or with plots in the protected area), or area of high biodiversity value outside the protected area.</b>	<ul style="list-style-type: none"> <li>• <b>Suriray - Santa Teresa 220 kV Transmission Line 2049:</b> This transmission line crosses the Machu Picchu National Sanctuary</li> </ul>		<ul style="list-style-type: none"> <li>• The infrastructure reported is within relevant areas for biodiversity.</li> </ul>		
<b>Type of operation (office, manufacturing, production, or extraction)</b>	<ul style="list-style-type: none"> <li>• <b>Suriray - Santa Teresa 220 kV Transmission Line 2049:</b> operation and maintenance stage.</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Cardones - Polpaico Transmission Line:</b> construction</li> </ul>		
<b>Surface of affected areas</b>	<ul style="list-style-type: none"> <li>• <b>Suriray - Santa Teresa 220 kV Transmission Line 2049:</b> 53.15 Ha</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Cardones - Polpaico Transmission Line:</b> priority site of Desierto Florido (Desert Bloom) (25.87 Ha); Reserva de la Biósfera (Biosphere Reserve) (40.2 Ha).</li> </ul>		
<b>Biodiversity value, characterized by appearing protected lists (such as categories of the UICN's protected areas management, the Ramsar Convention, and national laws).</b>	<ul style="list-style-type: none"> <li>• <b>Suriray - Santa Teresa 220 kV Transmission Line 2049:</b> Category III, as per categories for managing protected areas.</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Cardones – Polpaico Transmission Line:</b> Priority sites for Conservation and Biosphere Reserve.</li> </ul>		

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[GRI 304]

**BIODIVERSITY**

[GRI 304-1] Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	ISA TRANSELCA		ISA CTEEP	
For each operating center located within or close to protected areas or areas of high biodiversity value, report:	Data	Positive / negative aspects Actions implemented for management	Data	Positive / negative aspects Actions implemented for management
<b>Geographic location*</b>	NA		<b>The infrastructure of CTEEP located on relevant sites for biodiversity is in Sao Paulo State, specifically on:</b> Estação Ecológica Mico Leão Preto, Parque Estadual Alberto Lofgren, Parque, Estadual Carlos Botelho, Parque Estadual da Cantareira, Parque Estadual da Serra do Mar, Parque Estadual de Itaberaba, Parque Estadual de Itapetinga, Parque Estadual do Aguapé, Parque Estadual do Jaraguá, Parque Estadual do Juquery, Parque Estadual do Rio do Peixe, Parque Estadual Restinga de Bertiooga, Reserva Particular de Patrimonio Natural (RPPN) Botujuru-Serra do Itapety, Reserva Particular de Patrimonio Natural (RPPN) Mosquito, Parque Estadual da Serra do Mar.	
<b>Position related to the protected area (within the area, close to the area, or with plots in the protected area), or area of high biodiversity value outside the protected area.</b>	NA	Within the operation of transmission lines and substations of TRANSELCA, there are minimal affectations, so that habitat restoration has not been necessary. In addition, there has not been affectation of protected habitats.	The infrastructure reported is within relevant areas for biodiversity.	CTEEP has an impact on biodiversity (fauna and flora), in particular as a result of construction and maintenance activities. For lines and substations located on protected areas or areas relevant to biodiversity, actions are taken to reduce impacts on biotic component. For example: variable easement strips are implemented, thus minimizing vegetation removal and diminishing impacts on it.
<b>Type of operation (office, manufacturing, production, or extraction)</b>	NA		<b>All lines and substations reported are in operational stage:</b> It includes 15 transmission lines in protected areas or relevant areas for biodiversity. Rosana - Alcidia C-1 138 kV TL, Guarulhos - Anhanguera C1 and C2 345 kV TL, Registro - Capão Bonito C1 and C2 138 kV TL, Guarulhos - Anhanguera C1 and C2 345 kV TL, Embu Guaçu - Solvay C1 440 kV TL, Bom Jardim - Santo Angelo C1 440 kV TL, Bom Jardim - Santo Angelo C1 440 kV TL, Taquaruçu - Marechal Rondon C1 440 kV TL, Guarulhos - Anhanguera C1 and C2 345 kV TL, Cabreúva - Mairiporã C2 138 kV TL, Taquaruçu - Marechal Rondon C1 440 kV TL, Bertiooga II - Vicente de Carvalho C1 and C2 138 kV TL, SJC - Mogi das Cruzes C2 230 kV TL, Taquaruçu - Capivara C1 440 kV TL. It has two substations for a relevant area for biodiversity. Henry Borden substation and Rio Pardo substation.	
<b>Surface of affected areas</b>	NA		A total area of 343.11 Ha	
<b>Biodiversity value, characterized by appearing protected lists (such as categories of the UICN's protected areas management, the Ramsar Convention, and national laws).</b>	NA		<b>Ecological stations:</b> area aiming at nature conservation and execution of scientific research, which may be visited only according to educational purposes. Forest: area with forest cover where native species are found, to enable a sustainable use and to diversify forest resources, as well as scientific research. The permanence of traditional populations dwelling there since its creation is accepted. <b>Park:</b> area aiming at natural ecosystem conservation and places of great scenic beauty. Park is the category that enables a greater interaction between visitors and nature, since it allows to develop recreational and educational activities, as well as activities related to environmental awareness, in addition to allow the execution of scientific research.	



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**[GRI 304]**

**BIODIVERSITY**

**[GRI 304-2] Significant impacts of activities, products, and services on biodiversity**

	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
<b>La naturaleza de los impactos significativos directos e indirectos en la biodiversidad en lo que atañe a uno o más de los siguientes puntos:</b>						
<b>Reduction of species</b>	None of the activities covered by projects under construction or operation causes a reduction of species. It is worth mentioning that projects execute interventions on individuals of susceptible species with the corresponding authorization of the environmental authority, which impacts the number of individuals, but not the number of species. However, compensation measures are implemented regarding these individuals to benefit species survival.	Logging carried out from maintenance of easements and new projects has not a relevant impact since project planning considers the minimum impact of plants on habitat.	No. Monitoring allowed finding increases of population density.	Loss of vegetation in protected areas and priority sites for conservation; elimination of flora individuals under conservation category; loss of vegetation; loss of native forest; loss of individuals or populations of xerophyte species.	NA	On sites with best-preserved forest vegetation, the area directly affected by the implementation of the work will have specific modifications, largely determined by the creation of clearings that could cause localized phytofaunistic changes. However, all activities to remove vegetation and clear strips are authorized by the environmental entity. Additionally, they are compensated.
<b>Habitat transformation</b>	NA	Its activities have not caused relevant impacts resulting in habitat transformation.	No. Replanting activities are conducted to avoid and minimize this impact.	NA	NA	Operation and maintenance activities do not cause significant impacts on biodiversity, but specific impacts on protected areas with pruning and individual trees. The impact on vegetation is focused on the implementation, improvement, and reconstruction of transmission lines. All conservation and cleaning activities of strips are authorized by the environmental entity.

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[GRI 304]						
BIODIVERSITY						
[GRI 304-2] Significant impacts of activities, products, and services on biodiversity						
	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
<b>Changes in the ecological processes outside the natural variation range (such as salinity or changes in phreatic level)</b>	Interventions from projects do not generate changes in ecological processes outside the natural variation range.	Its activities have not caused relevant impacts that modify ecological processes outside the natural variation range.	NA	Irreversible soil degradation	NA	NA
<b>Los impactos positivos y negativos significativos directos e indirectos con referencia a lo siguiente:</b>						
<b>Species affected</b>	The main activity causing this impact is cutting down or logging of trees. Variable strips for forestry use are implemented to optimize and reduce the potential impact of the project on vegetation.	Logging carried out from maintenance of easements and new projects has not a relevant impact since project planning considers the minimum impact of plants on habitat.	NA	32 flora species are affected, including trees, shrubs, succulent plants, and herbaceous plants.	The impact of pruning and logging made by the maintenance of easements is not significant.	Maintenance works consider impacts on some flora species affected, such as: candeia (Gochnatia polimorpha), leiteiro (Peschieria fuchsiaefolia), maria-mole (Guapira spp), mamona (Ricinus communis), arranha-gato (Acacia spp), falso-ipê (Stenolobium stans), crindiúva (Trema micrantha), fuma-bravo (Solanum granuloseprosum).
<b>Expansion of areas that have suffered impacts</b>	<b>Caracolí substation 220 kV and associated transmission line:</b> 29,42 Ha <b>Chinú - Montería 230 kV Transmission Line:</b> 0,13 Ha <b>Montería - Uraba 230 kV Transmission Line:</b> 22,46 Ha <b>San Antonio 230 kV Substation and associated transmission Lines:</b> 0,84 Ha <b>Northwestern Interconnection 500/230 kV, AMA line:</b> 3,04 Ha <b>Porce III - Sogamoso connection 500 kV Transmission Line:</b> 13,39 Ha <b>Antioquia - Cerromatoso connection 500 kV Transmission Line:</b> 8,104 Ha <b>Antioquia – Porce III connection 500 kV Transmission Line:</b> 1,65 Ha <b>Expansion of Porce III substation:</b> 18,27 Ha	Its activities have not caused relevant impacts resulting in habitat transformation.	<b>(Lomera - Huacho) 2212 220 kV Transmission Line:</b> 4.70 Ha <b>(Santuario - Callalli) 1020 220 kV Transmission Line:</b> 1,781 Ha <b>(Suriray - Santa Teresa) 2049 220 kV Transmission Line:</b> 53.15 Ha	P001 Línea Cardones-Maitencillo-Pan de Azúcar-Polpaico 2X500 kV: 592,5 ha	0	Direct operation of CTEEP: 0,189 Ha



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[GRI 304]						
BIODIVERSITY						
[GRI 304-2] Significant impacts of activities, products, and services on biodiversity						
	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
<b>Duration of impacts</b>	All impacts on biodiversity are permanent during the useful life of assets because they are caused by easement maintenance activities or by the construction of substations.	Its activities have not caused relevant impacts.	Construction stage required around 12 months.	Construction stage	Impacts on biodiversity are permanent during the useful life of assets because they are caused by easement maintenance activities.	Impacts on biodiversity are permanent during the useful life of assets because they are caused by easement maintenance activities.
<b>The reversibility or irreversibility of impacts</b>	Impacts on biodiversity are irreversible during the useful life of assets.	Its activities have not caused relevant impacts. These are reversible impacts.	Reversible impacts	<b>Loss of xerophyte vegetation:</b> Irreversible <b>Loss of vegetation in protected areas and/or priority sites for conservation:</b> Irreversible <b>Elimination of flora individuals under conservation category:</b> Irreversible <b>Loss of native vegetation:</b> Irreversible	Reversible pruning activities were carried out.	Reversible pruning activities were carried out.

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[GRI 304-3]

**BIODIVERSITY**

**Habitats protected or restored**

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA
<b>Habitat name</b>	<p><b>Habitat 1:</b> Restoration of foothill at the Paramillos' National Nature Park</p> <p><b>Habitat 2:</b> Restoration of degraded lands by using native species</p> <p><b>Habitat 3:</b> Concession for the conservation of Alto Huayabamba</p>	<p><b>Puerto Libertador - Montelíbano 110 kV Transmission Line:</b> pastures of tropical rainforest</p> <p><b>Connection of Cartago substation to San Marcos - Virginia 230 kV circuit:</b> La Moravia land</p> <p><b>Sochagota - Guatiguará 230 kV Transmission Line</b></p> <p><b>Banadía - Samoré line</b></p> <p><b>Cerromatoso substation expansion</b></p> <p><b>Alfárez - San Bernardino 230 kV Transmission Line</b></p> <p><b>Sochagota substation</b></p> <p><b>El Bosque Transmission Line connection:</b> dry forest and mangrove in San Juan Nepomuceno and Cartagena de Indias</p> <p><b>Bolívar - Copey - Ocaña - Primavera 500 kV Transmission Line:</b> El Paraíso land</p> <p><b>Comuneros substation</b></p> <p><b>Páez - San Bernardino 230 kV Transmission Line</b></p> <p><b>Bacatá - Primavera 500 kV Transmission Line</b></p> <p><b>Comuneros - Campo 22 Transmission Line and Cira Infantas substation</b></p>	<p>There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority.</p>
<b>Geographical location</b>	<p><b>Habitat 1:</b> Colombia - Department of Córdoba, Municipality of Tier-ralta</p> <p><b>Habitat 2:</b> Colombia - Department of Norte de Santander, Municipality of Cimitarra</p> <p><b>Habitat 3:</b> Perú - Department of San Martín</p>	<p><b>Puerto Libertador - Montelíbano 110 kV Transmission Line:</b> Municipalities of Montelíbano and Puerto Libertador</p> <p><b>Connection of Cartago substation to San Marcos - Virginia 230 kV circuit:</b> Municipality of Ansermanuevo.</p> <p><b>Sochagota - Guatiguará 230 kV Transmission Line:</b> Municipality of El Jordán</p> <p><b>Banadía - Samoré line:</b> Municipality of Saravena</p> <p><b>Cerromatoso substation expansion:</b> Municipality of Montelíbano</p> <p><b>Alfárez - San Bernardino 230 kV Transmission Line:</b> Municipality of Santander de Quilichao</p> <p><b>Sochagota substation:</b> Municipality of Paipa</p> <p><b>El Bosque Transmission Line connection:</b> Municipality of San Juan Nepomuceno and Cartagena de Indias</p> <p><b>Bolívar - Copey - Ocaña - Primavera 500 kV Transmission Line:</b> Department of Norte de Santander, Cesar and Bolívar</p> <p><b>Comuneros substation:</b> Municipality of Barrancabermeja</p> <p><b>Páez - San Bernardino 230 kV Transmission Line:</b> Municipality of Morales</p> <p><b>Bacatá - Primavera 500 kV Transmission Line:</b> Municipality of Yacopí</p> <p><b>Comuneros - Campo 22 Transmission Line and Cira Infantas substation:</b> Municipality of Barrancabermeja</p>	

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[GRI 304-3]

**BIODIVERSITY**

**Habitats protected or restored**

	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA
<b>Habitat area restored or protected</b>	<p><b>Habitat 1:</b> Protection of 400 Ha of forests and headwaters; recovery of 200 Ha of forests</p> <p><b>Habitat 2:</b> Recovery of 3.650 Ha of forests</p> <p><b>Habitat 3:</b> Conservation of 143,928 Ha of montane forests of the concession for the conservation of Alto Huayabamba</p>	<p><b>Puerto Libertador - Montelíbano 110 kV Transmission Line:</b> 4,6 Ha</p> <p><b>Connection of Cartago substation to San Marcos - Virginia 230 kV circuit:</b> 0,06 Ha</p> <p><b>Sochagota - Guatiguará 230 kV Transmission Line:</b> 1,02 Ha</p> <p><b>Banadía - Samoré line:</b> 2,40 Ha</p> <p><b>Cerromatoso substation expansion:</b> 2,37 Ha</p> <p><b>Alfárez - San Bernardino 230 kV Transmission Line:</b> 0,54 Ha</p> <p><b>Sochagota substation:</b> 0,26 Ha</p> <p><b>El Bosque Connection Transmission Line:</b> 36,53 Ha</p> <p><b>Bolívar - Copey - Ocaña - Primavera 500 kV Transmission Line:</b> 69,60 Ha</p> <p><b>Comuneros substation:</b> 0,05 Ha</p> <p><b>Páez - San Bernardino 230 kV Transmission Line:</b> 0,09 Ha</p> <p><b>Bacatá - Primavera 500 kV Transmission Line:</b> 158,56</p> <p><b>Comuneros - Campo 22 Transmission Line and Cira Infantas substation:</b> 70 Ha</p>	<p>There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority.</p>
<b>Conditions of the area at the end of the period (compared with baseline)</b>	<p><b>Habitat 1:</b> Implementation of agroforestry and reforestation systems with native species in areas degraded by livestock.</p> <p><b>Habitat 2:</b> Significant improvement of regional conditions of soils and water. Creation of a new habitat for endangered species.</p> <p><b>Habitat 3:</b> Conservation of key habitats for endemic species and provision of ecosystem services. Avoid the reduction of populations of species subject to conservation.</p>	<p><b>Puerto Libertador - Montelíbano 110 kV Transmission Line:</b> establishment and maintenance of 2.881 individuals with native and fruit species of the region.</p> <p><b>Connection of Cartago substation to San Marcos - Virginia 230 kV circuit:</b> establishment and maintenance of 23 individuals.</p> <p><b>Sochagota - Guatiguará 230 kV Transmission Line:</b> 5 maintenance conducted on 1.138 individuals.</p> <p><b>Banadía - Samoré line:</b> maintenance of 2.667 individuals.</p> <p><b>Cerromatoso substation expansion:</b> establishment and monitoring of 1950 individuals.</p> <p><b>Alfárez - San Bernardino 230 kV Transmission Line:</b> establishment and maintenance of 600 individuals.</p> <p><b>Sochagota substation:</b> establishment and maintenance of 654 individuals.</p> <p><b>El Bosque Connection Transmission Line:</b> maintenance of 18.998 individuals.</p> <p><b>Bolívar - Copey - Ocaña - Primavera 500 kV Transmission Line:</b> maintenance of 64.150 individuals.</p> <p><b>Comuneros substation:</b> establishment of 50 individuals in an agroforestry area and environmental workshop.</p> <p><b>Páez - San Bernardino 230 kV Transmission Line:</b> establishment and maintenance of 100 individuals.</p> <p><b>Bacatá - Primavera 500 kV Transmission Line:</b> establishment and maintenance of 53.334 individuals.</p>	
<b>Verification by third parties</b>	<p><b>Habitat 1:</b> to be carried out in 2019</p> <p><b>Habitat 2:</b> to be carried out in 2019</p> <p><b>Habitat 3:</b> to be carried out in 2019</p>	<p>All protected or restored habitats are verified by third parties. In most cases, these are carried out by the corresponding environmental authorities (Regional Autonomous Corporations or National Agency of Environmental Licenses).</p>	

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[GRI 304-3]			
BIODIVERSITY			
Habitats protected or restored			
	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA
Type of action	<b>Habitat 1:</b> Conservation and restoration - Voluntary nature <b>Habitat 2:</b> Reforestation - Voluntary nature <b>Habitat 3:</b> Conservation - Voluntary	<b>Puerto Libertador - Montelíbano 110 kV Transmission Line:</b> restoration <b>Connection of Cartago substation to San Marcos - Virginia 230 kV circuit:</b> restoration and conservation <b>Sochagota - Guatiguará 230 kV Transmission Line:</b> restoration <b>Banadía - Samoré line:</b> restoration <b>Cerromatoso substation expansion:</b> restoration <b>Alfárez - San Bernardino 230 kV Transmission Line:</b> restoration <b>Sochagota substation:</b> restoration <b>El Bosque Connection Transmission Line:</b> restoration <b>Bolívar - Copey - Ocaña - Primavera 500 kV Transmission Line:</b> restoration <b>Comuneros substation:</b> restoration <b>Páez - San Bernardino 230 kV Transmission Line:</b> restoration <b>Bacatá - Primavera 500 kV Transmission Line:</b> restoration and conservation <b>Comuneros - Campo 22 Transmission Line and Cira Infantas substation:</b> restoration	There are no restored habitats. Environmental compensations are made in areas defined by the environmental authority.
There is collaboration with third parties	<b>Habitat 1:</b> South Pole Group, Panthera and Forestales San José <b>Habitat 2:</b> South Pole Group, Panthera, Compañía Colombiana de Cacao y Agrow Gestión de Activos Agropecuarios S.A.S. <b>Habitat 3:</b> South Pole Group, Panthera and Association of Amazonians for the Amazon	<b>Puerto Libertador - Montelíbano 110 kV Transmission Line:</b> reforestation is being made in private plots close to the AID (Direct Area of Influence) of Puerto Libertador - Montelíbano 110 kV connection line project. <b>Cerromatoso substation expansion:</b> a part of reforestation is being conducted on a private plot.	

[GRI 304-3]				
BIODIVERSITY				
Habitats protected or restored				
	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
Habitat name	<b>2212 220 kV Transmission Line:</b> Lomas de Lachay <b>1020 220 kV Transmission Line:</b> Salinas y Aguada Blanca National Reserve <b>2049 220 kV Transmission Line:</b> Machu Picchu National Sanctuary	Desert Bloom (ephemeral pasture) Belloto del Norte Conservation Forest Lúcumo Conservation Forest	NA	Mata Atlántica - Middle Stage
Geographical location	<b>2212 220 kV Transmission Line:</b> Lomas de Lachay (Department of Lima) <b>1020 220 kV Transmission Line:</b> Salinas y Aguada Blanca National Reserve (Department of Cusco) <b>2049 220 kV Transmission Line:</b> Machu Picchu National Sanctuary (Department of Cusco)	<b>Desert Bloom:</b> Atacama Region <b>Belloto del Norte Habitat:</b> Valparaíso Region <b>Lúcumo Habitat:</b> Coquimbo Region	NA	Brazil, Sao Paulo State, Municipality of Bertiooga

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**[GRI 304-3]**

<b>BIODIVERSITY</b>				
<b>Habitats protected or restored</b>				
	<b>ISA REP</b>	<b>ISA INTERCHILE</b>	<b>ISA BOLIVIA</b>	<b>ISA CTEEP</b>
<b>Habitat area restored or protected</b>	2212 220 kV Transmission Line Lomas de Lachay: 5,070 ha 1020 220 kV Transmission Line Salinas y Aguada Blanca National Reserve: 366,936 ha 2049 220 kV Transmission Line: Machu Picchu National Sanctuary: 32,592 ha	Desert Bloom: 25,87 ha Belloto del Norte Habitat: 259,7 ha Lúcumo Habitat: 169,5 ha	NA	1,982 Ha
<b>Conditions of the area at the end of the period (compared with baseline)</b>	Conserved and reforested	NA	NA	The area is currently in conservation process.
<b>Verification by third parties</b>	The verification authorities are SERNANP and OEFA. All lines have been subject to authority's audit.	Yes (National Forest Corporation; Superintendence of the Environment)	NA	State environmental agencies or the federal agency conduct audits regarding compensation projects.
<b>Type of action</b>	Biological monitoring.	Conservation / Protection	NA	Forest conservation and maintenance of individuals.
<b>There is collaboration with third parties</b>	There is an alliance with CERPER Company, which executed the biological and participatory monitoring in the areas.	NA	NA	NA

**[GRI 304-4]**

<b>BIODIVERSITY</b>						
<b>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations</b>						
	<b>ISA INTERCOLOMBIA</b>	<b>ISA TRANSELCA</b>	<b>ISA REP</b>	<b>ISA INTERCHILE</b>	<b>ISA BOLIVIA</b>	<b>ISA CTEEP</b>
<b>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the Company operations, by level of extinction risk.</b>						
<b>Critically endangered</b>	6	115 trees of Guayacán, Corazón Fino and Puy species.	0	0	2	0
<b>Endangered</b>	12		0	2	5	0
<b>Vulnerable</b>	8		2	12	23	0
<b>Near threatened</b>	9		1	10	19	0
<b>Least concern</b>	181		1	8	0	0

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[GRI 404-1]

		TRAINING AND EDUCATION															
		ISA				ISA INTERCOLOMBIA				ISA TRANSELCA				ISA REP			
		2017		2018		2017		2018		2017		2018		2017		2018	
		Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average
Average hours of training that the organization's employees have undertaken during the reporting period, by gender	Total number of training hours provided to female employees	3.362	40	4.132	46	7.181	84	5.015	35	2.825	33	2.084	42	2.245	26	3.842	58
	Total number of training hours provided to male employees	3.558	31	5.461	48	17.678	156	17.834	43	7.245	64	5.831	41	14.199	126	17.938	57
Average hours of training that the organization's employees have undertaken during the reporting period, by employee category	Total training hours of Level 1 staff: CEOs, managers, chief officers	548	61	526	58	311	52	805	161	8	8	717	102	355	51	771	110
	Total training hours of Level 2 staff: directors and chiefs	449	37	636	53	1.503	84	2.412	142	974	65	689	77	718	48	1.260	79
Average hours of training that the organization's employees have undertaken during the reporting period, by employee category	Total training hours of Level 3 staff: specialists, analysts, technicians, and assistants	5.923	33	8.431	46	23.044	44	19.723	37	9.089	64	6.508	37	15.372	44	19.749	56
	Total Level 1 staff: CEOs, managers, chief officers	9		9		6		5		1		7		7		7	
	Total Level 2 staff: directors and chiefs	12		12		18		17		15		9		15		16	
	Total Level 3 staff: specialists, analysts, technicians, and assistants	177		182		524		536		142		177		346		355	

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**TRAINING AND EDUCATION**

		ISA INTERCHILE				ISA BOLIVIA				ISA CTEEP			
		2017		2018		2017		2018		2017		2018	
		Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average	Total hours	Average
<b>Average hours of training that the organization's employees have undertaken during the reporting period, by gender</b>	Total number of training hours provided to female employees.	176	2	431	39	474	6	473	79	4.130	49	5.224	27
	Total number of training hours provided to male employees.	936	8	845	17	2.467	22	1.758	76	75.006	664	52.838	42
<b>Average hours of training that the organization's employees have undertaken during the reporting period, by employee category</b>	Total training hours of Level 1 staff: CEOs, managers, chief officers.	0	0	16	3	24	24	8	8	67	13	152	30
	Total training hours of Level 2 staff: directors and chiefs.	58	29	72	12	222	111	92	46	8.118	89	5.204	55
	Total training hours of Level 3 staff: specialists, analysts, technicians, and assistants.	1.054	32	815	17	2.695	108	2.131	72	70.951	54	52.705	39
	Total Level 1 staff: CEOs, managers, chief officers.	2		5		1		1		5		5	
	Total Level 2 staff: directors and chiefs.	2		6		2		2		91		95	
	Total Level 3 staff: specialists, analysts, technicians, and assistants.	33		48		25		26		1.303		1.339	



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		PERFORMANCE MANAGEMENT															
		ISA				ISA INTERCOLOMBIA				ISA TRANSELCA				ISA REP			
		2017		2018		2017		2018		2017		2018		2017		2018	
		Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	Total number of females with performance assessment.	82	96	82	71	137	95	144	100	47	96	49	98	58	97	63	95
	Total number of males with performance assessment.	105	93	110	124	392	97	411	99	135	98	135	94	301	95	309	99
	Total number of employees with Level 1 and Level 2 performance assessment: CEOs, managers, chief officers, and directors.	19	90	20	95	24	100	20	91	16	100	16	100	7	32	23	100
	Total number of employees with Level 3 performance assessment.	168	95	168	92	505	96	535	95	166	117	2	1	352	102	349	98

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		[GRI 404-1]											
		PERFORMANCE MANAGEMENT											
		ISA INTERCHILE				ISA BOLIVIA				ISA CTEEP			
		2017		2018		2017		2018		2017		2018	
		Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	Total number of females with performance assessment					6	100	6	100	162	99	193	99
	Total number of males with performance assessment					22	100	23	100	1.223	99	1.238	100
	Total number of employees with Level 1 and Level 2 performance assessment: CEOs, managers, chief officers, and directors	N/A		NA		3	100	3	100	96	100	96	100
	Total number of employees with Level 3 performance assessment					25	100	26	100	1.290	99	1.343	100

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[GRI 404-5]

DIVERSITY AND EQUAL OPPORTUNITY									
		ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP	
		2017	2018	2017	2018	2017	2018	2017	2018
Percentage of individuals within the organization's governance bodies in each of the following diversity categories: per gender	Total Level 1 female: CEOs, Managers, and Chief Officers	33	30	17	0	0	14	14	14
	Total Level 1 male: CEOs, managers, and Chief Officers	67	70	83	100	100	86	86	86
Ratio of the basic salary and remuneration of women compared with men for each employee category, by significant locations of operation	Level 1 (CEO is not included)	0,81	0,94	1,53	N/A	N/A	N/A	0,81	0,85
	Level 2	0,84	0,81	1,05	1,04	0,84	0,84	0,94	0,103
	Level 3	0,82	0,92	1,08	1,70	1,25	1,25	0,82	0,94

[GRI 404-5]

DIVERSITY AND EQUAL OPPORTUNITY							
		ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
		2017	2018	2017	2018	2017	2018
Percentage of individuals within the organization's governance bodies in each of the following diversity categories: per gender	Total Level 1 female: CEOs, Managers, and Chief Officers	0	0%	0%	0	0	0
	Total Level 1 male: CEOs, managers, and Chief Officers	100	100%	100	100	100	100
Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	Level 1 (CEO is not included)	N/A	N/A		NA	N/A	N/A
	Level 2	N/A	N/A	0,84	0,84	0,97	1,08
	Level 3	0,92	0,92	0,9	0,9	1,07	1,06

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The definition used for "significant locations of operation" refers to administrative headquarters and transmission centers.



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[GRI 102-7]

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	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP		ISA INTERCHILE	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total number of employees by labor contract (permanent or fixed-term) and by region.	217	209	578	558	198	207	376	378	37	59
Total number of employees by type of labor contract (full-time or part-time) and by gender.	ISA and its companies only include full-time working day.									
Description of the nature and magnitude of the work carried out by non-employee staff.	The work performed is executed with the company's employees.									
An explanation of how data have been collected, including assumptions made.	Data are calculated on a monthly basis by using the information provided by the staff software, besides the consolidated report.									

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[GRI 102-7]

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	ISA BOLIVIA		ISA CTEEP		XM		INTERNEXA		INTERVIAL	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total number of employees by labor contract (permanent or fixed-term) and by region.	28	29	1399	1439	243	229	173		333	
Total number of employees by type of labor contract (full-time or part-time) and by gender.	En ISA y sus empresas sólo se tiene jornada completa									
Description of the nature and magnitude of the work carried out by non-employee staff.	El trabajo realizado se ejecuta con empleados de la compañía									
An explanation of how data have been collected, including assumptions made.	Los datos se calculan mensualmente con la información que arroja el software de personal y se cuenta con un informe consolidado									

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[GRI 407-1]

LIBERTAD DE ASOCIACIÓN Y NEGOCIACIÓN COLECTIVA

2018	ISA	ISA INTERCOLOMBIA	ISA TRANSELCA	ISA REP	ISA INTERCHILE	ISA BOLIVIA	ISA CTEEP
<p><b>Operations in which employees' rights to exercise freedom of association or collective bargaining may be violated or at significant risk.</b></p>	<p>There is no risk to employees to exercise union freedom of association and/or collective bargaining, in any of the operations and countries where ISA and its companies are present. Additionally, there are no relevant risks to suppliers.</p>						
<p><b>Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.</b></p>	<p>Development of regular monthly meetings (collective agreement - management). Open administration to listen or review labor topics or other concerns. 100% grant of permits to review collective agreement topics to its members.</p>	<p>Execution of employees-management committees. Positive response by the Administrative Management to listen and review labor topics. 90% grant of remunerated union permits as provided by CCT.</p>	<p>The measures adopted by the organization are correct. For example, the two 5-year Collective Agreements concluded, the only ones in the Peruvian energy sector. Best practices are based on four (4) pillars:</p> <ul style="list-style-type: none"> <li>• Freedom of association and open communication.</li> <li>• Trade union facilities</li> <li>• Preparation for negotiation (training and preparation on negotiation topics with the participation of trade union leaders and representative of the company).</li> <li>• Collective bargaining (medium-term trade union agreements).</li> </ul>				<p>All employees who comply with Brazilian laws are members of a trade union.</p>
<p>% of employees who are members of a trade union and/or collective agreement</p>	54	78					100

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[GRI 401-1]

EMPLOYMENT: NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER								
	ISA		ISA INTERCOLOMBIA		ISA TRANSELCA		ISA REP	
	2017	2018	2017	2018	2017	2018	2017	2018
Total number of new employee hires during the reporting period.	14	15	36	34	6	8	40	21
Total rate of new employee hires during the reporting period.	7,2%	7,5%	6,6%	6,1%	3,2%	4,3%	11,0%	5,5%
Total number of employee withdrawal during the reporting period.	16	12	29	24	4	2	31	19
Total rate of employee turnover during the reporting period.	7,7%	6,7%	6,0%	10,4%	2,7%	2,7%	9,7%	5,3%
Number of employees who had mobility during the reporting period.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

[GRI 401-1]

EMPLOYMENT: NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER						
	ISA INTERCHILE		ISA BOLIVIA		ISA CTEEP	
	2017	2018	2017	2018	2017	2018
Total number of new employee hires during the reporting period.	16	20	0	2	124	106
Total rate of new employee hires during the reporting period.	51,6%	38,0%	0,0%	6,9%	9,0%	7,4%
Total number of employee withdrawal during the reporting period.	5	3	1	1	115	120
Total rate of employee turnover during the reporting period.	34,1%	5,0%	1,7%	5,2%	8,6%	7,9%
Number of employees who had mobility during the reporting period.	0,0%	5	0,0%	0,0%	0,0%	15

[GRI 403-2]

**OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES**

	ISA	
	2017	2018
Accident Frequency Rate (TFA)	TFA =0	TFA =0.5
Incidence Rate of Occupational Diseases (TIEP)	TIEP = 0	TIEP = 0
Lost Day Rate (TDP)	TDP = 1.51	TDP = 3,6
Absentee Rate (TAL)	TAL= 3.1	TAL= 1,5
Work-related fatalities or occupational disease, for all employees, with a breakdown by region	0	0
Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0.% Male, TIEP = 0% <b>TDP</b> Female, TDP = 1.25% Male, TDP =1.01% <b>TAL</b> Female, TAL = 4.6% Male, TAL = 6.6% Work-related fatalities: 0	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0.% Male, TIEP = 0% <b>TDP</b> Female, TDP = 4.4% Male, TDP = 2.9% <b>TAL</b> Female, TAL = 1.68% Male, TAL = 1.10% Work-related fatalities: 0 0
Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region.	NA	NA
Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender.	NA	NA
The system of rules applied in recording and reporting accident statistics.	In the event of an occupational accident, an Excel document is registered, and data is uploaded to the App of the Occupational Accident Insurance Coverage -ARL.	

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**OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES**

	ISA INTERCOLOMBIA	
	2017	2018
<b>Accident Frequency Rate (TFA)</b>	<b>TFA = 2.37%</b> Medellín, TFA = 0.55% Northwestern CTE (Energy Transmission Center), TFA= 1.09% Southwestern CTE (Energy Transmission Center), TFA= 0.55% Central CTE (Energy Transmission Center), TFA = 0.18% Western CTE (Energy Transmission Center), TFA = 0%	<b>TFA = 2.69%</b>
<b>Incidence Rate of Occupational Diseases (TIEP)</b>	<b>TIEP = 0.18%</b> Medellín, TIEP = 0% Northwestern CTE (Energy Transmission Center), TIEP = 0% Southwestern CTE (Energy Transmission Center), TIEP = 0% Central CTE (Energy Transmission Center), TIEP = 2,38% Western CTE (Energy Transmission Center), TIEP = 0%	<b>TIEP = 0%</b> Medellín, TIEP = 0% Northwestern CTE (Energy Transmission Center), TIEP = 0% Southwestern CTE (Energy Transmission Center), TIEP = 0% Central CTE (Energy Transmission Center), TIEP = 0% Western CTE (Energy Transmission Center), TIEP = 0%
<b>Lost Day Rate (TDP)</b>	<b>TDP = 3.6%</b> Medellín headquarters, TDP = 4,3% Northwestern CTE (Energy Transmission Center), TDP = 2,2% Southwestern CTE (Energy Transmission Center), TDP = 2,0% Central CTE (Energy Transmission Center), TDP = 2,3% Western CTE (Energy Transmission Center), TDP = 2,3%	<b>TDP = 6.2%</b> Medellín headquarters, TDP = 6.7% Northwestern CTE (Energy Transmission Center), TDP = 6.0% Southwestern CTE (Energy Transmission Center), TDP = 7.1% Central CTE (Energy Transmission Center), TDP = 4.0% Western CTE (Energy Transmission Center), TDP = 4.1%
<b>Absentee Rate (TAL)</b>	<b>TAL = 1.21%</b> Medellín headquarters, TAL = 1.68% Northwestern CTE (Energy Transmission Center), TAL = 0.61% Southwestern CTE (Energy Transmission Center), TAL = 0.57% Central CTE (Energy Transmission Center), TAL = 0.61% Western CTE (Energy Transmission Center), TAL = 0.62% These calculations do not include maternity or paternity leaves.	<b>TAL = 2.25%</b> Medellín headquarters, TAL = 2.38% Northwestern CTE (Energy Transmission Center), TAL = 2.35% Southwestern CTE (Energy Transmission Center), TAL = 2.47% Central CTE (Energy Transmission Center), TAL = 1.51% Western CTE (Energy Transmission Center), TAL = 1.63% These calculations do not include maternity or paternity leaves.
<b>Work-related fatalities or occupational disease, for all employees, with a breakdown by region</b>	0	0



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**OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES**

	ISA INTERCOLOMBIA	
<p><b>Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender</b></p>	<p><b>TFA</b> Female, TFA = 0.18%, Male, TFA = 2.19%</p> <p><b>TIEP</b> Female, TIEP = 0%, Male, TIEP = 0.25%</p> <p><b>TDP</b> Female, TDP = 6.1%, Male, TDP = 2,7%</p> <p><b>TAL</b> Female, TAL = 2.06%, Male, TAL = 0.91%</p> <p>Work-related fatalities: 0</p>	<p><b>TFA</b> Female, TFA = 1.3%, Male, TFA = 3.14%</p> <p><b>TIEP</b> Female, TIEP = 0%, Male, TIEP = 0.24%</p> <p><b>TDP</b> Female, TDP = 5.3%, Male, TDP = 8.6%</p> <p><b>TAL</b> Female, TAL = 3.14%, Male, TAL = 0%</p> <p>Work-related fatalities: 0</p>
<p><b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region</b></p>	<p>Accident Frequency Rate per employee is equivalent to:</p> <ul style="list-style-type: none"> <li>• 12,16% ((275 AT / 2262 employees) *100%)</li> <li>• 78% of occupational accidents occurred in the north-western region</li> <li>• 11% of occupational accidents occurred in the Medellin's headquarters</li> <li>• 5% of occupational accidents occurred in the eastern region</li> <li>• 4% of occupational accidents occurred in the south-western region</li> <li>• 2% of occupational accidents occurred in the central region</li> </ul> <p>Work-related fatalities or occupational disease included two (2) accidents that caused the death of two (2) employees of contracting companies. Occupational accidents were caused by contact with electricity.</p> <p>No deaths of employees of contracting companies were caused by occupational diseases.</p>	<p>The number of accidents occurred during 2018 in relation to the number of employees indicates an Accident Frequency Rate per employee equivalent to: 2,69% ((15 AT / 558 employees) *100%). This means 2,69 occupational accidents per 100 employees.</p> <p>As for distribution of regional accidents, we found:</p> <ul style="list-style-type: none"> <li>3 occupational accidents in Northwestern CTE (Energy Transmission Center)</li> <li>2 occupational accidents in Antioquia</li> <li>1 occupational accident in Córdoba</li> <li>2 occupational accidents in Western CTE (Energy Transmission Center)</li> <li>2 occupational accidents in Santander</li> <li>5 occupational accidents in Southwestern CTE (Energy Transmission Center)</li> <li>3 occupational accidents in Valle del Cauca</li> <li>1 occupational accident in Caldas</li> <li>1 occupational accident in Cauca</li> <li>1 occupational accident in the environmental, social, and property department</li> <li>1 occupational accident in Valle del Cauca</li> <li>4 occupational accidents in Antioquia</li> <li>1 occupational accident in the project execution department</li> <li>1 occupational accident in the maintenance department</li> <li>1 occupational accident in the business service department</li> <li>1 occupational accident in the project management department</li> </ul>

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**ISA INTERCOLOMBIA**

**Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender**

Accident Frequency Rate per employee is equivalent to: 12,16% ((275 AT / 2262 employees) \*100%)  
Female: 93%  
Women: 7%

Work-related fatalities or occupational disease included two (2) accidents that caused the death of two (2) employees of contracting companies. Occupational accidents were caused by contact with electricity. No deaths of employees of contracting companies were caused by occupational diseases.

The number of accidents occurred during 2018 in relation to the number of employees indicates an Accident Frequency Rate per employee equivalent to: 2,69% ((15 AT / 558 employees) \*100%). This means 2,69 occupational accidents per 100 employees.  
As for distribution of accidents by gender, we found:  
13 occupational accidents in men  
2 occupational accidents in women

**The system of rules applied in recording and reporting accident statistics.**

For data presented in subparagraphs a and b, the calculation methods and information presentation are described in each of them. In addition, the information record is stored in the database of accidents both of contractors and direct staff, within which three indexes required by Colombian law are calculated: Accident Rate Index IFAT (N° AT \* 240.000 / HHT), Accident Severity Index ISAT (N° of disability days due to occupational disease AT \* 240.000 / HHT) and Disabling Injury Index ILI (IFAT\*ISAT/1000).  
240.000 correspond to the constant of 100 employees under full-time working day during the year.

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	ISA TRANSELCA	
	2017	2018
<b>Accident Frequency Rate (TFA)</b>	<b>TFA = 1.07</b>	<b>TFA = 0,52%</b>
<b>Incidence Rate of Occupational Diseases (TIEP)</b>	<b>TIEP = 0</b>	<b>TIEP = 0</b>
<b>Lost Day Rate (TDP)</b>	<b>TDP = 6.95</b>	<b>TDP= 2,60%</b>
<b>Absentee Rate (TAL)</b>	<b>TAL= 3.96</b>	<b>TAL= 3.1%</b>
<b>Work-related fatalities or occupational disease, for all employees, with a breakdown by region</b>	0	0
<b>Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender</b>	<b>TFA</b> Female, TFA = 0.53%, Male, TFA = 0.53% <b>TIEP</b> Female, TIEP = 0%, Male, TIEP = 0% <b>TDP</b> Female, TDP = 4.27%, Male, TDP = 2.67% <b>TAL</b> Female, TAL = 4.0%, Male, TAL = 3.94% Work-related fatalities: 0	<b>TFA</b> Mujeres, TFA = 0.52%, Hombres, TFA = 0% <b>TIEP</b> Mujeres, TIEP = 0.%, Hombres, TIEP = 0% <b>TDP</b> Mujeres, TDP = 1.56%, Hombres, TDP = 0% <b>TAL</b> Mujeres, TAL = 6.7 %, Hombres, TAL = 1.9% Muertes por accidente laboral o profesional = 0.
<b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region</b>	Type of accidents: TFA = 4.28 Work-related fatalities or occupational disease, for all employees= 0	TFA = 2.79% Work-related fatalities or occupational disease, for all employees= 0 Magdalena 43% Atlántico 29% Guajira 14% Córdoba 7% Antioquia 7%
<b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender</b>	Type of accidents: Female, TFA = 0% Male, TFA = 4.28% Work-related fatalities or occupational disease, for all employees= 0	Accident Frequency Rate per employee is equivalent to: Female: 2.79% Women: 0% Work-related fatalities or occupational disease, for all employees= 0
<b>The system of rules applied in recording and reporting accident statistics.</b>	Accidents are saved in Excel files. High level accidents are registered in the dashboard. It is socialized to the committee (COPASST), management committee, and employees in general.	

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OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES		
	ISA TRANSELCA	
	2017	2018
Accident Frequency Rate (TFA)	TFA = 0%	TFA=0.25
Incidence Rate of Occupational Diseases (TIEP)	TIEP = 0%	TIEP = 0%
Lost Day Rate (TDP)	TDP = 0%	83
Absentee Rate (TAL)	TAL= 0%	TAL=0.05%
Work-related fatalities or occupational disease, for all employees, with a breakdown by region	0	0
Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0% Male, TIEP = 0% <b>TDP</b> Female, TDP = 0% Male, TDP = 0% <b>TAL</b> Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0	<b>TFA</b> Female, TFA = 0% Male, TFA = 0.25%
Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region	No indicators per region are recorded	No indicators per Transmission Department are recorded. However, this event occurred in the Southern Transmission Department.
Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender	Own staff (male): Type of accident: Fall to ground level TFA: 0.30 TIEP: 0 TDP: 40.44 WORK-RELATED FATALITIES: 0 Indicators for Women = 0	No indicators per Transmission Department are recorded. However, this event occurred in a male employee at the Southern Transmission Department. Female, TFA = 0% Male, TFA = 0.25%
The system of rules applied in recording and reporting accident statistics.	Two controls are conducted under Peruvian regulations and the factor requested by the corporate K= 240 000. A table of indicators is reported every month.	

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OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES		
	ISA INTERCHILE	
	2017	2018
Accident Frequency Rate (TFA)	TFA = 0%	TFA = 0%
Incidence Rate of Occupational Diseases (TIEP)	TIEP = 0%	TIEP = 0%
Lost Day Rate (TDP)	TDP = 0%	TDP = 0%
Absentee Rate (TAL)	TAL= 0%	TAL= 0%
Work-related fatalities or occupational disease, for all employees, with a breakdown by region	0	0
Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0% Male, TIEP = 0% <b>TDP</b> Female, TDP = 0% Male, TDP = 0% <b>TAL</b> Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0% Male, TIEP = 0% <b>TDP</b> Female, TDP = 0% Male, TDP = 0% <b>TAL</b> Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0
Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region	0	0
Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender	Type of accidents: Female, TFA = 0% Male, TFA = 0%  Work-related fatalities or occupational disease, for all employees= 0	Type of accidents: Female, TFA = 0% Male, TFA = 0%  Work-related fatalities or occupational disease, for all employees= 0
The system of rules applied in recording and reporting accident statistics.	A monthly report is submitted.	

[GRI 403-2]

**OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES**

	ISA BOLIVIA	
	2017	2018
<b>Accident Frequency Rate (TFA)</b>	<b>TFA = 0%</b>	0
<b>Incidence Rate of Occupational Diseases (TIEP)</b>	<b>TIEP = 0%</b>	0
<b>Lost Day Rate (TDP)</b>	<b>TDP = 0%</b>	0
<b>Absentee Rate (TAL)</b>	<b>TAL= 0%</b>	0
<b>Work-related fatalities or occupational disease, for all employees, with a breakdown by region</b>	0	0
<b>Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender</b>	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0% Male, TIEP = 0% <b>TDP</b> Female, TDP = 0% Male, TDP = 0% <b>TAL</b> Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0	<b>TFA</b> Female, TFA = 0% Male, TFA = 0% <b>TIEP</b> Female, TIEP = 0% Male, TIEP = 0% <b>TDP</b> Female, TDP = 0% Male, TDP = 0% <b>TAL</b> Female, TAL = 0% Male, TAL = 0% Work-related fatalities: 0
<b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region</b>	0	0
<b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender</b>	Tipos de accidentes: Mujeres, TFA = 0% Hombres, TFA = 0% Muertes por accidente laboral o enfermedad profesional para todos los empleados= 0	Tipos de accidentes: Mujeres, TFA = 0% Hombres, TFA = 0% Muertes por accidente laboral o enfermedad profesional para todos los empleados= 0
<b>The system of rules applied in recording and reporting accident statistics.</b>	Informe trimestral a la gerencia	

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**OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES**

	ISA BOLIVIA	
	2017	2018
<b>Accident Frequency Rate (TFA)</b>	<b>TFA</b> Sao Pablo, TFA = 0.44% Bauru, TFA = 0% Taubaté, TFA = 1.05% Cabreuva, TFA = 0% EO/TM, TFA = 0%	TF = 0,49
<b>Incidence Rate of Occupational Diseases (TIEP)</b>	<b>TIEP = 0.18%</b> Sao Pablo, TIEP = 0% Bauru, TIEP = 0% Taubaté, TIEP = 0% Cabreuva, TIEP = 0% EO/TM, TIEP = 0%	0
<b>Lost Day Rate (TDP)</b>	<b>TDP = 3.6%</b> Sao Pablo, TDP = 6.66% Bauru, TDP = 0% Taubaté, TDP = 21.03% Cabreuva, TIEP = 0%	13,1
<b>Absentee Rate (TAL)</b>	<b>TAL = 1.21%</b> Sao Pablo, TAL = 0% Bauru, TAL = 0% Taubaté, TAL = 0% Cabreuva, TAL = 0% EO/TM, TAL = 0%	0,0029
<b>Work-related fatalities or occupational disease, for all employees, with a breakdown by region</b>	0	0

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**OCCUPATIONAL HEALTH AND SAFETY: TYPE OF ACCIDENTS AND RATES OF ACCIDENTS, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM; AND TOTAL NUMBER OF WORK-RELATED FATALITIES OR OCCUPATIONAL DISEASES**

	ISA BOLIVIA	
	2017	2018
<b>Types of accidents, Accident Frequency Rate (TFA), Incidence Rate of Occupational Diseases (TIEP), Lost Day Rate (TDP), Absentee Rate (TAL), and work-related fatalities or occupational disease, for all employees, with a breakdown by gender</b>	Data by gender is not collected Índice de severidade/gravidade de acidentes: 3,72 Taxa de lesões/frequência (CAF): 0,2 Taxa de doenças ocupacionais: 0 Taxa de dias perdidos / gravidade (TDP): 3,72 Taxa de absentismo (TA): 0,52% Number of deaths: 0	Data by gender is not collected Índice de severidade/gravidade de acidentes: 13,10 Taxa de lesões/frequência (CAF): 0,49 Taxa de doenças ocupacionais: 0 Taxa de dias perdidos / gravidade (TDP): 13,10 Taxa de absentismo (TA): 0,29% Number of deaths: 0
<b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by region</b>	NA	NA
<b>Types of accidents, Accident Frequency Rate (TFA), work-related fatalities, or occupational disease for all staff (excluding employees), whose work or workplace are subject to control by the organization, with a breakdown by gender</b>	N/A	NA
<b>The system of rules applied in recording and reporting accident statistics.</b>	A monthly report is presented in a meeting. Besides each event, please send an official communication to managers and areas involved. Frequency and severity rates NBR 14280 as a reference, excluding constant 1.000.000 used by us according to the provisions of ISA Group= 240.000 (Constant used by ISA Group, which considers 100 persons x 50 weeks (yearly) x 48 hours (weekly)).	

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## Memorandum of independent review

On the 2018 Integrated Report of ISA issued by the external assurer

### Scope of our work

We have reviewed the adaptation of the contents of the 2018 Integrated Report of ISA to the consolidated set of GRI Sustainability Reporting Standards, hereinafter "GRI Standards".

### Verification process

We conducted our work in accordance with ISAE 3000 - *International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC)*, with the Standard AA1000 *Stakeholder Engagement Standard AA1000SES* (2015) and the International framework of the International Integrated Reporting Council (IIRC).

Our review work consisted in formulating questions to the management, as well as to the various areas of ISA who participated in the preparation of the 2018 Integrated Report and the application of certain analytical procedures and review-testing sample described below:

- Interviews with ISA employees to know about the principles, management approaches and data consolidation systems applied to prepare the Report.
- Analysis of how the content, structure and indicators were defined based on the materiality exercise according to the GRI Standards.
- Analysis of the processes to collect and validate the data presented in the report.
- Checking, by sample, testing and review of quantitative and qualitative evidence corresponding to the GRI contents and ISA internal indicators included in the 2018 Integrated Report, and proper compilation from the data supplied by ISA the sources of information.

**Confirmation that the 2018 Integrated Report of ISA is prepared in accordance with Core option of the GRI Standards.**

### Responsibilities of the Management of ISA and Deloitte

- The preparation of the 2018 Integrated Report of ISA and its content are the responsibility of the organization, which is also responsible for defining, adapting and maintaining management systems, and internal control which information is obtained.
- Our responsibility is to issue an independent report based on our review procedures applied.
- This Report has been prepared exclusively in the interest of the organization in accordance with the terms of our proposed services. We do not assume any liability to third parties other than the Management of the company.

• We have performed our work in accordance with the Independence regulations required by the ethic code of the *International Federation of Accountants (IFAC)*.

• The scope of a limited review is substantially less than an audit. Therefore, we do not provide an audit about the Annual Management Report.



**Deloitte & Touche Ltda.**  
**Jorge Enrique Múnera D.**  
 Partner  
 Medellín, April 2019

### General aspects:

It was confirmed that the report meets the requirements with Core option "in accordance" of the general aspects of the GRI Standards.

### Specific aspects:

We reviewed the management approach, the GRI contents of its material issues, internal indicators and DJSI indicators.

Material Issue	GRI Disclosures or ISA internal indicator
Economic impact	201-1. Direct economic value generated and distributed
Impacts on Biodiversity	304-2. Significant impacts of activities, products and services on biodiversity
Permits and environmental licenses Management	307-1. Non-compliance with environmental laws and regulations Own. Investments in environmental programs for the licensing of projects
Social management	Own. People benefited Own. Social investment in critical municipalities
Human rights	412-1. Operations that have been subject to human rights reviews or impact assessments 412-2. Training of employees in human rights policies or procedures Own. Number of events of violation of Human Rights
Management of Suppliers and Contractors	308-1. New suppliers that were screened using environmental criteria 414-1. New suppliers that were screened using social criteria
Training and Development of Human Talent	404-1. Average hours of training per year per employee 403-2. Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities Own. Organizational climate assessment
Regulatory Management	419-1. Non-compliance with laws and regulations in the social and economic area
Initiatives in eco-efficiency	305-1. Direct (Scope 1) GHG emissions 305-2. Energy indirect (Scope 2) GHG emissions 305-3. Other indirect GHG emissions (scope 3)

### Conclusion

As a result of our review, we did not encounter any revelation that leads us to believe that the 2018 Integrated Report of ISA contains significant errors or has not been prepared in accordance with the GRI Standards, Essential option "in accordance".



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**Recommendations according to GRI principles<sup>1</sup>**

**Context of sustainability / Materiality**

**General remarks**

It highlights the appropriation and integration of sustainability issues as a strategic part of the company's management, which demonstrates the development and analysis of material issues and their measurement mechanisms.

**Recommendations**

We have presented to ISA our recommendations regarding improvement areas to consolidate the systems related to sustainability management. The most relevant recommendations are:

- Regularly monitor progress in the management of material issues and indicators reported for each of ISA's operations, this will make the process of consolidation more efficient.

**Completeness/ Reliability**

**General remarks**

It is highlighted that ISA has identified the challenges it faces around its material issues.

**Recommendations**

Deloitte recommends continuing efforts to consolidate and measure the strategic indicators throughout the different operations where ISA has a presence, in order to evaluate in a timely manner the controls efficiency and the performance of each of the indicators.

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<sup>1</sup> GRI principles of quality and content: Inclusion of stakeholders, context of sustainability, materiality, completeness, precision, balance, clarity, comparability, reliability, punctuality.

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