

# Annual Report 2009



Electric Energy Transport

Market Operation and Administration

Telecommunications Transport

Infrastructure Projects Construction

Road Concessions

**Linear infrastructure systems  
that promote the continent's development**





# Annual Report 2009

# Board of Directors

## Principal Members

**Minister  
of Mines and Energy  
Ministry of Mines and Energy**

Hernán Martínez Torres

**Vice-Minister General  
Ministry of Finance  
and Public Credit**

Gloria Inés Cortés Arango

Isaac Yanovich Farbaiarz

**Chief Executive Officer  
Empresas Públicas de Medellín**

Federico Restrepo Posada

Santiago Montenegro Trujillo

Luisa Fernanda Lafaurie Rivera

Orlando Cabrales Martínez

## Alternate Members

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

Silvana Giaimo Chávez

*Manuel Fernando Maiguashca Olano*

**Legal Counsel  
to the Minister  
Ministry of Finance  
and Public Credit**

Nhora Abuchar Chamie

**Public Credit and National  
Treasury Director General**

**Ministry of Finance  
and Public Credit**

Viviana Lara Castilla

**Energy Director  
Empresas Públicas de Medellín**

Jesús Arturo Aristizábal Guevara

Jorge Hernán Cárdenas Santamaría

Luis Fernando Uribe Restrepo

Andrés Felipe Mejía Cardona

# Management

**Chief  
Executive Officer**  
Luis Fernando  
Alarcón Mantilla

**Corporate  
Strategy  
Manger**  
Ana Mercedes  
Villegas Mejía

**Energy  
Transport  
Manager**  
Julián Cadavid  
Velásquez

**Administrative  
Manager**  
Carlota María  
Nicholls Estrada

**Infrastructure  
Projects  
Manager**  
Guillermo  
Márquez Moreno

**Corporate  
Finance  
Manager**  
Camilo  
Barco Muñoz

**Corporate  
Auditor**  
John Byron  
Pérez Díez

**Secretary  
General**  
Juan David  
Bastidas Saldarriaga

**Corporate  
Image  
Director**  
Carmen Elisa  
Restrepo Vélez



# ISA in Latin America business units and companies



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## Message from the Management



### Messrs. Shareholders:

I wish to thank you for the opportunity to present the main achievements of ISA and its business units along the year 2009 and the challenges we have set for the future.

The year 2009 was one to harvest the fruits of the decisions planned from the beginning of this decade, based on a strategic vision that allowed the convergence of scenarios and business opportunities. We seek to combine the spirit of entrepreneurship with a well-paced financial management; we have been aggressive in our search for new business, always on the basis of our human capital's knowledge and experience, as well as rigorous risk analysis.

Nowadays, ISA is an organization dedicated to the design, construction, and operation of linear infrastructure systems that enhance our continent's development. Our experience of over 40 years in the electric and telecommunications sector gives us the opportunity to enter new business areas in Latin America; our affiliates and subsidiaries operate in Colombia, Peru, Bolivia, Brazil, Ecuador, Panama and Chile.

We at ISA are well aware of the fact that it would be impossible to carry out our work without the support of thousands of people like you, our shareholders, investors, customers, suppliers, citizens, and, of course, our associates. We wish to show special recognition to all of you.

The year 2009 saw complex economic conditions worldwide. The crisis that started in 2008 peaked in the first quarter of 2009, with the first glimpses of recovery visible in the last quarter, thanks to the upturn of not only the Chinese economy but also consumer confidence in the United States.

Strong signs of confidence in us are: the good credit risk ratings for our companies by firms like Fitch Ratings, Standard & Poor's, Apoyo & Asociados Internacionales, Pacific Credit Rating and Equilibrium; the investors' interest in the group's companies by backing ISA's successful issue of over 32 million common shares and local offer of bonds worth COP 209,500



million; the USD 20.6 million loan granted to TransMantaro; and the second and third issues of CTEEP promissory notes, for BRL 200 million each.

The share's quote appreciated almost 83%, well above the 53% appreciation for the General Index of the Colombian Stock Exchange at closing. The share reached a maximum historic quote of COP 13,100 and a closing price of COP 12,980.

We also want to point out our important consolidated financial results. Revenue at COP 3,307,064 million is 4.5% up on 2008, while consolidated EBITDA at COP 2,406,907 million represents 5.8% increase with respect to previous year. We additionally obtained COP 314,878 million net income, a 33.1% increase over 2008 figures.

These figures are accounted for by the good results of our companies, especially TRANSELCA, TransMantaro, ISA Capital do Brasil and CTEEP; as well as by currency revaluations in all the countries where ISA has a presence, and by the lower interest rates related to the debt of ISA and ISA Capital do Brasil.

In this report we will present our management results by business unit: Electric Energy Transport, Market Operation and Administration, Telecommunications Transport, Construction of Infrastructure Projects, and the big challenge – Road Concessions.

In the Electric Energy Transport business unit, ISA and its companies consolidated a 38,551-km, high-voltage transmission network in Colombia, Peru, Brazil, and Bolivia. We also want to highlight the excellent reliability, availability, and safety levels of the energy transport services offered by the companies in each country

In Colombia, ISA completed the increase of short-circuit tolerance of San Carlos and Chivor 230 kV substations. Regarding growth, we won the UPME public bidding to construct and operate the El Bosque 220 kV substation in Cartagena, (Bolívar Province).

In Peru, TransMantaro commissioned the 220 kV Platanal-Chilca line, and REP increased the transformation capacity of Ica, Marcona and Juliaca substations. As to expansion, ISA was granted the Ica-Independencia 220 kV and Trujillo-Zapallal 500 kV lines and related substations for 30 years; the project is to be developed by affiliate Consorcio TransMantaro, owned by ISA and Empresa de Energía de Bogotá –EEB–.

In Brazil, we started commercial operations of Interligação Elétrica de Minas Gerais –IEMG–, an investment by ISA through CTEEP; and Agência Nacional de Energia Elétrica –ANEEL– granted CTEEP construction and 30-year operation of Jandira and Salto 440 kV substations, projects to be developed by subsidiary Interligação Elétrica Serra do Japi, owned by CTEEP.

In Panama, and in association with ETESA, ISA started operations of Interconexión Eléctrica Colombia – Panama –ICP–, to make viable, construct, and operate the interconnection line to link the electric systems of Central America and the Andean Community. In 2009, the basic engineering study and pre-design were completed and began the consulting for structuring and viability of the interconnection.

The Market Operation and Administration business unit in Colombia was severely affected by the El Niño phenomenon. In such context, affiliate XM, Compañía de Expertos en Mercados, was assigned by the Ministry of Mines and Energy of Colombia the commitment of preparing a daily gas balance, as well as determining the capacity to transport it, foreseeing an optimal utilization of the different energy sources covering the demand.

Electric energy demand grew 1.8% in 2009, and energy exports to Ecuador, under the International Electricity Transactions –TIE–, reached USD 111 million, 210% up on 2008.

On the other hand, the Financial Superintendency approved establishment of a corporation named Derivex to administer a derivative trading system with electric energy, natural gas and other energy sources as underlying assets.

In the Telecommunications Transport business unit, we acted as carrier's carrier through our affiliate INTERNEXA, a company with access to the 10,848 km fiber-optic networks connecting Colombia, Ecuador, Peru, and Venezuela. Additional 1,815 km will be added to this network in Peru and Chile in 2010, to complete 12,663 km of telecommunications connectivity infrastructure.

As part of its growth strategy, the Ministry of Information and Communications Technology awarded INTERNEXA 330 km of fiber-optic networks between the Colombian cities of Bucaramanga (Santander Province) and Arauca (Arauca Province). Besides, it purchased in Chile 90% of the shares of Comunicaciones Intermedias, a company that has fiber-optic networks and nodes connecting important cities in that country.

In the business of Construction of Infrastructure Projects, ISA keeps on offering to its companies, and also to third parties, integral solutions for design and construction of linear infrastructure systems. Along the period, it formalized new business deals worth USD 475 million, a 155% increase with respect to 2008.

Convinced of the importance of maximizing creation of value for our shareholders, we have taken on the immense challenge of entering the business of Road Concessions, bringing to this sector our ability to structure, construct, and operate linear infrastructure systems.

In this business, ISA reached an agreement with Spanish Cintra Infraestructuras to acquire 60% of the interest such company held in Cintra Chile Ltda., a company that controls five road concessions in Chile. The effectiveness and closing of such transaction is subject to the notices, authorizations and registrations required in Spain, Colombia, Chile and any other jurisdiction in which the participants are present.

Immediately after the earthquake that affected Chile last February 27, ISA was notified by Cintra Chile and Spanish Cintra Infraestructuras of the evaluation and analysis to be started by them to determine the effects and actual impact of the seism on the road infrastructure.

It is also worth mentioning that Cintra Chile immediately started traffic recovery works in order to offer better mobility conditions and simultaneously initiated presentation of claims to the insurance companies that have issued the respective policies.

In Colombia, it signed an inter-administrative contract with the Colombian Government to conduct engineering, environmental, traffic, legal and financial studies as well as construction, operation, and maintenance of four road corridors with an approximate length of 1,250 km.

The positive balance of our business units is based on our excellent organizational management that allows optimization of resources and transfer of best practices and synergies, led by a human team highly committed to performance and advancement of our enterprises.

In line with the above, we keep on implementing international standards that help raise competitiveness levels in the companies. Along 2009, we advanced in securing or renovating ISO 9001, ISO 14001, OHSAS 18001 and ISO 27001 certifications for ISA's energy transport service.

In the area of recognition, ISA received two ANDESCO awards to Corporate Social Responsibility in the categories of Large Corporation and Best Social Performance; affiliate REP was awarded by the National Confederation of Private Entrepreneurial Institutions –CONFIEP– a distinction for application of the Global Compact principles to its suppliers; also, Peru 2021, and the National Mining, Petroleum and Power Society honored its sustainable development initiatives. CTEEP closed this group of honored companies by being voted best model company in value creation along 2008.

Enormous challenges await us in the future: In our path toward becoming the largest international electric energy transporter we will continue working to consolidate our business in Colombia, Peru, and Brazil, while exploring new opportunities throughout Latin America. In the business unit of Market Operation and Administration, we will work to develop a new financial derivatives market in Colombia with energy sources as underlying variables. In the field of Telecommunications Transport, INTERNEXA will keep on strengthening its operation and seeking integration of its networks with those of other countries in Latin

America. Construction of Infrastructure Projects will keep leveraging the group's projects, while consolidating as business unit by offering services to third parties. In the area of Road Concessions, acquisition of 60% of Cintra Chile provides us with specific knowledge in the sector, while it strengthens us to engage in the Autopistas de la Montaña project in Colombia.

To go on progressing takes the effort and confidence of all, as well as support from many entities that perceive ISA as a serious, responsible, and solid company.

It is clear for ISA that the growth of its companies will only be possible starting from an entrepreneurial stance translated into corporate values, ethics, social responsibility, excellence and innovation that lead to creation of economic, social, and environmental value.

Thanks to all our shareholders for your confidence in our associates, and to these latter, who are our greatest asset, and the creators of the growth this organization has so far reached.

As always, we are in a position to face the future.

Thank you very much,



**Orlando Cabrales Martínez**  
Chairman of the Board of Directors



**Luis Fernando Alarcón Mantilla**  
Chief Executive Officer



# 2

## Report from ISA'S Board of Directors



In compliance with the provisions of the Articles of Incorporation and the Good Governance Code, and as the Chairman of the Board of Directors of Interconexión Eléctrica S.A. E.S.P. –ISA–, I hereby present to you the following information regarding the period April 2009 – March 2010.

### 2.1 COMPOSITION OF ISA'S BOARD OF DIRECTORS

On March 31 of 2009, the Shareholders' Meeting designated positions and persons knowledgeable and with expertise in economics, finance, corporate law and administration, among others, to make up the Organization's Board of Directors.

Elected persons are recognized for their ethical solvency and ample professional and business experience.

#### Principal members:

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

#### Alternate members, in the same order:

- Vice-Minister of Mines and Energy, Silvana Giaimo Chávez, who since June of 2009 has replaced Mr. Manuel Fernando Maiguashca Olano.
- Legal Counsel to the Minister of Finance and Public Credit, Nhora Abuchar Chamie.
- Director General Public Credit and National Treasury, Viviana Lara Castilla.
- Energy Director, Empresas Públicas de Medellín, Jesús Arturo Ariztizábal Guevara.

- Jorge Hernán Cárdenas Santamaría.
- Luis Fernando Uribe Restrepo.
- Andrés Felipe Mejía Cardona.

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

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

- Minister of Mines and Energy, Hernán Martínez Torres.
- Vice-Minister of Mines and Energy, Silvana Giaimo Chávez.
- Vice-Minister General of Finance and Public Credit, Gloria Inés Cortés Arango.
- Legal Counsel to the Minister of Finance and Public Credit, Nhora Abuchar Chamie.
- Director General Public Credit and National Treasury, Viviana Lara Castilla.

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

## **2.2 OPERATION OF THE MEETINGS**

### **Schedule**

In its meeting 685 of November 27 of 2009, the Board of Directors approved the schedule of meetings, the improvement plan, corresponding topics, and presentation periodicity for the April 2009 – March 2010 period.

Within the mentioned period, the Board met on 17 occasions, all of them as regular face-to-face meetings and special non face-to-face; eight meetings were held in Bogotá, eight in Medellín, and one in Cartagena.

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

### Convening

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

### Availability of information

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

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

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

### Quórum

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

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

### Agenda

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

### Attendance

From April 2009 to March 2010, the Board meetings were attended by at least the number of members necessary to form a quorum and to decide.

Attendance by the principal members to the 17 meetings was as follows:

- Hernán Martínez Torres, Minister of Mines and Energy: 16 meetings.
- Gloria Inés Cortés Arango, Vice-Minister General of Finance and Public Credit: 17 meetings.
- Isaac Yanovich Farbaiarz: 17 meetings.
- Federico Restrepo Posada: 15 meetings.
- Santiago Montenegro Trujillo: 15 meetings.
- Luisa Fernanda Lafaurie Rivera: 17 meetings.
- Orlando Cabrales Martínez: 15 meetings.

Attendance by the alternate members was as follows:

- Silvana Giaimo Chávez, Vice-Minister of Mines and Energy, 12 meetings (starting June of 2009). Manuel Fernando Maiguashca Olano five meetings.
- Nhora Abuchar Chamie, Legal Counsel to the Minister of Finance and Public Credit: 17 meetings.
- Director General Public Credit and National Treasury, Viviana Lara Castilla: 15 meetings.
- Jesús Arturo Aristizábal Guevara: 17 meetings.
- Jorge Hernán Cárdenas Santamaría: 13 meetings.
- Luis Fernando Uribe Restrepo: 16 meetings.
- Andrés Felipe Mejía Cardona: 17 meetings.

### Pending topics

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

### Approval of minutes

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

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

## 2.3 CHAIRMAN OF THE BOARD OF DIRECTORS

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

## 2.4 PREPARATION OF TOPICS TO BE CONSIDERED AT THE MEETINGS

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

## 2.5 COMMITTEES OF THE BOARD OF DIRECTORS

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

### Corporate Audit Committee

This Committee met six times in the period April 2009– March 2010. Its members are Luis Fernando Uribe Restrepo, Nhora Abuchar Chamie, Jesús Arturo Aristizábal Guevara, Jorge Hernán Cárdenas Santamaría and Andrés Felipe Mejía Cardona.

It is in charge, among other functions, of approving the control policy of ISA economic group and supervising its compliance; reporting to the Board of Directors or Shareholders' Meeting about risk and control situations that call for it; presenting to the Shareholders' Meeting the results of the evaluation of offers for the position of Statutory Auditor; supervising compliance with ISA's Good Governance Code and application of the System for Prevention and Control of Asset Laundering and Terrorism Financing (SIPLA, for its Spanish initials); and handling matters related to its effective compliance, arising from claims brought to the Board of Directors by shareholders and investors, among others, as provided in the Articles of Incorporation and the Code itself.

### Board and Corporate Governance Committee

This committee met four times along the period; its members are Gloria Inés Cortés Arango, Orlando Cabrales, Santiago Montenegro Trujillo and Silvana Giaimo Chávez.

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

### New Business Committee

This committee met 15 times along the period; its members are Luisa Fernanda Lafaurie Rivera, Orlando Cabrales Martínez, Andrés Felipe Mejía Cardona, Santiago Montenegro Trujillo, Gloria Inés Cortés Arango, Silvana Giaimo Chávez and Isaac Yanovich Farbaiarz.

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

## 2.6 REMUNERATION

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

## 2.7 CONFLICTS OF INTEREST

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

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

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

## 2.9 SELF-EVALUATION OF THE BOARD OF DIRECTORS

Board of Directors members conducted qualitative self-evaluation, by means of a questionnaire developed for such purpose. Information was gathered between January 29 and February 19 of 2010 using a 14-people sample equivalent to 100% of the Board's principal and alternate members.

The issues were assessed through the Top Two Boxes methodology, which considers the score obtained according to the number of answers in the excellent to very good scale. Results were as follows:

- Individual performance of Board members: 97%
- Group performance: 91%
- Relevance and depth in treatment of issues: 89%
- Performance and participation of management: 89%

The professional diversity of its members, background, interdisciplinary information and independence, all of which enrich debate for decision making, stand out as strengths of the Board. The continuity of the Board of Directors has brought commitment and sense of belonging to the Company and coherent decision-making for compliance with BHAG.

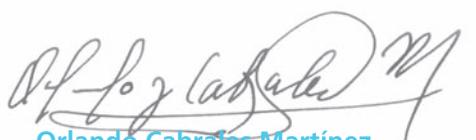
So as to optimize the work of the Board of Directors with respect to the new challenges ISA faces, emphasis will be given to those strategic topics whose size and impact call for special follow-up. Additionally, in-depth workshops were requested to keep the Board of Directors abreast of business units and their regulation and evolution.

Besides its self-evaluation, the Board was rated according to the results of the indicators of the corporate integral and top level management charts, which were approved by the Board of Directors in meeting 691

of February 26, 2010. Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 69.1% and compliance with top level chart 73.2%, above the lower goal.

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

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



**Orlando Cabrales Martínez**  
Chairman of the Board of Directors



# 3

## Report on Compliance with and Advancement of the Good Governance Code



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

### **3.1 SHAREHOLDERS' MEETING**

The notice for the Regular Shareholders' Meeting of March 30 of 2009 was published in two newspapers of wide national circulation.

Likewise, on March 29 in national-circulation newspapers, the Company reminded shareholders of the date set for the meeting and published information regarding representation by proxy for the meetings.

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

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

For information of shareholders, abstracts of minutes 98 corresponding to the regular meeting held on March 30 of 2009 were posted on the Company's Web page.

The minutes were signed by the meetings' Chairman and Secretary as well as by the respective commission, and included the issues presented, the approvals and authorizations granted, and the observations made by the shareholders. The minutes were filed with the Chamber of Commerce and copies thereof were sent to the Colombian Financial Superintendency and to the Superintendency of Domiciliary Public Utilities.

### 3.2 THE ADMINISTRATION

The Shareholders' Meeting of March 30, elected the Board of Directors for the April 2009 – March 2010 period. All members designated expressed their acceptance in writing, a fact that was also filed with the Chamber of Commerce of the Corporation's domicile.

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

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

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

Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 69.1%, compliance with top level was 73.2% and compliance with first level indicator was 74.1%, above the lower goal.

The Board of Directors expresses its recognition to the CEO, Mr. Luis Fernando Alarcón Mantilla, for his management efforts during 2009, his dedication and professionalism in keeping ISA efficient, competitive and committed to corporate social responsibility, and the positioning of ISA and its companies in Latin America.

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

To negotiate shares of ISA, administrators must have authorization from the Board of Directors. Which is why, in their capacity as members of the Board of Directors, Isaac Yanovich Farbiarz, in meetings 676 of April 24 and 679 of July 31 of 2009, and Andres Felipe Mejía Cardona, in meeting 691 of February 26 of 2010, requested authorization to negotiate shares, authorizations that were granted by the Board, without the vote of the interested parties. Area managers and directors, in their capacity as administrators, also requested the respective authorizations to buy or sell shares of ISA.

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

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

### **3.3 CONTROL**

The Company, along its inspection and control process, answered efficiently and timely the requests for information and/or documents presented by government control bodies and it obtained ratings from authorized firms.

#### **External control bodies**

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

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

**Colombian Financial Superintendency:** 18 reports on bond underwriting, pre-and-post-Shareholders' Meeting information, accounting information and financial information. 56 disclosure notifications of relevant information of the Company were published. Additionally, the Superintendency was informed about the share issue of 2009.

**Superintendency of Domiciliary Public Utilities –SSPD, for its Spanish initials–:** 19 reports with general information to update the Single Register of Public Utilities Providers –RUPS, for its Spanish initials–; financial, administrative, commercial, accounting and infrastructure investment information; and information related to the Shareholders' Meeting.

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

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

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

**Public Function Administrative Department –DAFP, for its Spanish initials:** 12 reports on personnel hired under services and consulting contracts.

**National Statistics Administrative Department –DANE, for its Spanish initials–:** Five reports on quarterly and annual services delivery survey.

**External Auditor of Results Management:** AGN Jiménez & Asociados Ltda. acted as ISA's External Auditor for the period 2009-2010. Its report issued on March 15, 2009 and published in the national newspapers on May 1 of the same year, stated that: the internal control system effectively complied with the control goals set; the Company's risk level is low; the Company's methodology to identify and administer risks is adequate; and no situations were observed indicating the existence of financial viability problems. Said report was presented to the Superintendency of Domiciliary Public Utilities.

**Statutory Auditor:** Ernest & Young Audit Ltda., statutory auditors for the April 01, 2009– March 31, 2010 carried out the statutory audit of ISA, based on the information and documentation requested according to their duties. Their recommendations have been analyzed and the measures suggested by them have been taken. In compliance with its legal duties, the firm will present to the Shareholders' Meeting a report on the Corporation's management and financial statements.

**Chamber of Commerce:** Along the period, the financial statements were filed, the Mercantile Register and Single Roster of Proponents were renewed, the minutes of the Shareholders' Meeting were filed, as were appointment and acceptance of the Board of Directors' members, statutory auditor, legal representatives and alternate legal representatives. Also, ISA's shareholding participation in the companies making up the economic group was updated.

### **Credit ratings**

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

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

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

### Internal control bodies

**Corporate Audit Committee:** Along April 2009-March 2010, the committee had one special and six regular meetings. It examined the Statutory Auditor's report, reports for supervision and control entities, financial statements for 2009, proposition for designation and fees of the Statutory Auditor, and approval of Corporate Audit work plan for 2010.

The Corporate Audit carried out 19 evaluations, in areas like: accounting internal control; database vulnerability; contingency plan and recovery from IT disasters; maintenance crossed evaluation; operation assessment; security of the SAP integrated system; corporate governance practices; procurement practices; communications protocol; administrative and financial assessment; visits to the CTE's; Good Governance Code (2008 and 2009); 2008 per diem and its impact on salary variables; procurement follow-up; Eastern CTE contractual management; follow up of development plan projects and integral management charts on human talent management; raising financial resources, as well as debt and treasury management.

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

### Control instruments

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

## Shareholding

Shareholders	Shares	%
<b>State investors</b>	<b>682,078,108</b>	<b>61.58</b>
The State	569,472,561	51.41
Empresas Públicas de Medellín	112,605,547	10.17
<b>Public and private capital investors</b>	<b>77,373,530</b>	<b>6.99</b>
ECOPETROL	58,925,480	5.32
Empresa de Energía de Bogotá	18,448,050	1.67
<b>Private investors</b>	<b>348,226,256</b>	<b>31.44</b>
Institutional investors	215,386,972	19.44
Individuals	100,047,372	9.03
Legal persons	19,569,292	1.77
Foreign investment funds	11,297,920	1.02
ISA ADR Program	1,924,700	0.17
<b>Outstanding subscribed capital</b>	<b>1,107,677,894</b>	<b>100.00</b>

## 3.4 STAKEHOLDERS

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

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

### 3.4.1 SHAREHOLDERS

As of December 31, 2009, ISA had 1,107,677,894 outstanding shares held by 53,215 shareholders, as follows:

## Relations with shareholders and investors

Along the period, the shareholders' information center reached 99.6% service level with 38,750 contacts: Service level dispatched by the "Shareholder's Attention Line" was 95%, with 21,692 calls, well above the 85% service level agreed upon.

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

- The Chief Executive Officer presented the management and results report at six meetings held with stockbrokers in Bogotá, Cali and Medellín. Likewise, it kept in touch with foreign investors through teleconferences and simultaneous Internet transmission –webcast– to disclose quarterly financial results.
- Two shareholders newsletters were published and sent (approximately 64,061 printed and 37,855 electronic) as provided in ISA's Good Governance Code; such newsletters can also be accessed at the Company's Web page, investors section. Shareholders also received their biannual shareholder statement with information about their investment and their corresponding income tax certificate. In compliance with tax regulations, ISA mailed 8,620 printed certificates and 14,243 in electronic form.
- Timely disclosure of news, relevant facts, quarterly financial reports, certificates, newsletters, biannual shareholder statements and generic pieces was achieved through 528,685 e-mails to the domestic market and 11,038 to the international market.
- The Company participated in two events, with attendance of international investors, and it also attended nine visits from institutional investors.
- With support from the Colombian Stock Exchange, the Investor's Guide, an eminently formative publication, was developed; it was physically and electronically sent to 49,755 shareholders and is posted on the Web page, investors' section.

## Dividend policy

On March 30, 2009, ISA's Shareholders' Meeting approved the appropriation and distribution of earnings of the year 2008, which meant distribution of earnings and reserves totaling \$163,500 million to pay dividends of \$152 per share. Payment took place in four quarterly installments of \$38 each on April 16, July 16, and October 16 of 2009 and January 27 of 2010.

### 3.4.2 SUPPLIERS

In the year 2009, ISA signed 1,883 contracts worth \$192,678 million, excluding VAT.

Of the 71 notices published on the Web page related to procurement of goods and services, 27 correspond to the energy transport service and 44 to goods and services for the corporation in general.

At e-mail boxes [contratacion@isa.com.co](mailto:contratacion@isa.com.co) and [proveedores@isa.com.co](mailto:proveedores@isa.com.co), 1,119 inquiries were received, most of them requesting information for contract process.

### **3.5 RELATIONS WITH THE CONTROLLING SHAREHOLDER**

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

Inter-administrative agreement GSA054-2006-ISA4000696 between the State-Ministry of Mines and Energy and ISA, for general administration and technical assistance in execution of funds of Financial Support Fund for Non-Interconnected Areas –FAZNI, for its Spanish initials– in the Province of Cauca, signed on December 22, 2006 for COP 12,468,307,384.

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

Inter-administrative agreement GSA-57-2009-ISA4000763 between the State-Ministry of Mines and Energy and ISA, for general administration and execution of FAZNI funds to construct the 115 kV Popayan-Guapi line, signed on October 13, 2009 for \$210,831,558,401.

The State, represented by Instituto Nacional de Concesiones –INCO–, and ISA, subscribed in Medellín, on January 28, 2010, the Inter-administrative agreement to develop the Autopistas de la Montaña Project. This document binds ISA to execute the engineering, environmental, traffic, legal and financial studies.

### **3.6 RISKS**

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

In 2009, ISA updated its corporate risk map, identifying as the most significant risks in terms of probability and severity of consequences, the risks of volatility of microeconomic variables, legal risk, corruption, suppliers' default, armed conflict and human and procedural error.

In the Web page as well as in number 10.2 of this report, ISA has published its updated risk map, revealing the most important aspects of risk management.

Additionally, ISA coordinates with its affiliates and subsidiaries the implementation of integral risk management cycle, and follows up updating and management improvement of risk maps.

### **3.7 INFORMATION DISCLOSED TO THE PUBLIC**

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

- Acquisition and establishment of companies
- Share value
- Changes in the management
- Convening of shareholders' meetings
- Highlights
- Quarterly financial results

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

Financial information thus disclosed, both in Spanish and in English, is updated every quarter, and is the same that is presented to the Board of Directors. It is compiled and processed according to the professional principles, criteria and professional practices used in the preparation of financial statements, and it is as reliable.

Information not posted on the Web page can be requested in writing to the Chief Executive Officer, stating the reasons and purpose. The Manager's refusal to disclose information can be brought to the consideration of the Board of Directors. No refusal of information was brought to the consideration of the Board of Directors in the period between April 2009 and March 2010.

It must be taken into account that reserved or confidential information, or information posing a risk to the Corporation's business, or affecting third parties' rights, shall not be disclosed by ISA.

### **3.8 COMPLIANCE WITH THE GOOD GOVERNANCE CODE**

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

Annual audits by the Corporate Audit Office and the Statutory Auditor on compliance with the Good Governance Code facilitate its monitoring and control. One audit was conducted producing no findings of non-compliance with the Code's commitments.

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

ISA's Toll-Free Line for Suggestions and Claims:

01 8000 941341

Toll-Free line for shareholder service:

Nationwide: 01 8000 115000

From Medellín: 57 (4) 3602472

Energy Transport Service:

57 (4) 3157143

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

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

Thank you very much,



**Orlando Cabrales Martínez**  
Chairman of the Board of Directors



**Luis Fernando Alarcón Mantilla**  
Chief Executive Officer



# 4

## About Us



### 4.1 ISA AND ITS BUSINESSES

Directly and through its affiliates and subsidiaries, ISA executes important projects in linear infrastructure systems that enhance continental development. For such purpose, its activities are focused on the businesses of Electric Energy Transport, Market Operation and Administration, Telecommunications Transport, Construction of Infrastructure Projects and Road Concessions.

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

#### Electric Energy Transport

ISA expands, operates and maintains high-voltage energy transmission systems. To that end it has: ISA and TRANSELCA in Colombia; ISA Perú, Red de Energía del Perú –REP– and Consorcio TransMantaro –CTM– in Peru; ISA Bolivia, in Bolivia; and the subsidiaries Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– (acquired through ISA Capital do Brasil, its investment vehicle), Interligação Elétrica Pinheiros and Interligação Elétrica Serra do Japi, in Brazil.

With other partners in the region, CTEEP has stakes in Brazil in Interligação Elétrica de Minas Gerais S.A –IEMG–, Interligação Elétrica Norte o Nordeste –IENNE–, Interligação Elétrica Sul –IESUL–, and Interligação Elétrica do Madeira –IEMadeira–.

ISA executes projects in linear infrastructure systems

Additionally, ISA owns 11.11% stock participation in Empresa Propietaria de la Red –EPR–, currently constructing the Electric Interconnection System for Central America –SIEPAC–, and shares with Empresa de Transmisión Eléctrica S.A. –ETESA– (Panamá), the ownership of Interconexión Eléctrica Colombia–Panamá –ICP–.



Thanks to the 38,551 km of high-voltage circuit operated by its companies, ISA is today one of the largest international transporters of energy in Latin America.

#### **Market Operation and Administration**

XM, Compañía de Expertos en Mercados is in charge, in Colombia, of the operation of the National Interconnected System –SIN–, the administration of the Wholesale Energy Market –MEM–, and the administration of the International Electricity Transactions –TIE– with Ecuador.

XM applies its expertise in other markets like gas and financial derivatives and has a specialized consulting and training portfolio available to Latin American firms.

#### **Telecommunications Transport**

Through its subsidiary INTERNEXA, ISA transports information signals using telecommunication connectivity networks that integrate two or more locations, based on fiber optics, satellite transmission and microwaves.

This affiliate serves companies in the telecommunications and energy sectors and has investments in Ecuador through TRANSNEXA. In Peru, it operates INTERNEXA.

As carriers' carrier, INTERNEXA has access to 10,848 km of fiber-optic networks connecting Colombia, Ecuador, Peru and Venezuela. Additional 1,815 km will be added to this network in Peru and Chile in 2010, to complete 12,663 km of telecommunications connectivity infrastructure.

#### **Construction of Infrastructure Projects**

ISA offers its affiliates, subsidiaries and third parties customized integral solutions for energy transmission lines and substations, and setup of fiber-optic networks.

This business is carried out in Colombia, through ISA, and in Peru, through Proyectos de Infraestructura del Perú –PDI–.

### Road Concessions

At the end of 2009, ISA formalized its venture into the road concession business through agreement with Spanish Cintra Infraestructuras to acquire 60% of the interest such company held in Cintra Chile Ltda., the main operator of the Chilean road sector with 907 km of highways.

Additionally, an inter-administrative contract was subscribed with Instituto Nacional de Concesiones –INCO– in Colombia to develop the Autopistas de la Montaña project consisting of four road corridors totaling 1,251 km.

## 4.2 WHERE WE ARE HEADED

ISA has defined a Big Hairy Audacious Goal (BHGA) to lead its companies' acts in their continued adding of value. This BHAG is to lead both decision-making and motivation for day-to-day actions.

By the year 2016, ISA will have become a business conglomerate with expected revenues of USD 3,500 million, 80% of which will be generated outside of Colombia.

- ISA will be recognized among America's three leading electric power carriers, and Latin America's largest, upon consolidation of not only its platforms in Brazil and the Andean Region but also its status as relevant player in other countries.
- ISA will be present in 50% of power exchanges among Latin American countries' electric systems, through its own assets, or systems operated by it.

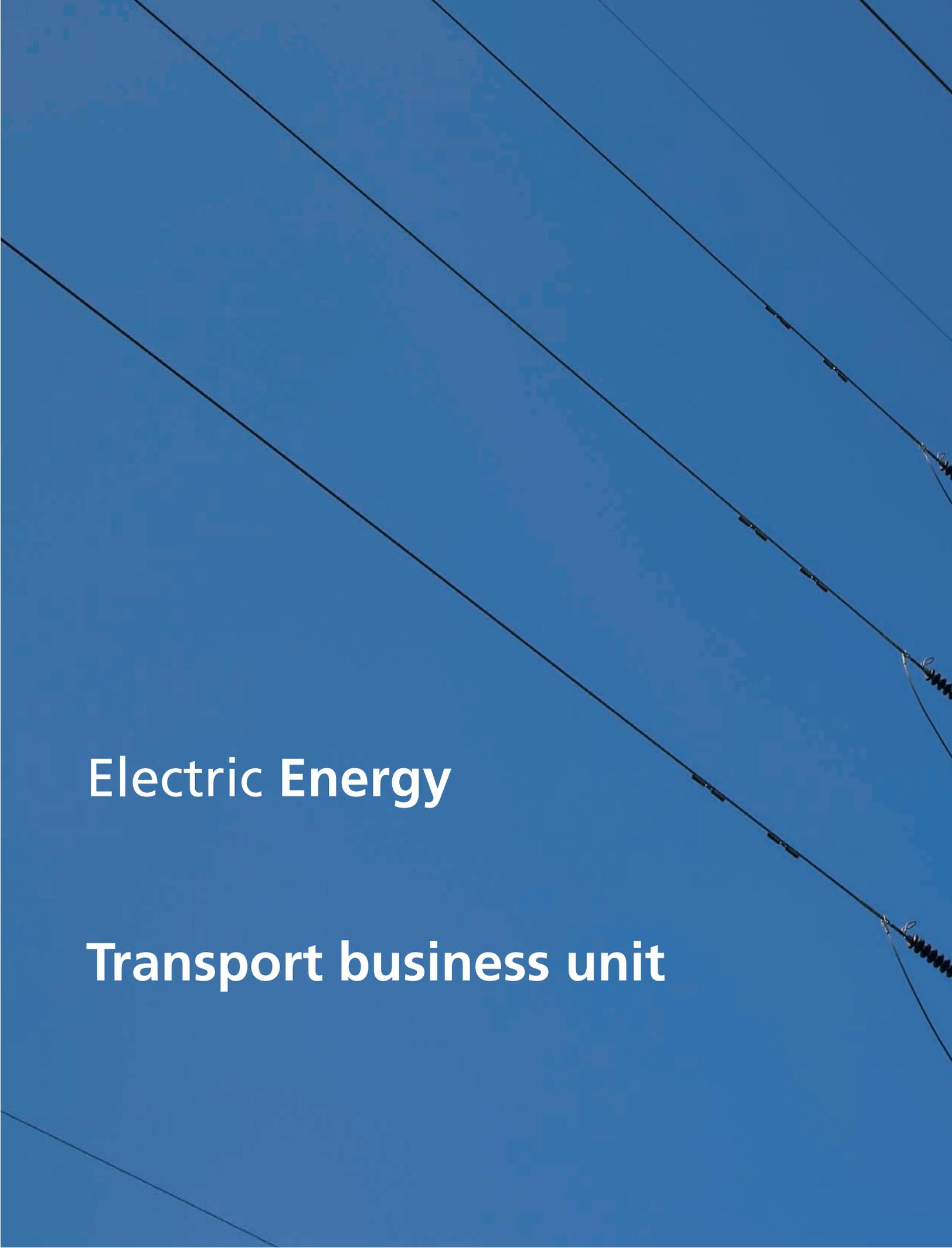
- At least 20% of its revenues will come from businesses other than electric energy transport.
- It will have entered other related business areas, like gas transport and other linear infrastructure systems.
- In addition to being the Andean Region's main data carrier, it will have developed energy futures markets in Colombia and other countries.

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

**ISA's growth is supported on an ethical, serious and responsible corporate stance**

We have full confidence in orderly growth as well as arrival to sectors where we consider possible to develop competitive advantages. Our strategy centers on not only growth and consolidation of current business, but also participation in new business areas that guarantee profit, so as to generate value for our shareholders.

ISA is well aware of the fact that only an ethical corporate stance that triggers creation of economic, social, and environmental value can lead to growth. Our values of ethics, excellence, innovation and social responsibility fuel our day-to-day efforts, and are quintessential to the beliefs and endeavors that make our *raison d'être* viable.

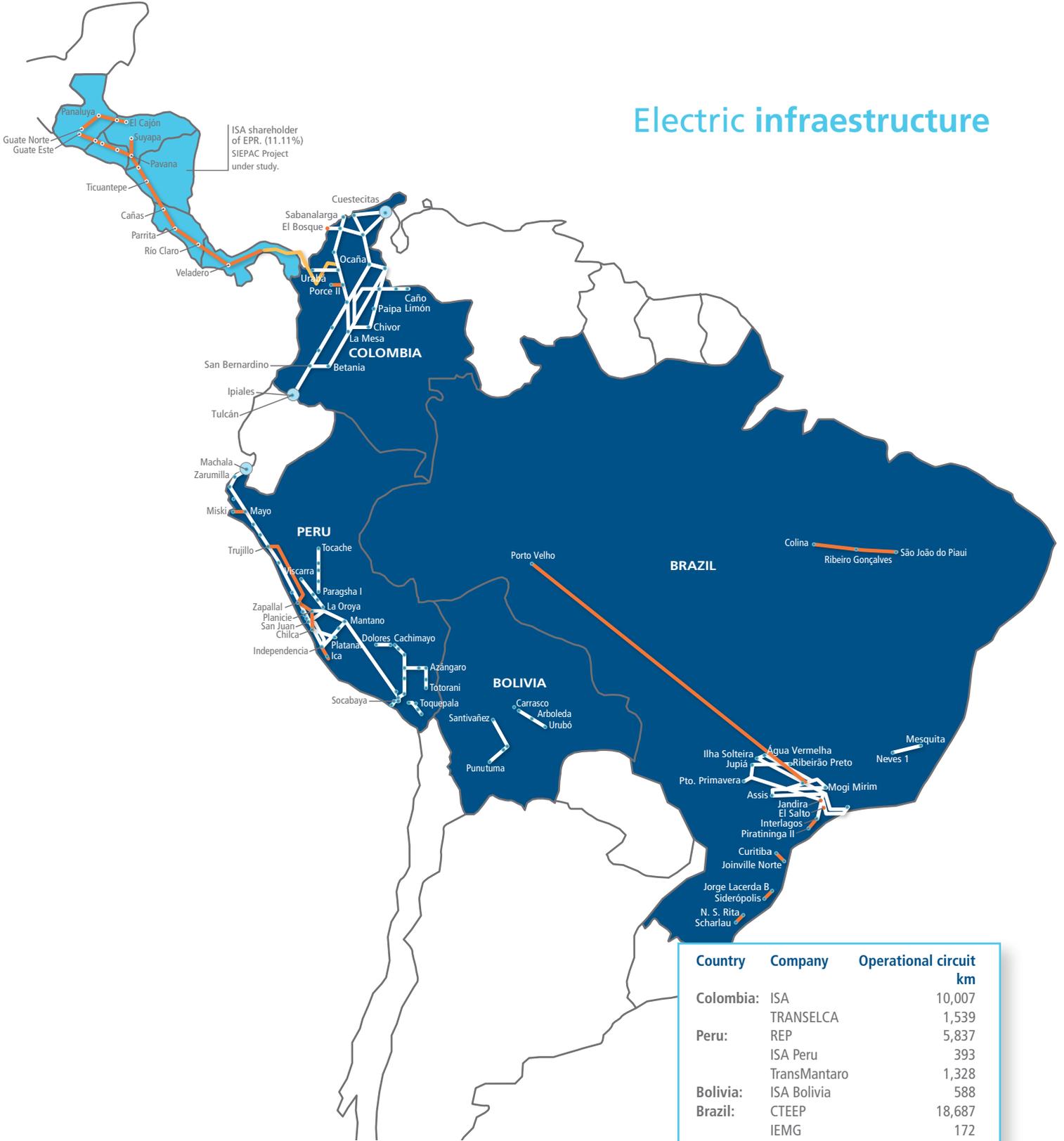
The background is a solid blue color with several black power lines running diagonally from the top-left towards the bottom-right. The lines are thin and appear to be part of a high-voltage transmission system, with some insulators visible on the right side.

**Electric Energy**

**Transport business unit**



# Electric infraestructure



Country	Company	Operational circuit km
Colombia:	ISA	10,007
	TRANSELCA	1,539
Peru:	REP	5,837
	ISA Peru	393
	TransMantaro	1,328
Bolivia:	ISA Bolivia	588
Brazil:	CTEEP	18,687
	IEMG	172
<b>Total</b>		<b>38,551</b>

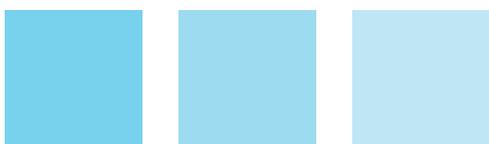
## Market participation by revenue

Country	Company	Market Participation (%)
Colombia	ISA	81%
	TRANSELCA	
Peru	REP	77%
	ISA Peru	
	TransMantaro	
Bolivia	ISA Bolivia	34%
Brazil	CTEEP	16%
	IEMG	
	ISA	

	Transmission lines in operation
	Transmission lines under execution
	Transmission lines under study

# 5

## Electric Energy Transport business unit



ISA is one of the largest international transporters of electric energy in Latin America with a network of 38,551 km of high-voltage transmission circuits in Colombia, Peru, Bolivia and Brazil and international interconnections between Venezuela and Colombia, Colombia and Ecuador, and Ecuador and Peru.

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

ISA and its subsidiaries have an important participation, by revenue, in the electric transport systems in countries where they operate.

### Operational electric infrastructure

Country	Colombia		Peru			Bolivia	Brazil		Total
Revenue participation by country (%)	81		77			34	16		
Company	ISA	TRANSELCA	REP	TransMantaro	ISA Perú	ISA Bolivia	CTEEP	IEMG	
Transmission (km of circuit)	10,007	1,539	5,837	1,328	393	588	18,687	172	38,551
Transformation (MVA)	12,672	2,803	1,878	300	235	370	43,223	-	61,481

### 5.1 GRID EXPANSION

#### Projects starting commercial operation

During 2009, ISA's electric energy transport grid expanded by 328 km of circuits and by 195 MVA of transformation capacity, mainly due to the starting of commercial operation of projects that were in construction phase. Among these projects, are:

**Colombia:** In Colombia, ISA completed the increase of short-circuit tolerance of San Carlos and Chivor 230 kV substations.

**Peru:** Subsidiary TransMantaro commissioned Platanal – Chilca, a 107 km at 220 kV transmission line integrating El Platanal generation plant to the Peruvian electric system. Additionally, subsidiary Red de Energía del Perú –REP– increased installed transformation capacity by 175 MVA in Ica, Marcona and Juliaca substations.

**Brazil:** Subsidiary Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– integrated 41 km of transmission lines and 114 MVA of transformation capacity to the Brazilian electric system. Additionally, Interligação Elétrica de Minas Gerais –IEMG–, ISA’s investment through CTEEP, started commercial operation after finishing construction of the 500 kV Neves 1 – Mesquita, (172 km) transmission line located in Minas Gerais state.

ISA is today one of the largest international energy transporters in Latin America

### New Projects

ISA took part in bid processes endorsed by national governments, promoted the connection to the grid of generation utilities, distribution utilities and large consumers, and worked with different country’s regulators the way to expand and strengthen existing grids in order to keep ISA’s leadership as an electric energy transporter and to consolidate its position in Latin America. As a result of taking part in these

processes, ISA was able to increase its annual revenues by nearly USD 87 million. Among the main awarded projects, are:

**Colombia:** The Colombian Mining and Energy Planning Unit –UPME– awarded ISA UPME 02–2008 public bid, open to design, construct, operate and maintain El Bosque 220 kV substation and its associated transmission lines. This project is expected to generate close to USD 2 million of annual revenue and will avoid restrictions and rationing risk in the Cartagena (Bolívar Province) area and will offer increased reliability and safety to the National Transmission System –STN –.

**Peru:** ISA reached its largest growth in 2009 in this country, where it won two international public bids opened by Proinversion in order to design, finance, build, operate and maintain for 30 years two large projects that will be under affiliate TransMantaro’s responsibility:

- Second circuit of Independencia–Ica 220 kV line (55 km) and expansion of associated substations. The project will gross USD 1.4 million revenue, will improve the energy supply’s reliability in the cities of Ica, Marcona and Nazca, and will expand energy transmission capacity to meet such region’s growing demand.
- 500 kV Trujillo–Zapallal (543 km) transmission line and its associated substations. This project will generate estimated revenue of USD 25.8 million and will allow reliable and on-time energy supply to the Northern Region from the Sistema Eléctrico Interconectado Nacional –SEIN–.

TransMantaro signed with Miski Mayo mining company a contract to connect Bayóvar phosphate mine to the Peruvian electric system through a 41 km, 138 kV single circuit transmission line and a 220/138 kV transformation module in Laguna la Niña substation.

**Brazil:** Agência Nacional de Energia Elétrica –ANEEL– awarded CTEEP the design, construction, operation and maintenance for 30 years of the Jandira and Salto, 440 kV substations, adding 1,600 MW of transformation capacity to São Paulo state. The project will be done by ISA subsidiary, through CTEEP, Interligação Elétrica Serra do Japi, and after starting operation will generate annual earnings of approximately USD 10.5 million.

As a result of bids won in 2009 and similar processes previously awarded, ISA is working in Colombia, Peru and Brazil on the design and construction of nearly 4,794 km of high-voltage circuits and the installation of 18,956 MVA of transformation capacity. These projects will demand investments of nearly USD 2,570 million.

### Electric infrastructure under construction

Country	Colombia	Peru		Brazil		Total
Investment (approx.) USD million	70	500		2,000		2,570
Company	ISA	REP	TransMantaro	CTEEP	Other companies (*)	
Transmission (km of circuit)	76	215	936	229	3,338	4,794
Transformation (MVA)	174	461	4,560	2,511	11,250	18,956

(\*) Interligação Elétrica Pinheiros, Interligação Elétrica Serra do Japi , Interligação Elétrica Norte e Nordeste – IENNE–, Interligação Elétrica Sul –IESUL– e Interligação Elétrica do Madeira –IEMadeira–.

Additionally, ISA moves forward developing linear infrastructure systems for electric energy transport in Central America and Panama.

On one hand, ISA has 11.11% participation in EPR, a company constructing 1,776 km of lines at 220 kV which will interconnect, from the third quarter of 2011 and through the SIEPAC Project, the six Central American countries.

On the other hand, ISA, in Panama, is working with its partner ETESA in the process of bi-national integration of regional energy markets, trying to improve service quality and reliability, optimize available resources and offer more economic tariffs to end users.

Working in this direction, ISA established in 2009 the bi-national company Interconexión Eléctrica Colombia-Panamá –I CP–, an entity responsible for making viable, build and operate a transmission line between the two countries. As a part of an agreed schedule, the basic engineering and pre-design study was carried out and the structuring and financial and legal viability consulting process started. This was done with Inter-American Development Bank –IDB– financing through non-refundable regional, technical cooperation processes.

## 5.2 BEST PRACTICES

ISA coordinated with its subsidiaries the identification, standardization and implementation of good practices and synergies with the aim of assuring that they provide services under homologated processes, focused on optimizing grid performance. In the same way, ISA selected, trained, prepared and empowered personnel, continuously managed its assets' life cycle, and operated and maintained its systems at efficient costs.

The purpose is to guarantee that all ISA companies provide services with reliability, availability and safety levels according to the applicable regulation in each country

In terms of availability and energy service supply continuity, the main transmission grid quality indicators are:

- Grid availability: Measures the percentage of time during the year when grid assets (substation bays, transformers, lines, etc.) were in service or available.
- Unserved load: Measures energy not supplied to each country's electric system due to facts where the transporter is responsible. The following are the indicator values for each company:

### Service quality indicators

Country Company	Colombia		Peru			Bolivia	Brazil
	ISA	TRANSELCA	REP	TransMantaro	ISA Peru	ISA Bolivia	CTEEP
Grid availability (%)	99.86	99.90	99.67	99.75	99.81	99.66	99.93
Unserved load (MWh)	5,975	3,288	5,860	112	66	1,873	1,230

The main activities developed by this business unit's companies and related to transfer and standardization of operation and maintenance practices are:

- Benchmarking study: From the findings of Project CIER 11, ISA's subsidiaries found new opportunities to optimize Administration, Operation and Maintenance –AOM– expenses, according to regulatory, social, environmental and technical facts of each country. This study, done by the Regional Electric Integration Commission –CIER, for its Spanish initials– generates improvement opportunities to processes, based on a methodology identifying and comparing best practices from electric energy transporters with high international standards.
- Operation reliability: According to the specific requirements of each country, unified handbooks for safe operation and maintenance were prepared.
- Assets management: Criteria for equipment qualification were standardized and maintenance planning is being improved under Reliability Centered Maintenance –RCM– methodology.

- Maintenance tools and methodologies standardization: A business intelligence solution was implemented in all subsidiaries to support decision making about maintenance activities. Additionally, live maintenance for lines and substation is being implemented.
- Easements management: Best practices were identified and a transfer schedule was defined to be developed starting in 2010.
- Human talent development: Programs were defined and developed to enable working competencies for maintenance leaders, works under high voltage and operation of maneuver centers.
- Technological development: Research, development and innovation projects were defined to be developed from 2010 in order to benefit subsidiaries and involved countries.

### 5.3 ISA IN THE TRANSPORT OF ELECTRIC ENERGY IN COLOMBIA

With 71.37% participation of the STN, ISA keeps its leadership in the Colombian electric sector, being the largest energy transporter in the country and the only one with national coverage.

ISA's energy transport grid in Colombia is safe and reliable. The grid has 10,007 km of transmission lines at 230 kV and 500 kV; 57 substations; 12,672 MVA of transformation and 4,177 MVAR of reactive compensation.

In order to ensure that provided services meet international standards, ISA is working to consolidate its Integrated Management System. This mechanism joins together around processes, issues like quality management, environment, occupational health and information security.

**ISA owns  
71.37% of the  
electric grid  
in Colombia**

Accordingly, ISA's energy transport service is certified under ISO 9001 Quality Certification, version 2000, from Colombian Institute of Technical Standards and Certifications –ICONTEC, for its Spanish initials–. The certification covers studies, design, procurement, construction, assembly, testing, putting into operation and maintenance of electric energy transmission systems.

As a complement, ISA obtained in 2009 the ISO 14001 and OHSAS 18001 certifications for its Environmental Management System and Occupational Health and Safety Management System, respectively, to cover operation, maintenance and connection to the STN.

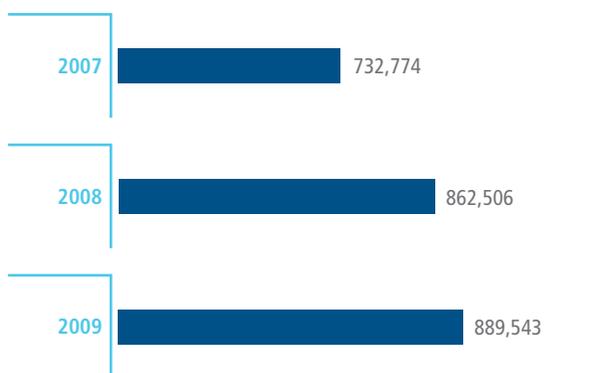
As an additional challenge, ISA is working to obtain ISO 27001 certification on Information Security Management.

### 5.3.1 SERVICE REVENUES

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

- **Electric energy transport:** It is offered to market agents for energy trading and for regional electric systems interconnection.
- **Connection to STN:** It provides generators, distributors, regional transporters, and large consumers with access to the SIN, allowing them to deliver and receive the electric power required or generated.
- **Ancillary services:** Thanks to the experience and knowledge acquired over more than 40 years, ISA offers its customers a series of additional services. Among them are: electric and energy studies and transmission system maintenance (equipment and substations AOM, chemical analysis of isolating materials and energy meters calibration).

**Revenue from services**  
COP million



For these services ISA received revenues for COP 889,543 million, an increase of 3.1% compared to the figure of 2008 (COP 862,506 million).

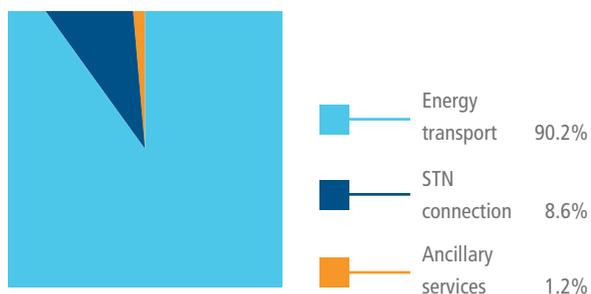
### 5.3.2 GRID PERFORMANCE

Management indicators of ISA's transmission grid exceeded the goals set for 2009, fulfilling the commitment to customers about providing services with opportunity and quality according to international standards. Availability and continuity of energy supply indicators are as follows:

#### Unserved load –ENS– Indicator

During 2009, unserved energy to the SIN was 5,975 MWh, which was under the goal set for the period (10,233 – 10,958 MWh). This figure is the result of facts where the company was responsible and does not take into account terrorist attacks. 85% of ENS was due to scheduled maintenance activities and coordinated with affected customers. This is the result of optimum system operation, because only 0.01% of SIN's total demand (54,679.1) corresponded to ENS.

**Revenue by service**



### Transmission grid availability indicator

Total average availability of ISA's transmission assets was 99.860%, a figure that outdoes the goal of 99.653% set by the Energy and Gas Regulatory Commission –CREG–.

During the last two years, disconnections caused by works to increase short-circuit tolerance of San Carlos and Chivor substations at 230 kV, produced a decrease in the average availability (compared to the previous years).

### Terrorist attacks to electric infrastructure

During 2009, 47 towers of ISA's grid in Colombia were destroyed (44.34% less than in 2008 and 54.65% less than in 2007). Of total towers affected, 89.4% were located in the provinces of Norte de Santander (12), Antioquia (11), Cauca (10) and Nariño (9).

With the decided support of the National Government, the Armed Forces and the power sector's companies, ISA carried out the necessary tasks for guaranteeing service availability. By the end of 2009, 100% of the Company's infrastructure that was affected by terrorist attacks had already been recovered. Recovery time was 5.9 days per tower, improving averages of the last years (6.73 in 2008 and 6.78 in 2007). Expenditures related to recovery of structures totaled COP 5.234 million, 48.35% less than in 2008.

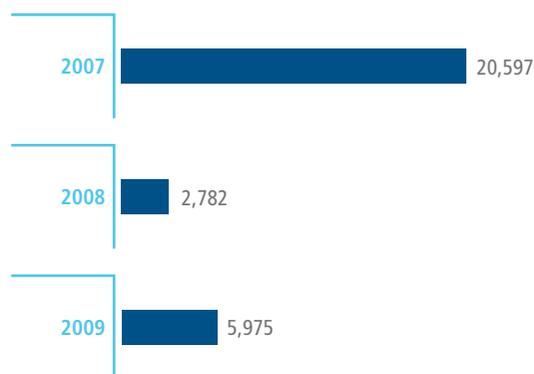
### 5.3.3 IMPROVEMENT ACTIONS

ISA's challenges are focused on developing competitive advantages that will allow the company to be recognized in the Latin American market thanks to its leadership in safe and reliable service provision, its compliance with regulations and the development of processes safe to the people and in balance with the environment. During 2009 ISA carried out a series of initiatives aimed at improving service reliability, competencies development, technological strengthening and new management tools implementation.

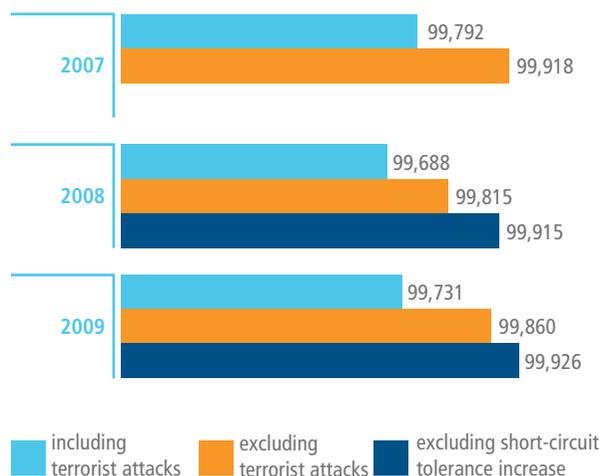
### Service reliability

The process to increase the short circuit level of two of the most important substations of the STN, San Carlos in Antioquia and Chivor in Boyaca, both at 230 kV, came to an end. This

### Unserviced load MVh



### Availability of ISA's grid percentage %



### SIN's damaged towers Number of towers



improvement has a large social and economic impact for the country because it allows SIN to attend demand growth without operating restrictions in the zones' generation. To cause a lesser impact to the system, works were done without totally de-energizing substations, which meant less expenses, less unavailability and less working time. This successful experience helped to structure a new project to update the following substations: Betania (Huila), Jaguas (Antioquia), La Esmeralda (Caldas), La Mesa (Cundinamarca), San Mateo (Norte de Santander) and Yumbo (Valle del Cauca). Works will start in 2010 and, to minimize impact on the STN, they will be coordinated with involved customers and agents.

### Development of competencies

Training was given to 125 work supervisors, 13 workers who will carry out high voltage duties and 21 licensed staffers who will perform work at height. Also, the National Learning Service –SENA– certified 12 people in the Sector Standard for Safe Maintenance of Substations. The aim of these initiatives is to have associates with better competencies to do work safely, not only for themselves, but also for the equipment and the system.

### Technological management

ISA kept on strengthening those business technologies that will allow development of new products and services, improved processes and acquisition of essential competencies.

By means of College–Company–State alliances, it kept in force the ISA–XM–COLCIENCIAS Technical Cooperation Agreement, through which several projects that had been ongoing since the last few years saw completion. Also two new initiatives were approved: Influence of Several Atmospheric Variables on the Behavior of Paint Schemes Applied on Galvanized Steel, and Event Distributed Diagnosis and Optimization of Management Networks in Electric Power Transmission Systems.

As a result of research, ISA obtained the invention patent for a bird's flight deflector, which will be installed in transmission lines to protect migratory species. The patent is valid in Colombia, Panama, Chile and Honduras and is in process in other 14 countries. The deflector was jointly developed with the Training and Research Institute for Plastic and Rubber–ICIPC–.

### Lean Six Sigma Project

In 2009 the company decided to implement the Lean Six Sigma Project, a proved and structured methodology of problems solution for gap closing

and continuous improvement. Eight projects were developed as part of this process, six focused on electric energy transport and two on the corporation. With the aim of making results achieved stable and preserving them, improvements will have a follow up and control stage during 2010.

Main projects were: Cut down time of the short term plan of the assets planning process; reduce anomalies recurrence; increase inventory logistics efficiency; increase quality of working plans and licensing; increase breaker's technical assessment efficiency; increase maintenance planning efficiency; cut down delay time of maintenance execution without affecting safety; and cut down time of the procurement process.

Projects like this mean a step ahead to successfully face new challenges, thanks to incorporation of tools that allow reaching expected results and assuring long term sustainability.

#### 5.4 OUTLOOK

Thanks to the dynamics and acceptance given by different countries to private investment, ISA and its subsidiaries will continue working to consolidate participation in countries where they have presence, will evaluate new growth opportunities in Latin America, and will seek regional energy markets integration.

**Colombia:** ISA will continue promoting the Colombia-Panama interconnection viability, with a foreseen investment of nearly USD 450 million. ISA will also take part in the bids for the 2009 – 2023 Reference Expansion Plan, prepared by UPME, with foreseen investments in transmission of USD 600 million for the next seven years.

**Peru:** According to the Transitory Energy Plan for the next two years, there are foreseen investments for USD 850 million for expansion, strengthening and new concession processes.

**Brazil:** ISA will continue to be on the alert to the development of auctions that will allow expanding its infrastructure and consolidating its position in this market. To date, the 2008 – 2017 Decennial Energy Expansion Plan, approved by the Ministry of Mines and Energy, foresees investments of nearly USD 11 billion for the next years.

ISA and its companies will continue consolidating their participation in the countries where they are present

**Market Operation  
and Administration  
business unit**

G	GUAJIRAG2
	<b>TOTAL</b>
	PROELE G1
	PROELE G2
G	<b>TOTAL</b>
	TEBSA 220
	TEBSA 115
G	<b>TOTAL</b>
	B/QUILLA
G	<b>TOTAL</b>
	URRA
	TCANDE G1
	TCANDE G2
G	<b>TOTAL</b>

	<b>BOGOTA</b>
G	PARAISO
G	GUACA
G	<b>PAGUA</b>
G	GUAVIO
	TERMOZIPA

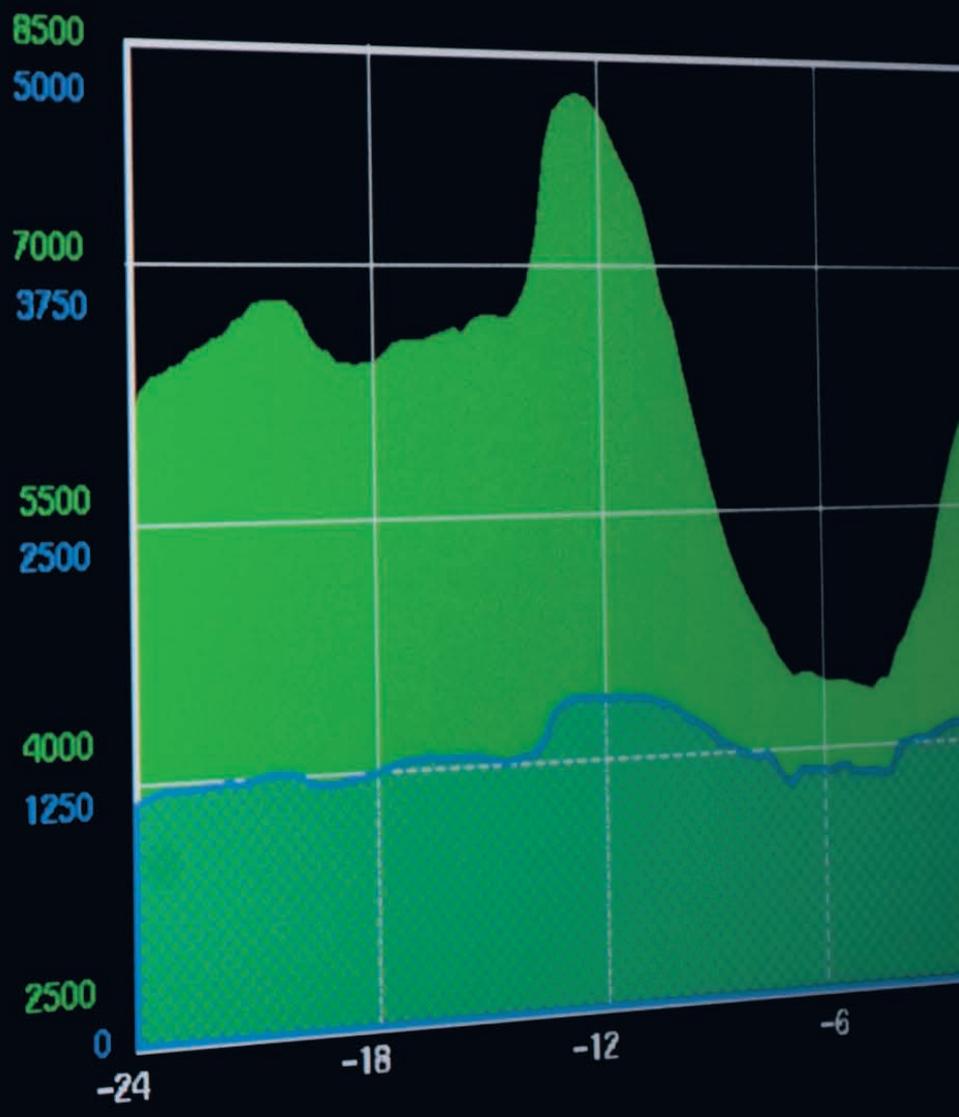
	MW	0.0	MVAr
88.8	MW	-9.7	MVAr
88.8	MW	-9.7	MVAr
0.0	MW	-0.0	MVAr
34.9	MW	10.7	MVAr
34.9	MW	10.7	MVAr
363	MW	10.2	MVAr
157	MW	-10.1	MVAr
520	MW	0.1	MVAr
0.7	MW	0.0	MVAr
116	MW	2.2	MVAr
1.8	MW	3.6	MVAr
0.2	MW	0.0	MVAr
2.0	MW	3.6	MVAr

G	BARRANCA	-11	MW		MVAr
G	JAGUAS	0.0	MW	-2.7	MVAr
	MERILEC	0.0	MW	-1.6	MVAr
G	TASAJERO	0.0	MW	0.0	MVAr
	TCENTRO.	155	MW	14.4	MVAr
G	MIEL	0.2	MW	0.2	MVAr
		314	MW	57.4	MVAr

## DEMANDA TOTAL

6165

236	MW	35.5	MVAr
276	MW	34.5	MVAr
512	MW	70.0	MVAr
243	MW	-15.2	MVAr
0.6	MW	0.7	MVAr



# 6

## Market Operation and Administration business unit



XM Compañía de Expertos en Mercados S. A. E S. P. delivers the services of operation planning and coordination of the resources of the National Interconnected System –SIN–, administration of the Commercial Settlement System –SIC– in the Wholesale Energy Market –MEM–, administration of the International Electricity Transactions –TIE– with Ecuador, and settling and clearing of charges for use of the National Interconnected System’s grids.

The company is a knowledge-based organization focused on generating value from innovation. As part of its commitment it delivers intelligent solutions and consolidates long-term commercial relations with its customers; it has the capacity to apply its expertise to other markets such as natural gas or financial derivatives.

XM has a specialized consulting and training portfolio that has been offered successfully to power sector companies in Bolivia, Brazil, Panama, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Dominican Republic and Peru.

**In 2009, 1,077 GWh were exported to Ecuador, 111% more than in 2008 (509.8 GWh)**

### 6.1 COLOMBIAN POWER SYSTEM

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

#### Generation capacity

In 2009, electric power generation in Colombia totaled 55,965.6 GWh, 2.9% above that of 2008 (54,395 GWh). Such positive evolution was the result of increased electricity demand and exports to Ecuador and Venezuela. With respect to 2008 and as a consequence of El Niño

phenomenon, thermal generation increased 87.3% while hydraulic generation decreased 11%.

In order to serve the energy demand (54,679.1 GWh) and power demand (9,290 MW), the SIN has 13,496 MW net installed effective capacity.

### Energy demand

Colombian electric energy demand increased 809.4 GWh to 54,679.1 GWh (1.8% above the level of 2008 – 53,869.7 GWh). Such increase was due mainly to the elevated residential consumption (regulated market) resulting from the high temperatures recorded in the country as a consequence of the El Niño phenomenon.

### Market participants

The Administrator of the Commercial Settlement System –ASIC– delivers services to the market's 53 generators and 92 trading agents as well as to 11 transmitters and 32 active distributors. By the end of 2009, there were 4,497 delivery points for regulated consumers, 4,594 for big consumers and 406 for public lighting

### Market transactions

At COP 9.7 trillion, total energy traded in the MEM was COP 2.5 trillion higher than in 2008 (COP 7.2 trillion). The energy pool price increased 56% with respect to 2008, from COP 89.14/kWh to COP 139.57/kWh; likewise, the price for bilateral contracts increased 18%, from COP 88.78/kWh to COP 104.74/kWh.

### SIN's net effective capacity

Resources	MW	%	Variation (%) 2009 - 2008
<b>Hydraulic</b>	<b>8,525</b>	<b>63.2</b>	<b>0.0</b>
<b>Thermal</b>	<b>4,362</b>	<b>32.3</b>	<b>0.4</b>
Gas	2,757		
Coal	984		
Fuel - Oil	434		
Diesel Oil	187		
Fuel Oil No. 2	0		
<b>Minor</b>	<b>574</b>	<b>4.3</b>	<b>1.7</b>
Hydraulic	472		
Thermal	83		
Wind	18		
<b>Cogenerators</b>	<b>35</b>	<b>0.3</b>	<b>42.9</b>
<b>SIN Total</b>	<b>13,496</b>	<b>100</b>	<b>0.3</b>

Invoicing collection through accounts administered by XM totaled COP 4.6 trillion for the Commercial Settlement System –SIC– and charges for use of both the National Transmission System –NTS– and the Regional Transmission System –RTS–.

### Billing collections

(COP million)

Item	2009	2008	Variation (%)
Energy pool transactions	2,547,549	1,477,896	72.4
STN usage charges	1,177,211	1,133,210	3.9
STR usage charges	852,725	823,467	3.6
<b>TOTAL</b>	<b>4,577,485</b>	<b>3,434,574</b>	<b>33.3</b>

### International Electricity Transactions –TIE–

Regarding international electricity exchanges, Colombian export capacity to Ecuador and Venezuela stands at 535 MW and 336 MW, respectively. Likewise, import capacity levels from the two countries are 395 and 205 MW. Since implementation of TIE in 2003, close to 8,683 GWh have been exported to Ecuador at an approximate value of USD 700 million. In 2009 only, 1,076.7 GWh were exported to this country, 111% more than in 2008 (509.8 GWh). In turn, Ecuador exported to Colombia 20.8 GWh, lower than the figure for 2008 (37.5 GWh).

### International Electricity Transactions –TIE–

Year	Energy (GWh)		Value (USD thousand)	
	Exports	Imports	Exports	Imports
2007	876.6	38.4	66,269.4	1,336.0
2008	509.8	37.5	35,908.4	2,309.4
2009	1,076.7	20.8	111,549.1	1,118.3

## 6.2 ENERGY CONDITIONS

During 2009 the Tropical Pacific Ocean weather was characterized by the transition from La Niña (2008-09) to El Niño (2009-10). In Colombia, impacts from El Niño are associated to shortages in rainfall in most of the territory, increased temperatures, early morning frosts, propensity to wild fires, and especially, severe reduction in runoff of watersheds, particularly those associated to the power sector.

To handle the El Niño phenomenon, XM carried out analyses taking into account several scenarios that were presented to the Ministry of Mines and Energy, the CREG, and the sector's agents in order to take necessary

measures to avoid leaving demand unattended during the months when the phenomenon was at its worst. In September of 2009, the Ministry of Mines and Energy passed additional measures related to the energy conditions and ordered XM's National Dispatch Center to prepare the daily gas balance and determine the transport capacity required to cover the country's gas demand. This balance has been fundamental to guarantee electricity demand satisfaction, correct interaction and coordination of the gas and electricity sectors, and optimal utilization of the different energy sources.

The measures taken for the SIN operation have permitted to maintain the aggregated volume of reservoirs at the levels required to meet demand.

### 6.3 GROWTH

In 2008 XM started searching for alternatives to make viable the establishment of a corporation to administer a system for negotiation and recording of energy derivatives in Colombia as a mechanism to promote convergence and growth of the financial and power sectors. Accordingly, it prepared legal, technical and financial viability studies taking into account the following:

**The Financial  
Superintendency  
approved  
establishment  
of Derivex  
corporation**

- Meeting the expectations of regulators, supervisors and market agents in the securities and energy markets while complying with regulations.
- Creating value by offering products that permit development of financial and energy markets.
- Administering an energy-derivative market with the highest standards and practices of leading international markets.

An alliance was agreed with the Colombian Stock Exchange –BVC– in order to guarantee convergence and the project's success.

In 2009, XM and the BVC worked in two fronts: On one side they carried out the necessary steps to obtain authorization to establish the company; on the other, they hired the studies associated to accounting and tax issues for energy derivatives in Colombia.

The Financial Superintendency through Resolution 2001 of December 23 of 2009, approved establishment of a corporation named Derivex to administer a trading system with electric energy, natural gas and other energy sources as underlying assets, and to record operations with such instruments.

## 6.4 OUTLOOK

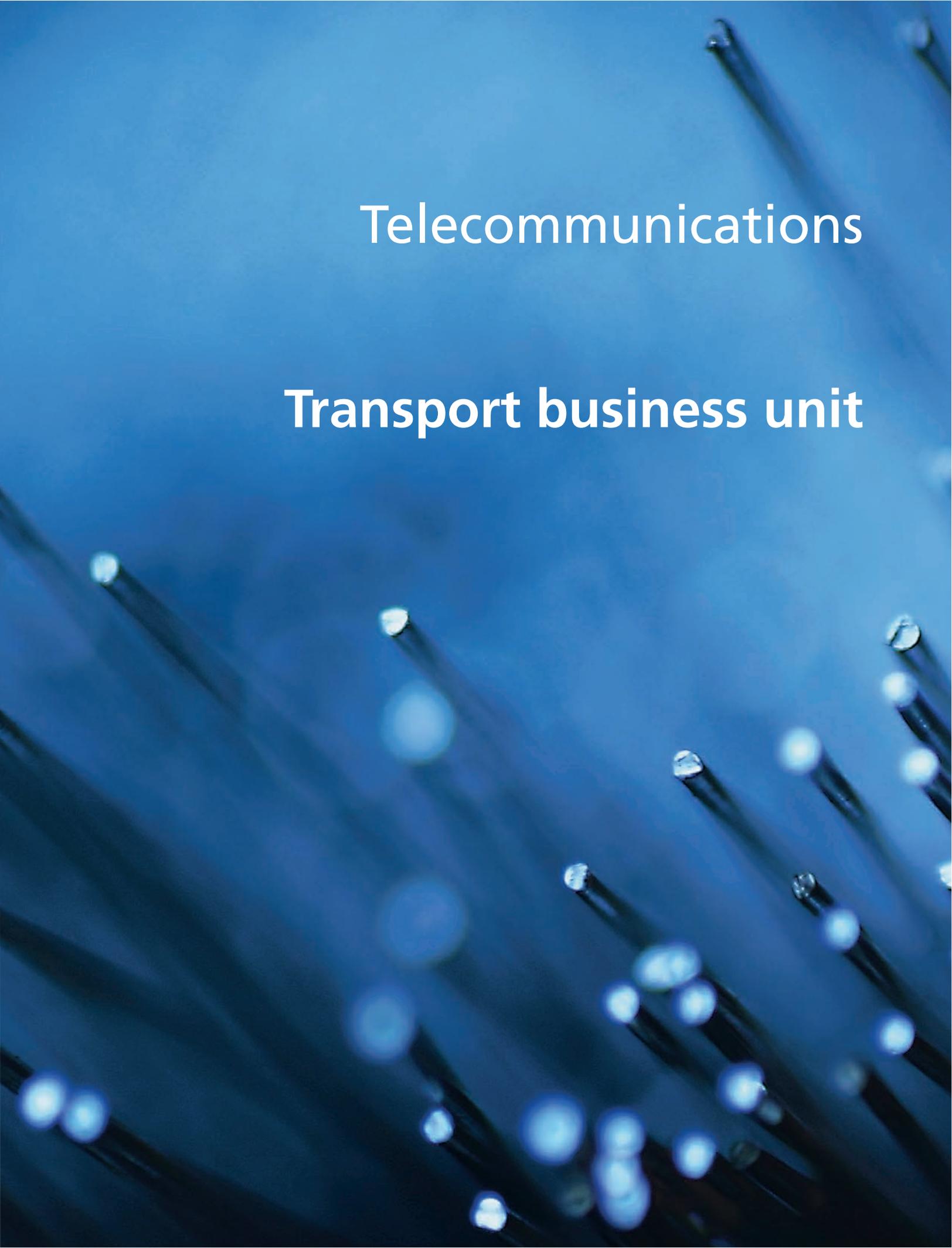
In 2010 the company will focus on preserving high quality service standards in order to maintain the trust, transparency and seriousness that have characterized it. To that end, it will implement several projects that will permit improving processes, avoiding obsolescence and maintaining technologic leadership.

It will continue endorsing coordinated maintenance for the gas and the electricity sectors in order to minimize impacts on the two sectors and end users. Likewise it will continue integrating the gas sector information in order to produce the daily balances defined by the Ministry of Mines and Energy in Resolution 18 1739 of October 7 of 2009.

Lastly, in the first quarter of 2010, in association with the BVC, it will pursue endeavors to obtain permission for Derivex commercial operation.



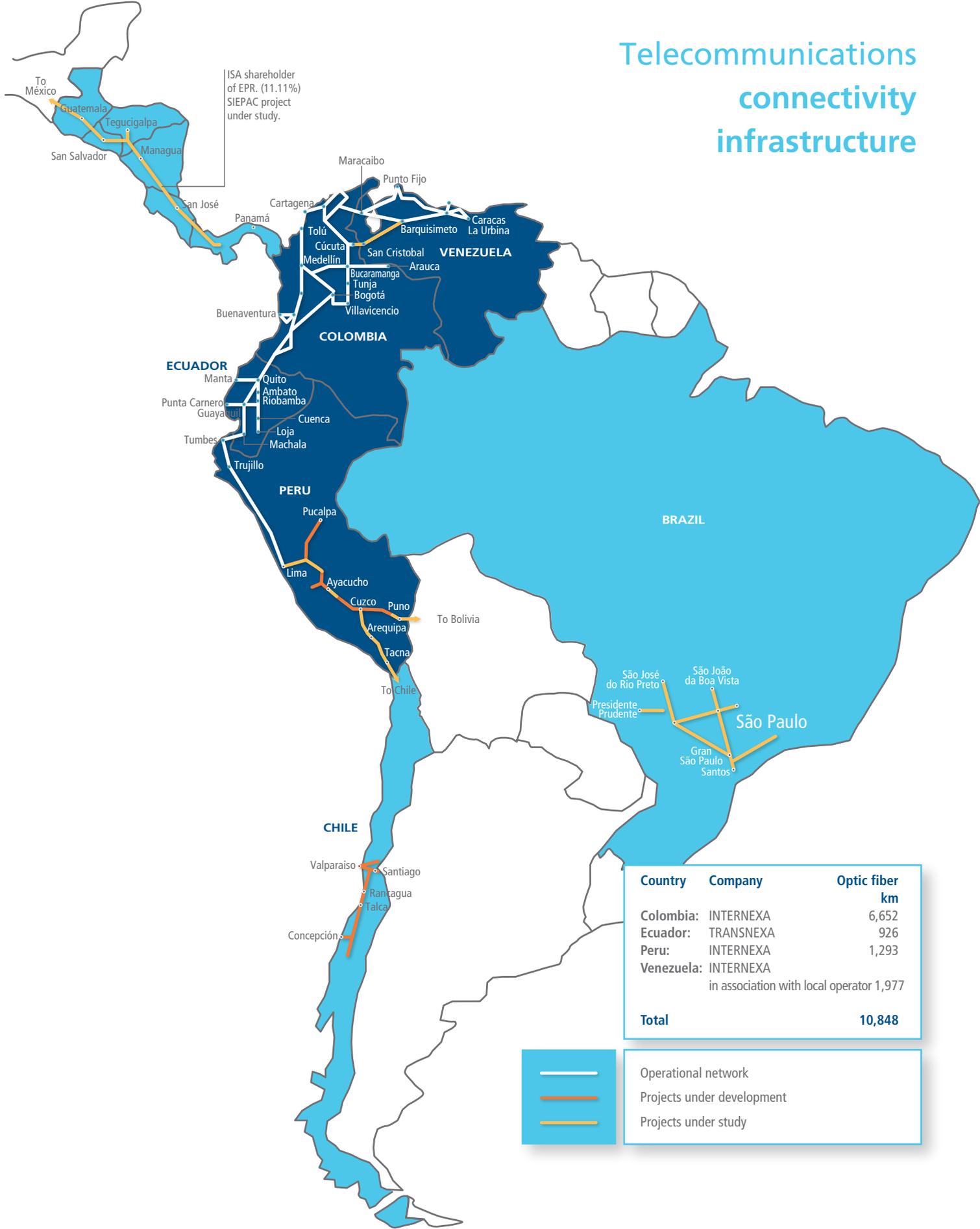


The background is a deep blue gradient. It features a pattern of fiber optic cables, with some cables in sharp focus showing their individual strands and others blurred. Small, bright blue light points are scattered throughout, some appearing as if they are glowing from the ends of the cables. The overall effect is a sense of depth and connectivity.

Telecommunications

**Transport business unit**

# Telecommunications connectivity infrastructure

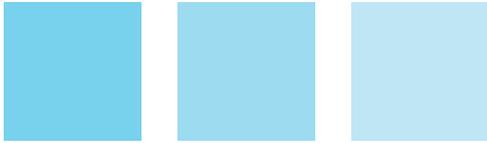


Country	Company	Optic fiber km
Colombia:	INTERNEXA	6,652
Ecuador:	TRANSNEXA	926
Peru:	INTERNEXA	1,293
Venezuela:	INTERNEXA in association with local operator	1,977
<b>Total</b>		<b>10,848</b>

- Operational network
- Projects under development
- Projects under study

# 7

## Telecommunications Transport business unit



ISA, through its subsidiary INTERNEXA, emerges as a leading player in the telecommunications transport business in Latin-America.

INTERNEXA is the only telecommunications connectivity network company exclusively engaged in the “carrier’s carrier” business. INTERNEXA transports telecommunications signals through national and international networks connecting two or more locations, based on fiber optics, satellite transmission and microwave supporting networks.

As carrier’s carrier, INTERNEXA has access to 10,848 km of fiber-optic networks connecting Colombia, Ecuador, Peru and Venezuela. Additional 1,815 km will be added to this network in Peru and Chile in 2010, to complete 12,663 km of telecommunications connectivity infrastructure.

Total capacity of the network is 326,440 MB/s. The network goes through 63 cities in South America, has access to undersea cables in several countries (Arcos, Emergia, Maya, CFX and SAC) and has a platform to offer direct connection to the main Internet Service Providers (ISP) in the United States. Its construction meant investments of more than USD 23.5 million in 2009.

More than 100 service providers rely on INTERNEXA’s excellent quality and high levels of reliability and availability, the first telecommunications company in Colombia to obtain International Quality Certification ISO 9001:2000 for carrier service.

### 7.1 ACHIEVEMENTS

**Colombia:** The development of 330 km of fiber-optic networks between Bucaramanga and Arauca was awarded to INTERNEXA by the Ministry of Information and Communication Technologies. This network will offer Internet connectivity to 183 public institutions in the region. This im-

### Telecommunications infrastructure by country

Country	Company	Operational fiber optic (km)
Colombia	INTERNEXA	6,652
Ecuador	TRANSNEXA	926
Peru	INTERNEXA	1,293
Venezuela	INTERNEXA in association with local operator	1,977
<b>Total</b>		<b>10,848</b>

**INTERNEXA has access to 10,848 km of fiber optics networks connecting Colombia, Ecuador, Peru and Venezuela**

portant initiative widens coverage to a larger number of small and medium communities in the country and continues participation in social oriented projects.

The company developed an Internet product variation called INTERNEXA IP Access Basic, whose much simpler structure allows successful answer to the needs of small and medium Internet Service Providers.

**Peru:** 1,282 km of fiber-optic networks will be developed in order to strengthen the company's international strategy and get closer to Chile and Bolivia networks. New services, called INTERNEXA Switching and INTERNEXA IP Access, were introduced to offer distribution solutions, add greater value and flexibility to customers, and offer them ability to expand, delivering converging services.

**Ecuador:** The Dense Wavelength Division Multiplexing –DWDM– network increased its capacity with the aim of supporting national and regional demand increase, as well as transit to Andean countries. This process was achieved through the partner providing this type of transmission technology whose high speed and large transport capacity have completely overcome other technologies.

**Chile:** INTERNEXA signed an agreement to purchase 90% of the shares of Comunicaciones Intermedias, which implies the ownership of fiber optics networks and nodes that will allow interconnecting Chile's main cities.

On the other side, the company started exploring new alternatives in the digital content business and signed an agreement with the world leading distributor of this type of product, allowing the company to install servers in Medellin and Lima. In this manner, the company is getting prepared to future changes in the Internet access business.

As evidence that innovation plays a main role in the business, the company launched a new product in the international market called INTERNEXA Switching to offer intelligent connectivity to telecommunications service providers in Colombia, Ecuador and Peru. Thanks to this new development, customers can select service levels according to their information transport requirements.

As to large customers, important innovations took place like continuation of the successful strategy of establishing long term business with mobile operators; expansion of IP capacity; and the contribution to consolidate transport capacity in Colombia, Ecuador, Peru and Venezuela.

**INTERNEXA  
subscribed  
agreement to  
purchase 90%  
of the shares of  
Comunicaciones  
Intermedias  
in Chile**

## **7.2 OUTLOOK**

Through its affiliate INTERNEXA, ISA will continue to strengthen its operation, seeking to integrate systems in countries where ISA operates with those of other Latin American countries.

In Central America, will continue to work with EPR implementing a telecommunications business over its fiber optics.

Has also foreseen to start offering regional traffic services from and to Brazil with connection to Argentina and other places in Latin America.

Taking into account projects under study, the company expects to have a 17,000 km network in year 2012, considering projects under construction in Chile, Peru and Colombia and projects under evaluation in Panama and Mexico.

# Infrastructure Projects

## Construction business unit





# 8

## Infrastructure Projects Construction business unit

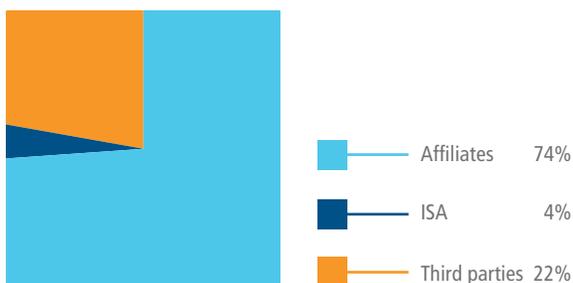


ISA offers customized integral solutions to its affiliates and third parties in the Andean Region, for design and construction of energy transmission lines and substations, and setup of fiber-optic cables. Currently, it is executing several projects in Colombia and Peru worth USD 740 million, 106% up on 2008 (USD 360 million).

This business unit offers an ample portfolio of services, including: integral development of projects; delegated management, Engineering, Procurement and Construction –EPC–; and Engineering, Procurement, Construction and Management –EPCM–. It additionally offers applied engineering and environmental, social and land-property management services.

### 8.1 ACHIEVEMENTS

#### New businesses per customer type



Along the period, it formalized new business deals worth USD 475 million, a 155% increase with respect to 2008 (USD 186 million). Of this total, USD 353 million correspond to ISA affiliates, USD 19 million to ISA and USD 103 million to third parties.

In the same period, revenue totaled USD 75.2 million, 38% more than in 2008 (USD 54.5 million). Of this total, 62% was generated in Colombia and 38% in Peru.

The business unit carried out 27 projects for construction, expansion and/or renovation of electric infrastructure representing 2,112 km of transmission circuits with 5,311 MVA transformation capacity.

## Business main figures by country

Country	Projects concluded in 2009				Ongoing projects			
	circuit km	MVA	Substations	Value (USD million)	circuit km	MVA	Substations	Value (USD million)
Colombia	30	60	6	46	1,044	180	16	193
Peru	100	50	5	36	938	5,021	17	465
<b>Total</b>	<b>130</b>	<b>110</b>	<b>11</b>	<b>82</b>	<b>1,982</b>	<b>5,201</b>	<b>33</b>	<b>658</b>



## Colombia:

ISA is currently implementing the following projects:

Project	Benefits	Customer	Start of operations
Malena-Primavera 230 kV alternate line	Solves transmission line easement invasion problems	ISA	2009
Renovation San Carlos and Chivor 230 kV substations	Increases short-circuit capacity of substation equipment	ISA	2009
Ancon Sur – Esmeralda 230 kV alternate line	Assures line stability in some towers	ISA	2009
Construction substations water injection wells	Supplies energy for expansion of Cira Infantas oil wells	Oxiandina	2009
Connection Porce III to STN	Transmits energy from Porce III hydroelectric generation plant to the new Porce 500 kV substation	EPM	2009
Independent engineering for San Andres archipelago electric grid	FAZNI funds: Expansion, modernization and improvement of medium- and low-voltage electric grid	Ministry of Mines and Energy	2009
Cira Infantas 230 kV connection to the STN	Improves reliability and energy supply capacity to the oil field through connection to the STN	ISA	2010
UPME 01 2007 bid - Porce 500 kV substation and associated works	Integrates Porce III generation project to the STN	ISA	2010
Caricare Connection to STN	Connects Caricare oil field to Caño Limon substation	ISA	2010
Expansion of Sucre electric distribution grid	FAER funds: Expands coverage of rural electrification in La Mojan region, Sucre	Ministry of Mines and Energy	2010
UPME 02 2008 bid – El Bosque 230 kV substation and associated works	Improves energy supply reliability in the Cartagena region	ISA	2011
Popayan – Guapi 115 kV line and associated substations	FAZNI funds: Improves energy service in Cauca and Nariño	Ministry of Mines and Energy	2011



**Peru:**

Proyectos de Infraestructura del Perú –PDI–, ISA's affiliate headquartered in Lima, is currently developing the following projects:

Project	Benefits	Customer	Start of operations
Expansion 3: Ica, Juliaca and Marcona substations	Improves transformation and transmission capacity of National Interconnected Electric System –SEIN–	REP	2009
Expansion 4: Capacitive compensation for the Lima region	Solves reactive power deficit in Lima's northern region	REP	2009
El Platanal 220 kV connection to SEIN	Connects El Platanal to SEIN	TransMantaro	2009
Expansion 5: Substations Independencia, Quencoro, Azangaro, Trujillo Norte, Piura Oeste and Tingo Maria	Meets generation growth and increases transformation and load capacity	REP	2010
Public Bidding: Chilca – La Planicie – Carabayllo 220 kV line and associated substations.	Reinforces SEIN to transport energy from new thermal generation projects in Lima southern region	TransMantaro	2010
Chilca – Carabayllo 500 kV line and associated substations			2011
Miski Mayo 138 kV connection	Connects Miski Mayo mining project to SEIN	TransMantaro	2010
Public Bidding: Independencia – Ica 220 kV line and associated	Meets demand growth in the center region	TransMantaro	2011
Expansion 1: Increase of short-circuit tolerance of 220 kV Mantaro-Cotaruse-Socabaya line.	Increases transmission capacity to ensure serving demand in the country's southern region	TransMantaro	2010
Cotaruse substation compensation and SVC in Socabaya substation			2011
Public Bidding: Zapallal – Trujillo 500 kV line and associated substations	Permits timely and reliable supply in the country's northern region	TransMantaro	2012

**8.2 OUTLOOK**

The business unit will keep on offering integral solutions for development of linear infrastructure projects under efficiency, timeliness, and quality parameters, based on experience, technological innovation, commitment to sustainable development, integral growth of people, ethics, and social responsibility.

**Colombia:** Gain recognition as the best ally for integral development of energy transmission and fiber-optic networks, strengthen relations and consolidate business with third parties.

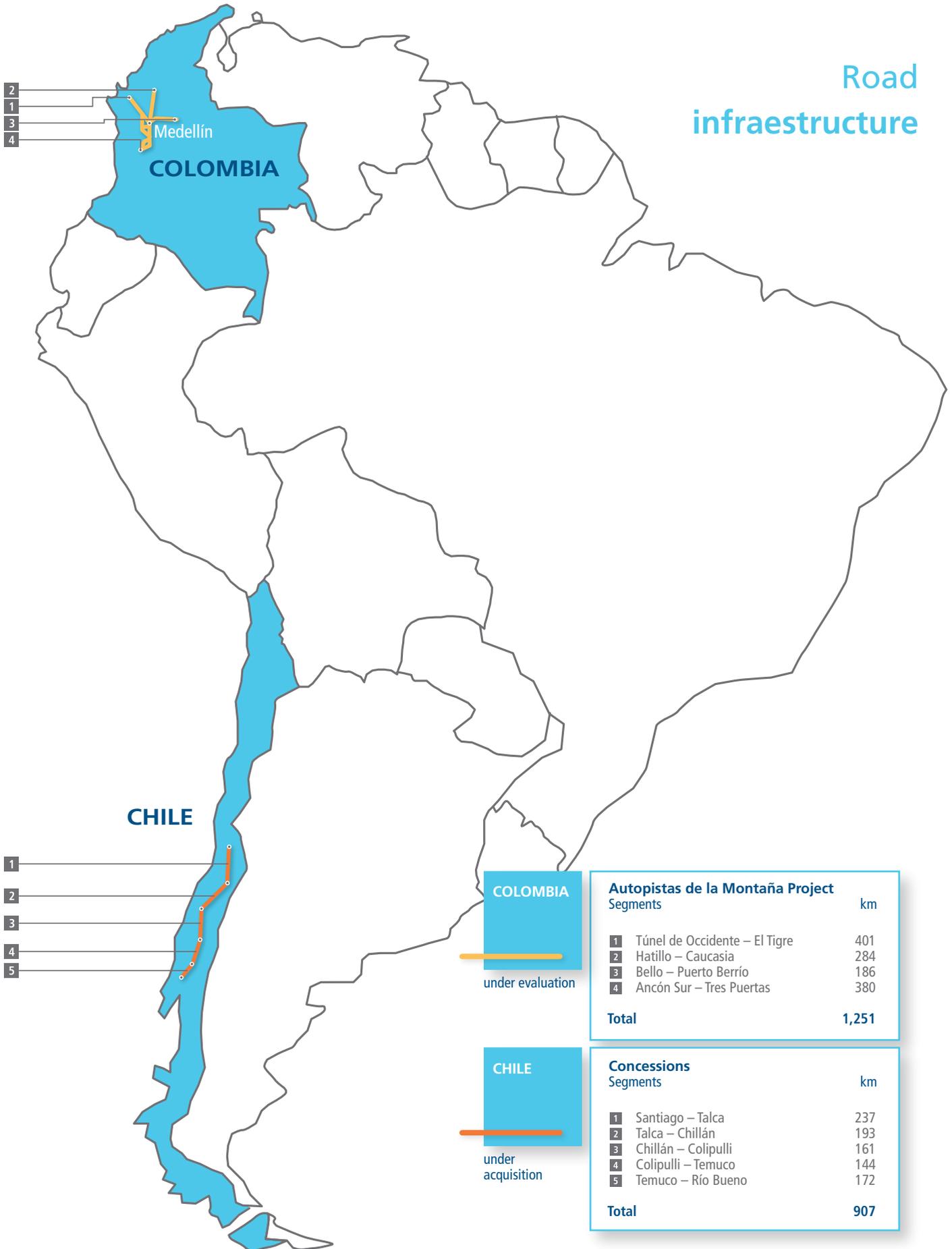
**Peru:** Consolidate its presence in that country, boosted by existing guarantees and legal stability. It will additionally avail of the favorable economic conditions, meaning strong demand for construction of infrastructure works with third parties, and works deriving from expansion of the National Interconnected Electric System–SEIN–.



Road Concessions **business unit**



# Road infrastructure



Autopistas de la Montaña Project Segments			km
1	Túnel de Occidente – El Tigre		401
2	Hatillo – Caucaía		284
3	Bello – Puerto Berrío		186
4	Ancón Sur – Tres Puertas		380
<b>Total</b>			<b>1,251</b>

Concessions Segments			km
1	Santiago – Talca		237
2	Talca – Chillán		193
3	Chillán – Colipulli		161
4	Colipulli – Temuco		144
5	Temuco – Río Bueno		172
<b>Total</b>			<b>907</b>

# 9

## Road Concessions business unit



To further its growth strategy and in line with the goals set in its BHAG, ISA is prepared to venture into the Road Concessions business shored up by a series of competencies acquired along its history that have taken it to the prominent position it enjoys today in linear infrastructure systems structuring, design, construction, operation and maintenance.

In less than two years, ISA will secure a representative position in the Latin American road infrastructure sector with two mega-projects in Colombia and Chile to operate 2,158 km of highways.

At the end of 2007, considering ISA's expertise in big infrastructure works and the transparency and ethics that characterize its acts, the Colombian Ministry of Transport invited the company to be part of Grupo de Infraestructura para la Competitividad. Thus, at the beginning of 2010, ISA formalized its participation in the Autopistas de la Montaña project. Also, an agreement was reached with Spanish Cintra Infraestructuras to acquire 60% of the interest such company held in Cintra Chile Ltda., a company that controls five road concessions in Chile.

### 9.1 CHILE

In December of 2008, Spanish Cintra Infraestructuras initiated the sale of its assets in Chile; many companies including strategic and financial investors from several countries took part in the process.

After rigorous due diligence and thorough analysis of the financial, legal and technical issues of the sector, ISA reached an agreement with Spanish Cintra Infraestructuras to acquire 60% of Cintra Chile Ltda. The deal is subject to the notices, authorizations and registrations required in Spain, Colombia, Chile and any other jurisdiction in which the participants are present.

The operation amounts to approximately USD 300 million and includes a purchase option for ISA and a sale option for Cintra for the remaining 40% of capital.

The 907 km of highways correspond to five of the eight consecutive road concessions making up Route 5, the main North-South thoroughfare and transport backbone in Chile. These concessions have great significance since 50% of the country's population and 50% of its GDP concentrate along their area of influence.

## Characteristics of the Highways

Concessions	Autopista del Maipo	Talca Chillán	Ruta del Bosque	Ruta de la Araucanía	Ruta de los Ríos	Total
Segment	Santiago–Talca	Talca–Chillán	Chillán–Colipulli	Colipulli–Temuco	Temuco–Río Bueno	Santiago–Río Bueno
Length (km)	237	193	161	144	172	907

Cintra Chile's efficient operating structure, expert management team, sector recognition, optimal financial structure and results evidence its sound management.

Immediately after the earthquake that affected Chile last February 27, ISA was notified by Cintra Chile and Spanish Cintra Infraestructuras of the evaluation and analysis to be started by them to determine the effects and actual impact of the seism on the road infrastructure.

It is also worth mentioning that Cintra Chile immediately started traffic recovery works in order to offer better mobility conditions and simultaneously initiated presentation of claims to the insurance companies that have issued the respective policies.

## 9.2 COLOMBIA

Autopistas de la Montaña was born as an initiative of Grupo de Infraestructura para la Competitividad led by the Medellín Chamber of Commerce with participation of public and private sectors to search for alternatives that permit developing large projects required to improve competitiveness of the Antioquia Province.

National, Antioquia Province and Medellín city governments joined efforts in a project that will permit a significant leap for the region and the country in order to overcome the accumulated delay in terms of road infrastructure.

On January 28, 2010, the State, represented by INCO (National Institute of Concessions), and ISA subscribed the inter-administrative contract to carry out the project. Under such document, ISA is committed to carry out the engineering, environmental, traffic, legal and financial studies. In case positive results guarantee viability, ISA shall undertake construction, operation, maintenance, preservation and commercial exploitation of the four road corridors that will link Medellín to the country's main thoroughfares.

## Characteristics of the Autopistas de la Montaña Project

Segment	Hatillo–Caucasia	Túnel de Occidente–El Tigre	Ancón Sur–Tres Puertas	Bello–Puerto Berrío	Total
Operation (km)	284	401	380	186	1,251
Expansion (km)	251	338	234	77	900

According to preliminary studies carried out by ISA, the project's estimated cost is COP 5.6 trillion, which will be financed with contributions from: the National Government (COP 1 trillion) according to CONPES document of January 27, 2010; the Antioquia Province Government (COP 600 billion) as approved by the Antioquia Province Legislature; and the City of Medellín (COP 400 billion) as approved by the City council. Remaining COP 3.6 trillion will come from ISA's capital contribution and financing.

**In less than two years, ISA will have access a two mega-projects in Colombia and Chile (2,158 km of highways)**

### 9.3 OUTLOOK

**Chile:** Chile is the region's most advanced country in terms of road concessions. As reported by the Chilean Ministry of Public Works, the country has extensive background in project awarding: 24 roads under concession nearing 2,500 km and USD 7 billion investment, in the last 20 years. Additionally, local and foreign private sectors actively participate in the execution of projects, contract rules are clear, and growth potential is evidenced by coming bids worth over USD 2 billion (2010-2011).

The sector has a stable regulatory framework with sound and experienced institutions, mechanisms to mitigate traffic risk, economic incentives to increase road safety, and a leading position in tolls in Latin America.

**Colombia:** Improving the transport system and associated infrastructure is one of the key activities to boost the country's competitiveness, endorse regional integration and promote delivery of quality services. Roads are in need of modernization and capacity expansion, particularly those to access main cities, ports and border passes.

In this sense, the National Government is promoting the strategy of Nuevas Autopistas para la Competitividad. One of the programs currently under execution is the Highway Concessions 2006-2014 to expand capacity to two lanes of the country's main thoroughfares.



# Corporate management



# 10

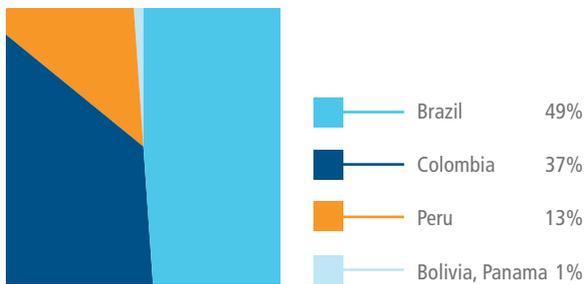
## Corporate management



### 10.1 ADMINISTRATIVE MANAGEMENT

Three intangible assets are the foundation for corporate strategies: human capital, corporate capital, and technological capital, fundamental for creation of sustainable value for ISA and its companies. The conjunction of the three is the source of intellectual capital.

#### Employees by country



Consequently, the administrative management enables intellectual capital for productivity and growth, with apt and motivated people who use different ways to apply and transfer knowledge, with technological services that contribute to development of an adaptable organization and a culture that can effectively leverage the achievement of results.

#### 10.1.1 HUMAN CAPITAL

Human capital is the combination of knowledge, experience, skills, education, abilities, schooling, values, attitudes, and capabilities the organization is endowed with to carry out its tasks.

As of December of 2009, ISA and its companies had a human group of 2,883 associates, 37% of them in Colombia, 49% in Brazil, 13% in Peru, and the remaining 1% in Bolivia and Panama. Along the past year, 256 new people joined the ranks of ISA's companies, while 98 left, resulting in a turnover ratio of 3.5% (number of people leaving to total average staff).

#### Knowledge and competencies

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



ISA and its companies carry out measuring of human and technical competencies level, as well as assessment of individual performance; ensuring results help guide personnel development processes.

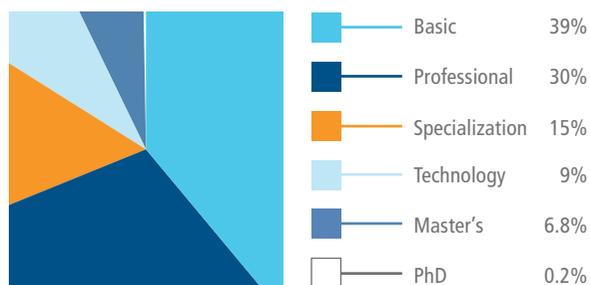
The catalogues of technical competencies and fundamental knowledge called for by the business units of Electric Energy Transport, Market Operation and Administration, and Telecommunications Transport, were reviewed in 2009; results will be fundamental for the evaluation to be carried out by late 2011, and to implement required adjustments.

ISA and its companies conducted evaluation of human competencies, with participation of 94% of the management group (133 management staffers), and over 90% of non-management personnel. This test was conducted at every company, except CTEEP, where it will be conducted along 2010. Test results of management staffers were quite satisfactory, given that a high percentage of them have the consolidated competencies, with scores over 76%:

### Personnel of ISA and its companies

Company	Employees	%	New Arrivals	Retirements	Turnover (%)	Pensioners
<b>Colombia</b>						
ISA	619	21.5	49	16	2.5	32
TRANSELCA	157	5.4	2	-	0.0	1
XM	189	6.6	14	2	1.1	6
INTERNEXA	112	3.9	10	9	7.8	-
<b>Peru</b>						
REP	343	11.9	25	15	4.4	-
PDI	22	0.8	17	8	36.4	-
<b>Brazil</b>						
CTEEP	1,412	49.0	119	47	3.5	7
<b>Bolivia</b>						
ISA Bolivia	28	1.0	10	2	7.4	-
<b>Panama</b>						
ICP	1	0.03	1	-	0.0	-
<b>TOTAL</b>	<b>2,883</b>	<b>100</b>	<b>247</b>	<b>99</b>	<b>3.5</b>	<b>46</b>

## Academic level



- Construction of collaborative networks, 78%
- Judgment and decision, 83%
- Focus on results, 81%

Assessment of individual performance yielded information regarding achievement of results, and development of knowledge, behavior, and skills. 1,100 associates participated in this process, 87% of which obtained performance ratings between excellent and good.

Additionally, the personnel's high qualification and level of academic preparation stand out.

## Management talent development

In the last few years, ISA has been actively developing the mobility of its workers, the cornerstone of its corporate management, a strategy that decidedly aids construction and availing of synergies and scale economies. In 2009, 61 of ISA's associates moved to another company to carry out regular or special work. This number is lower than the 74 people who moved in 2008, but higher than the 42 of 2007. Currently, eleven of ISA's associates are working as expatriates in countries where ISA is present.

A manager succession plan has been under implementation since 2007, and today, 71 out of the 142 managers of ISA and its companies have their successors ready to take over their duties.

### 10.1.2 ORGANIZATIONAL CAPITAL

Organizational capital is defined as the organization's expertise in mobilizing and combining skills, competencies and resources necessary to carry out strategy.

#### Management model of ISA and its companies

The Corporation advanced in implementing the Reorganization Project, which defined organizational rules that facilitate, expedite, and clarify interaction between ISA and its affiliates, according to the intervention role defined for each one of them. This initiative dimensioned the impact of the challenges posed by the BHAG, in terms of growth and internal interactions. Among the advancements reached in 2009, the following stand out:

Business model (it defines the way to organize the business units):

- Structured and implemented management centers in Peru and Brazil.
- Adopted intervention roles to the organizational schemes of the new companies.

Operating model (clarifies assignation of responsibilities):

- Identified and closed gaps in exercising intervention role.

- Aligned processes and decision flows in order to identify new activities and adjustments in processes and governance instances.
- Separated corporate, business unit and company activities in the value chain taking into account decision flows.

Governance model (defines power instances to ensure decision making among the companies):

- Disclosed and took into consideration organizational definitions in the affiliates and subsidiaries.
- Adjusted and approved decision flows.
- Identified the need to make adjustments and/or create governance instances.

### Organizational climate

The annual work-climate study conducted by ISA and its companies yielded results close to 64%, a rating that has been steady the last three years. This assessment measures corporate health under four dimensions: individual and corporate effectiveness, work recognition, and commitment. The results highlight as clear strengths the administration, the companies' external image, as well as the workers' general commitment and satisfaction with their positions.

### Integrated Management System –IMS--

This system allows integral process administration in the areas of quality, occupational safety and health, environment, and information security. It also allows identification and transfer of the world-class best practices, as well as availing of synergies.

Shored up by the principles grouped in the IMS, ISA's companies have embarked in the search for International certifications that constitute a decided contribution to higher competitiveness levels.

#### 10.1.3 TECHNOLOGICAL CAPITAL

ISA and its companies make change possible and generate business initiatives that help bolster their strategy by means of an apt management of computer technology. Thanks to homologation of management and computer platform, the companies have succeeded in transferring best practices among businesses and in capturing synergies in the processes.

In this regard, a series of projects advanced along the year 2009, where the following stand out:

- SAP System in Interconexión Colombia – Panamá –ICP–: Implementation of modules that support financial processes with which adequate information exchange with ISA is guaranteed.

### Certifications under international standards

Certification	Company
ISO 9001	ISA
	TRANSELCA
	REP
	CTEEP
	XM
ISO 14001	INTERNEXA
	ISA
	TRANSELCA (ongoing)
	REP (ongoing)
OHSAS 18001	CTEEP
	ISA
	TRANSELCA (ongoing)
ISO 27001	REP (ongoing)
	ISA (ongoing)
	XM (ongoing)

- Implementation of International Financial Reporting Standards – IFRS– in ISA and its companies: Advancement of the project that will once allow implementation of international financial standards. The project is to conclude in the first semester of 2010.
- Business intelligence solution (BI) for the Construction of Infrastructure Projects business unit: The first stage of this project to enable centralization of information that supports decision-making regarding structuring of offers, project management and business results, among others, was completed in 2009. The project will conclude in 2010.
- SAP extension to INTERNEXA: Homologation of human management processes with the affiliate. Through the associates’ portal, each associate can validate his personal and work data, and managers can check out the personal information of their subordinates, approve trips, and conduct follow-up of hiring processes, among other inquiries.

## 10.2 FINANCIAL INFORMATION AND RISK MANAGEMENT

### Financial information

The international expansion and recognition enjoyed by ISA and its subsidiaries, the need to unify accounting standards with world-class best practices, and the parameters to measure and compare companies prompted ISA to anticipate itself to implement International Financial Reporting Standards –IFRS–.

Some additional benefits about implementing IFRS are: ease to enter the capital markets, reduction of financial information conversion costs, and improved quality, transparency, and information comparability of ISA and its companies.

The project’s first stage, concluded in 2009, included definition of accounting policies and procedures, and was the basis for implementing the IFRS in the SAP information system.

### Risk Management

ISA complies with its Integral Risk Management Policy through not only systematic application of the stages of identification, assessment, handling, monitoring, consolidation, communication and disclosure of its risks, but also report of its management results to corresponding instances.

Additionally, ISA coordinates with its affiliates and subsidiaries the implementation of integral risk management cycles, and it follows up updating and management improvement of risk maps. Updating of risk maps enabled the Company to identify the main risks each affiliate was exposed to along 2009:

Electric Energy Transport Companies:

- Human and procedural errors
- Volatility of macroeconomic variables

- Corruption, ethical faults
- Legal and regulatory
- Armed conflict, social conflict
- Natural phenomena

**ISA and its subsidiaries comply with the Integrated Risk Management Policy**

XM, Expertos en Mercados:

- Fraud
- Human failures
- Terrorism and vandalism
- Problems of electric system
- Electricity market's structural problems
- Inadequate handling of information
- Inopportune or inadequate decisions regarding new business

INTERNEXA:

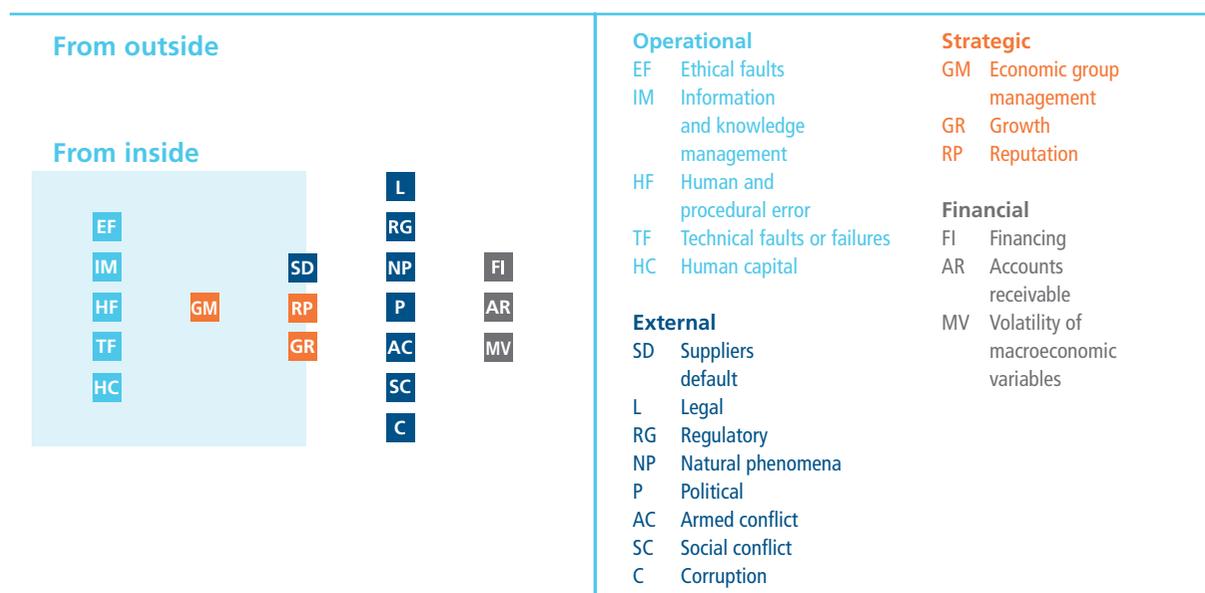
- Legal and regulatory instability
- Competition and market
- Volatility of macroeconomic variables
- Inadequate decisions regarding new business
- Lost or diminution of competitiveness and efficiency in products and services

ISA Capital do Brasil:

- Timely reception of revenue
- Volatility of macroeconomic variables
- Human and procedural errors
- Regulatory
- Third parties' default

In Colombia, ISA determined that volatility of macroeconomic variables, legal risk, corruption, suppliers' default, the armed conflict, and human and procedural errors were the Corporation's biggest risks, in view of the likelihood and severe consequences of their occurrence.

### Risk Map



Additionally, ISA managed these and other risks with a lower impact, by applying administrative measures, among which the following stand out:

- Definition and application of financial-risk management criteria.
- Consolidation of the Integrated Management System –IMS–, in the management areas of occupational health and safety and information security.
- Strengthened follow-up of implementation of projects.
- Rigor and excellence of operation and maintenance.
- Training and certification of work competencies of operation and maintenance personnel.
- Other plans related to the operation reliability and maintenance project.

### **10.3 CORPORATE COMMUNICATION**

ISA, XM and ISA Bolivia carried out reputation evaluation. Results show that they are highly reputed companies, with indices ranking between 64% and 84%; knowledge level of 100%; familiarity between 77% and 96%, favorability between 76% and 91%, and levels of trust among respondents between 63% and 86%. Results for INTERNEXA, TRANSELCA, REP and CTEEP will be known in 2010.

Standing out in the area of corporate communications are: preparation and approval of the media-relations handbook, deployment of corporate positioning among affiliates and subsidiaries, as well as the brand nomenclature system.

### **10.4 LEGAL AFFAIRS MANAGEMENT**

ISA has homologated with its affiliates and subsidiaries guidelines aimed at implementing a juridical culture and developing processes in mutual-interest topics.

No litigations or contingencies with the potential to materially affect ISA arose along 2009. Judiciary and administrative actions against it were timely and adequately countered to defend the Company's interests, and to comply with its duties and responsibilities.

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

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

## 10.5 CORPORATE SOCIAL RESPONSIBILITY –CSR–

CSR in ISA and its companies adds value, generates trust, and aids development of its stakeholders, according to the characteristics of each company and country. All of them have a homologated CSR model that springs out of the stakeholders. Every year, affiliates and subsidiaries make use of several accountability mechanisms to report their endeavors in this field and present compliance status.

### Colombia

ISA was recognized by the National Association of Domiciliary Public Utilities and Ancillary Activities Companies –ANDESCO– with the Award to Corporate Social Responsibility in the Large Corporation category, and received Honor Mention, Best Social Performance category, for its ISA-Region program. These accolades reinforce our commitment to preserving sustainability.

As part of the management improvement efforts, three new lines were developed in order to consolidate relations with the stakeholders:

- **Institutional Strengthening:** In order to achieve unification of agendas with the public administration in municipalities neighboring the electric infrastructure regarding corporate management, support was given to formation of capabilities for improving efficiency levels, complying with commitments associated to participative planning, social control, public finance and territorial organizing.
- **The Communication, Culture, and Society Program:** This initiative builds mutual recognition spaces for the Corporation, Society, and State at the local and regional levels, which are framed by respect and collaboration to achieve delivery of the public service. It has an information and disclosure plan in the areas of environment, human rights, and society.
- **The Educational Transformation for Life Program:** It endorses social and economic development in sustainable conditions and with equitable education.

### Peru

Affiliate Red de Energía del Perú –REP–, received in 2009 three recognition awards for its RSE endeavors:

- **The National Confederation of Private Entrepreneurial Institutions –CONFIEP–** awarded recognition for application of the Global Compact principles to its relations with suppliers.



- Sociedad Nacional de Minería, Petróleo y Energía granted the Sustainable Development Prize for 2009 to the “Orchards Online” Project.
- Peru 2021, the entity that groups together socially responsible enterprises, gave recognition to REP’s community management by means of the Peru 2021 Award to Social Responsibility and Sustainable Development of Corporations.

### Brazil

Associação Brasileira das Companhias Abertas –ABRASCA– voted CTEEP as the Corporation with the best value creation model, upon selective, rigorous and technical process involving every company listed in the Sao Paulo Stock Exchange –BOVESPA–.

**CTEEP has been recognized as the company with best value creation model**

For the first time, one of CTEEP’s transmission lines received ISO 14001 certification, adding 5 substations to its total of 38 substations so certified. Also, it received ISO 9001 certification for its areas of “empreendimentos e manutenção”, meaning it complies with ISO’s demanding regulatory patterns, and reaches certification for 100% of its processes.

This concern created an award to honor suppliers who, as part of their work with the company, show high standards of quality, logistics, human resources, innovation, and social responsibility. This good practice was made official in 2009 at the first meeting held with this stakeholder.

For more information regarding CSR, the full report is available at each affiliate’s Web page.



**Activo**

<b>Activo corriente</b>		
Efectivo	(5)	(5)
Inversiones temporales	(5)	(5)
Deudores - neto	(8)	(8)
Inventarios	(10)	(10)
Diferidos y otros activos		
<b>Total activo corriente</b>		

# Economic and Financial Management

<b>Activo no corriente</b>		
Inversiones permanentes	(6)	(6)
Deudores a largo plazo	(7)	(7)
Inventarios	(8)	(8)
Propiedades, planta y equipo, neto	(9)	(9)
Diferidos y otros activos	(10)	(10)
Valorizaciones	(11)	(11)
<b>Total activo no corriente</b>		

**Total activo**

**Cuentas de orden:**

Deudoras	(19)	(19)
Acreedoras por contra	(19)	(19)

2007

2006





## Economic and Financial Management



### 11.1 INTERNATIONAL ECONOMIC BALANCE

From the viewpoint of the economy, 2009 was a complex year, with the lowest results since the great depression of the 30s, which led to negative growth rates for most economies worldwide, sharp job offer decline, lower consumption at homes, and diminished investment. However, as of the last quarter, emerging economies started to show important signs of recovery, in the form of increased investor interest in acquisition of portfolios with a higher risk component.

#### Macroeconomic variables - 2009

Variable	Colombia	Peru	Brazil	Bolivia	Chile
GDP (3Q) (%)	-0.2	-0.6	-1.2	3.24	-1.6
Inflation (%)	2.0	0.25	4.51	0.26	-1.4
Reference interest rate (%)	3.5	1.25	8.75	ND	0.5
Devaluation (%)	-8.88	-7.94	-24.67	0	-19.50
Fiscal deficit (GDP%)	-2.4	-2.0	1.25	0.6	-4.5

According to International Monetary Fund –IMF– projections for the year 2009, the world economy would contract by 0.8%, with downturn of -2.5% for the USA economy, -3.9% for the Euro Zone, and -5.3% for Japan. Nonetheless, the fu-

ture looks brighter, with a solid 3.9% recovery for 2010, and 4.3% for 2011.

#### Colombia

In line with the world scenario, the country closed the third trimester of 2009 with negative growth; according to the latest figures published by the National Statistics Administrative Department –DANE–, the economy showed 0.2% downturn at closing of the third quarter of the year.

At 2%, inflation was lower than the 3.5% – 4.5% rank proposed by Banco de la República. On the other hand, the fiscal front was seriously affected by the crisis, with lower tax collection and deficit widening. For

2009, the expected misbalance stands at -2.4% of GDP, and for 2010, it might grow to as much as -4.5%, according to the most recent fiscal medium-term projections.

Despite the fact it was a hard year, the financial market saw good results. Shares showed an upturn trend for most of the year, resulting in 53.45% appreciation of the General Index of the Colombian Stock Exchange – IGBC–; the peso gained strength against the US dollar, showing 8.88% revaluation; and the reference interest rate stood at 3.5%.

## Peru

Even though the economy in Peru was expected to be one of the region's best in facing the international crisis, economic growth figures showed the opposite, with productive activity declining month after month. Up to the third quarter, Gross Domestic Product –GDP– dropped 0.6.

The monetary policy remained expansive, thanks to low pressure on prices, and to inflation expectations. Year 2009 ended with 0.25% inflation, and 1.25% reference interest rate. Fiscal results were less severe than in other countries, with 2% GDP deficit as of year's end.

Exchange rate revaluated 7.94%, whereas the Lima Stock Exchange –IGBVL– and Selective Index –SBVL– highly appreciated by 100.1% and 91.9%, respectively.

## Brazil

The Brazilian economy came out of the International crisis strengthened, despite deceleration of its productive activity along the year, and a negative third quarter growth rate (-1.2%). This economy enjoys recognition for solidness, with stable macroeconomic variables, and it is attractive to external investment, reasons that justify 24.67% strengthening of the Real, and 82.70% appreciation of the São Paulo Stock Exchange Index –BOVESPA–.

Prices remained within the goal range set by the Banco Central, ending the year with 4.51% variation. At the same time, the reference interest rate remained stable most of the year, closing at 8.75%. The fiscal area saw positive results; the Government achieved savings of 1.25% of GDP in 2009, and it expects to raise that surplus to 3.3% in 2010, windfall earmarked to strengthen the sovereign fund.

### Bolivia

2009 can be considered as a positive year for this country, taking into account 3.24% GDP growth for the third quarter, and the good results in monetary matters, characterized by decreasing 0.26% inflation and unaltered exchange rate.

In the fiscal arena, 0.6% GDP surplus is projected by year closing.

### Chile

When analyzing the descending Monthly Economic Activity Indicator–IMACEC– along the year, the Chilean economy appears to be among the worst affected by the international crisis. According to National Statistics Institute –INE– data up to the third quarter, GDP drop stood at 1.6%, signaling strong contraction.

Taking into account the weak demand, the price level ended the year in the negative territory, with a -1.4% slump, a situation that made the Banco Central keep reference interest rate unaltered at 0.5%.

The exchange market was in line with the region, showing 19.5% revaluation, whereas the Selective Shares Price Index –IPSA– appreciated by 50.7%. In terms of fiscal results the Government's efforts to boost the economy are evident, closing with 4.5% GDP deficit.

## 11.2 STOCK MARKET EVOLUTION

### Share issues

In accordance with the decision of the Regular Shareholders' Meeting of 2006 approving the issue through public offer of 88,410,731 shares, in 2009, ISA underwrote 32,016,520 common shares that supplement the 56,394,211 shares that had already been underwritten in 2007.

#### Share allotment - Book Building 2009

Shareholders	Number of shareholders	Shares allotted	%
Pension and severance pay funds	10	20,610,330	64.37
Legal entities	149	8,305,714	25.94
Individuals	1,624	2,728,419	8.52
Securities funds	3	199,149	0.62
Mutual funds	11	133,537	0.42
Insurers	1	39,371	0.12
Total	1,798	32,016,520	100.00

The offer was conducted through the book building mechanism under which, investors proposed the price and amount of shares they were interested to purchase. Later on, in special meeting No. 686 of December 4 of 2009, the Board of Directors formalized the public

offer defining a subscription price of COP 12,000 per share. Shares underwritten were purchased by 1,798 shareholders, 1,257 new and 541 current shareholders.

The issue was 2.8x overbooked and funds obtained (COP 384,198 million) will be earmarked for capitalization of affiliate companies, new businesses and acquisitions.

As of December 31, ISA had 53,215 shareholders.

## Performance of the stock.

### Shareholding

Shareholders	Number of Shares		%		Variation
	December 2009	December 2008			
<b>State investors</b>	<b>682,078,108</b>	<b>678,823,336</b>	<b>61.58</b>	<b>63.11</b>	<b>3,254,772</b>
The Nation	569,472,561	569,472,561	51.41	52.94	-
Empresas Públicas de Medellín	112,605,547	109,350,775	10.17	10.17	3,254,772
<b>State-and-private-capital companies</b>	<b>77,373,530</b>	<b>77,373,530</b>	<b>6.99</b>	<b>7.19</b>	<b>-</b>
ECOPETROL	58,925,480	58,925,480	5.32	5.48	-
Empresa de Energía de Bogotá	18,448,050	18,448,050	1.67	1.72	-
<b>Private investors</b>	<b>348,226,256</b>	<b>319,464,508</b>	<b>31.44</b>	<b>29.70</b>	<b>28,761,748</b>
Institutional investors	215,386,972	181,880,448	19.44	16.91	33,506,524
Individuals	100,047,372	106,587,952	9.03	9.91	(6,540,580)
Legal entities	19,569,292	18,119,708	1.77	1.68	1,449,584
Foreign investment funds	11,297,920	9,925,575	1.02	0.92	1,372,345
ISA ADR Program	1,924,700	2,950,825	0.17	0.27	(1,026,125)
<b>Outstanding subscribed capital</b>	<b>1,107,677,894</b>	<b>1,075,661,374</b>	<b>100.00</b>	<b>100.00</b>	<b>32,016,520</b>

The share's quote appreciated by 82.82%, 29.37 percentage points above the General Index of the Colombian Stock Exchange –IGBC–, which grew 53.45%.

The share reached a maximum historic quote of COP 13,100 on December 24; average price for the year was COP 9,663 and closing price COP 12,980. It was traded during the 242 rounds of the BVC, with an average of 314,000 shares and a value per round close to COP 3,166 million.

As of December 31, the company's market capitalization stood at COP 14,377,659 million.

### Appreciation ISA – IGBC

percentage %



## Stock market indicators

Indicators	2009	2008	Variation %
Outstanding shares (No.)	1,107,677,894	1,075,661,374	3.0
Free-float (%)	31.44	29.70	5.9
Shareholders (No.)	53,215	56,539	-5.9
Par value (\$)	32.80	32.80	
Book value including appreciation (\$)	5,528.96	4,470.98	23.7
Closing price (\$)	12,980	7,100	82.8
IGBC (points)	11,602.14	7,560.68	53.5
Market capitalization (USD million)	7,033	3,404	106.6
Stock market capitalization index (position No.)	6	6	
ADR closing price (USD)	158.84	79	101.2
ADR average price (USD)	114.83	93.89	22.3

## American Depositary Receipt –ADR– Nivel I

ISA's ADR are traded in the OTC market and are quoted in the international electronic platform OTCQX, a tool that provides information to investors regarding issuers and their securities.

ISA's ADR appreciated by 101.22% with a quote of USD 79 at the beginning of the year and of USD 158.84 at the end of the period. This figure is in sharp contrast with the 23.45% growth of the S&P500 index. ISA's ADR reached its maximum price of USD 178.15 on October 13.

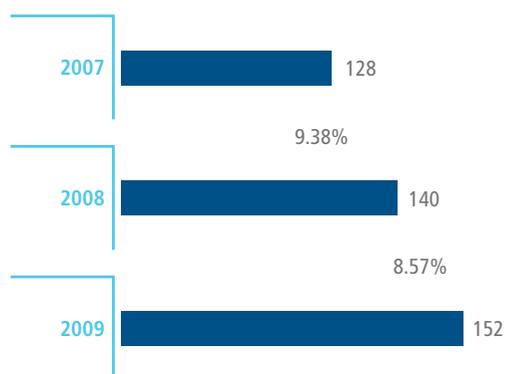
### ADR appreciation – S&P500

percentage %



### Regular dividends per share

pesos



## Dividends

The Shareholders' Meeting held on March 30, 2009 approved distribution of COP 163,500 million earnings and reserves, materialized in a dividend of COP 152 per share. Payment took place in four quarterly installments of COP 38 each on April 16, July 16, and October 16 of 2009 and January 27 of 2010.

## 11.3 CONSOLIDATED FINANCIAL MANAGEMENT

### Consolidated results for the period

\$ million

	2009	2008	Variation	% Variation
<b>Income Statement</b>				
Operating Revenues	3,307,064	3,165,041	142,023	4.5
Operating costs and expenses	(1,563,526)	(1,448,893)	(114,633)	7.9
EBITDA	2,406,907	2,274,051	132,856	5.8
Operating income	1,743,538	1,716,148	27,390	1.6
Non-operating results	(370,177)	(468,054)	97,877	-20.9
Pre-tax income	1,373,361	1,248,094	125,268	10.0
Income tax provision	(483,980)	(434,723)	(49,257)	11.3
Income before minority interests	889,381	813,371	76,010	9.3
Minority interests	574,503	576,778	(2,275)	-0.4
Net income	314,878	236,593	78,286	33.1
<b>Balance Sheet</b>				
Assets	17,049,376	14,439,690	2,609,686	18.1
Liabilities	7,390,801	6,721,353	669,448	10.0
Equity	6,177,036	4,941,045	1,235,992	25.0
Minority interests	3,481,539	2,777,292	704,247	25.4
<b>Indicators</b>				
EBITDA margin (%)	72.8	71.8		
Operating margin (%)	52.7	54.2		
Net margin (%)	9.5	7.5		
Return on assets (%)	1.8	1.6		
Return on equity (%)	5.1	4.8		
Leverage (%)	43.3	46.5		
Net debt / EBITDA (times)	1.5	1.8		
EBITDA / Interest (times)	6.2	5.3		

### Consolidated income statement

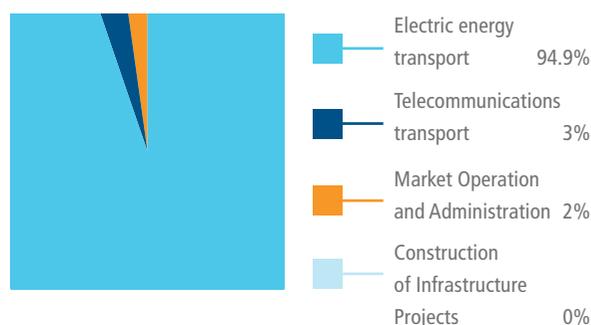
Consolidated revenue totaled COP 3,307,064 million, equivalent to 4.5% increase over 2008 (COP 3,165,041 million) and explained by higher revenue obtained by the following companies:

- **ISA:** Despite 2.2% negative variation in PPI, its positive trend between January and August permitted 2.9% growth in energy transport revenue. Additionally, dark fiber revenue increased 12.4% with respect to 2008.
- **REP:** Higher revenue due to commissioning of expansions.
- **CTEEP:** Revenue increase as a result of: Increase in Market Price General Index –IGPM– between July of 2008 and June of 2009; new revenue from agreement reached with Companhia Paulista de Força e Luz; commissioning of expansions and reinforcements; translation effect from Reais into Pesos.

## Revenues by country



## Revenues by business unit

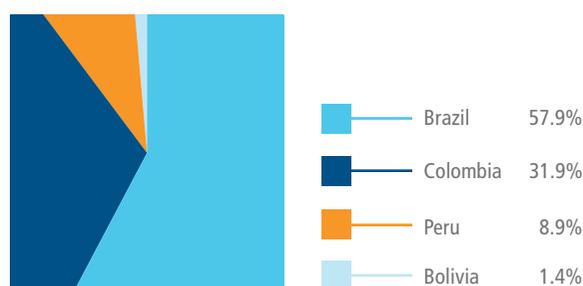


Operating costs and expenses in turn, increased 7.9% due to:

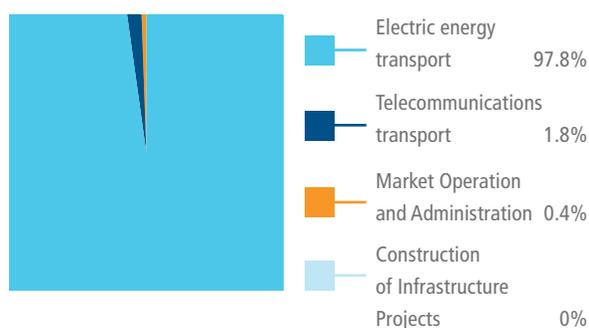
- Bigger depreciation expense in ISA and TRANSELCA due to application of depreciation by components methodology as provided by the Colombian General Accounting Office in order to adjust to international rules.
- Maintenance provisions in REP, in compliance with IFRS for concessions and estimated liabilities.
- Increase in CTEEP's expenses generated by increased maintenance, higher contributions and taxes, and translation effect from Reais into Pesos.

At COP 2,406,907 million, consolidated EBITDA is 5.8% up on 2008 (COP 2,274,051 million), while EBITDA margin at 72.8% is 100 percentage points above that for 2008 (71.8%).

## Consolidated EBITDA by country



## Consolidated EBITDA by business unit



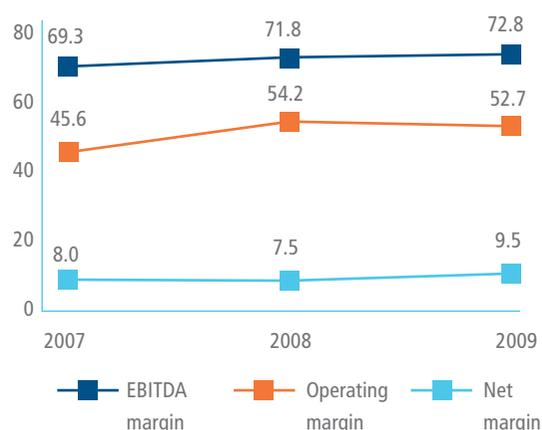
As a consequence of such results, consolidated operating income equaled COP 1,743,538 million, 1.6% up on 2008 (COP 1,716,148 million); operating margin was 52.7%.

Non-operating income went from –COP 468,054 million in 2008 to –COP 370,177 million in 2009. This positive evolution was the result of lower financial expenses of the swap of investment vehicle ISA Capital do Brasil, in turn explained by a decrease in IGPM, and of increased exchange-difference revenue, a product of currency revaluation in all the countries where ISA is present.

At COP 314,878 million, net income is 33.1% up on 2008 (COP 236,593 million), while net margin at 9.5% is 200 percentage points above that for 2008 (7.5%).

### Consolidated financial indicators

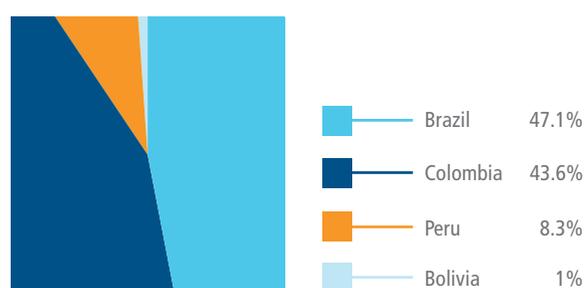
percentage %



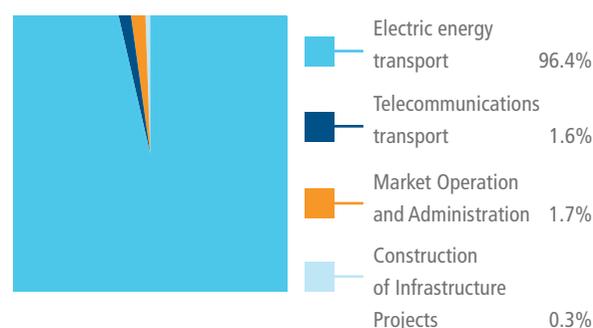
### Consolidated balance sheet

The assets of ISA and its companies are worth COP 17,049,376 million, which means 18.1% growth with respect to 2008 (COP 14,439,690 million) This figure is the result mainly of ISA's share issuance, the increase of CTEEP's investments in corporations, and the appreciation of assets from translation of Reais into Pesos. Equity increased 25% to COP 6,177,036 million for the same reasons.

### Consolidated assets by country

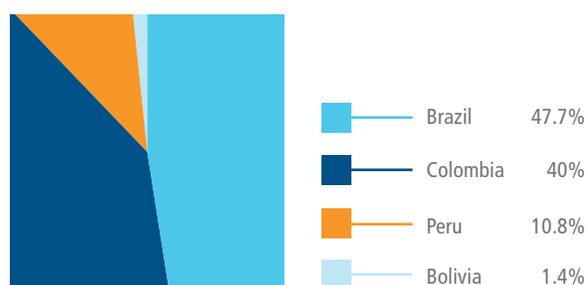


### Consolidated assets by business unit

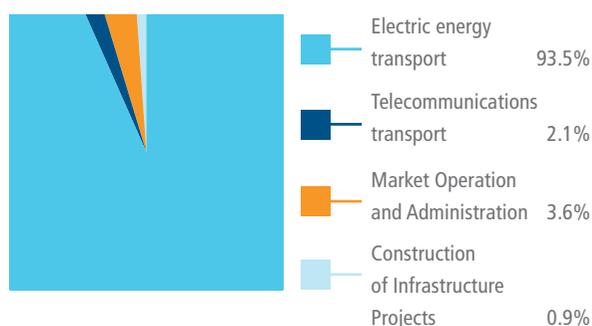


Liabilities grew 10% to COP 7,390,801 million as a consequence of both new debt hired by CTEEP to finance investment in projects awarded by ANEEL and translation effect from Reais into Pesos.

### Consolidated liabilities by country

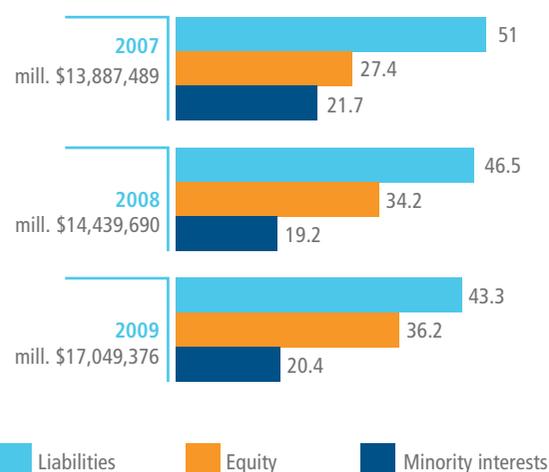


### Consolidated liabilities by business unit



### Consolidated balance sheet structure

percent %



### Financial liabilities

By year end, consolidated financial debt amounted to COP 4,580,106 million. Important facts during the period had effect on such result:

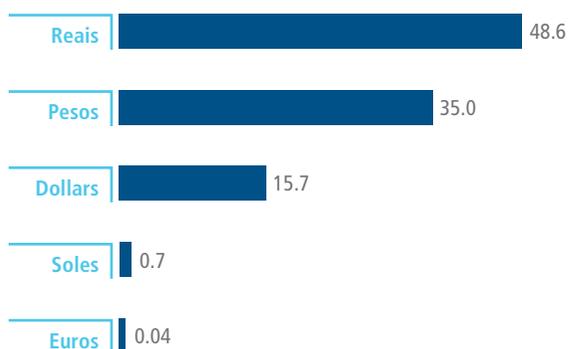
- ISA repaid the last tranche of the syndicated loan hired to finance CTEEP acquisition process. In April, it underwrote series A and B of sixth tranche of its bond issue program for COP 209,500 million, earmarked in part for a debt management operation to increase average term and decrease cost of its debt portfolio.
- TransMantaro subscribed with Banco de Crédito del Perú a loan for USD 20.6 million to finance the expansion plan, improve indices contracted with bondholders and expand indebtedness capacity.

- CTEEP carried out the second and third issues of CTEEP promissory notes, for BRL 200 million each, to finance cash flow and expansion plan.

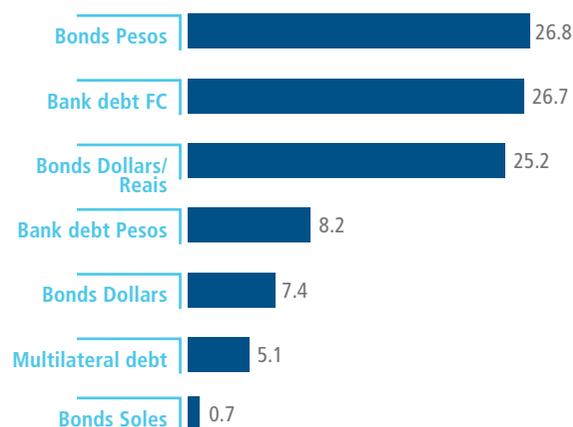
Composition of debt portfolio with hedging operations is in line with the revenue structure, thereby minimizing the impact of the exchange rate.

**Consolidated debt by currency**

percent %

**Consolidated debt by source**

percent %

**Credit risk rating**

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

FitchRatings de Colombia ratified the AAA rating, stable outlook, for ISA's third bond issues and the domestic debt bond program. In the same manner, Standard & Poor's upheld its BB+ rating, stable outlook, for ISA's long-term corporate credit in foreign and local currency (equal to the Republic of Colombia's sovereign ceiling).

FitchRatings de Colombia also ratified TRANSELCA's AAA rating, the highest ever to its bond issues.

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

TransMantaro upheld AAA rating granted by Agencias Apoyo & Asociados Internacionales and Pacific Credit Rating to its bond issues.

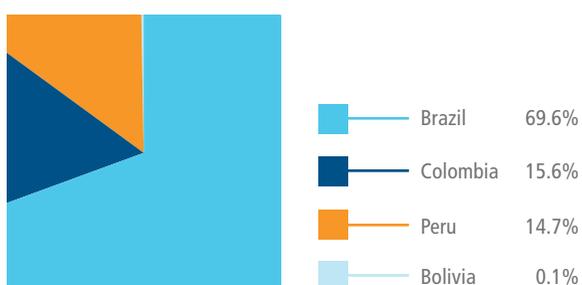
Standard & Poor's upheld its BB+ rating to ISA Capital do Brasil's corporate credit and the BB rating to its international bond issue with stable outlook. Fitch Ratings also affirmed its BB rating with stable outlook to the international bond issue.

FitchRatings granted CTEEP AA rating to its local long-term debt and F1+ rating to local short-term debt and commercial papers.

## Investments

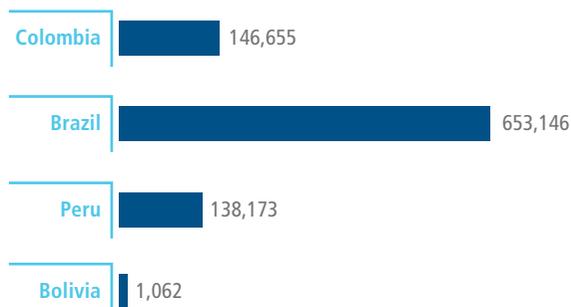
2009 was an important year for ISA and its companies, especially in Brazil, where subsidiary CTEEP, besides carrying out its own expansion investments made capital contributions through the vehicles in which it has stakes in order to construct the transmission projects awarded by ANEEL. In Peru, in turn, the construction of the Chilca – Planice – Zapallal project stands out. These projects added to the investments in Colombia and Bolivia total COP 939,036 million. (Figures include ISA's investments and those of its companies that are consolidated for accounting purposes).

### Investment by country



### Investment by country

\$ million



## 11.4 ISA'S FINANCIAL MANAGEMENT

### ISA's results during the period

Millions of \$

	2009	2008	Variation	% Variation
<b>Income Statement</b>				
Operating Revenues	932,107	914,344	17,763	1.9
Operating costs and expenses	(460,174)	(439,960)	(20,214)	4.6
EBITDA	625,204	602,845	22,360	3.7
Operating income	471,933	474,384	(2,451)	-0.5
Non-operating results	(11,584)	(143,604)	132,021	-91.9
Pretax income	460,349	330,780	129,569	39.2
Income tax provision	(145,471)	(94,187)	(51,284)	54.4
Net income	314,878	236,593	78,285	33.1
<b>Balance Sheet</b>				
Assets	8,521,132	7,327,697	1,193,435	16.3
Liabilities	2,401,248	2,518,434	(117,186)	-4.7
Equity	6,119,884	4,809,263	1,310,621	27.3
<b>Indicators</b>				
EBITDA margin (%)	67.1	65.9		
Operating margin (%)	50.6	51.9		
Net margin (%)	33.8	25.9		
Return on assets (%)	3.7	3.2		
Return on equity (%)	5.1	4.9		
Leverage (%)	28.2	34.4		
Net debt / EBITDA (times)	1.4	2.4		
EBITDA / Interest (times)	3.4	3.2		

### Income statement

ISA's revenue totaled COP 932,107 million, 1.9% growth with respect to 2008 (COP 914,344 million). Such results are explained mainly by:

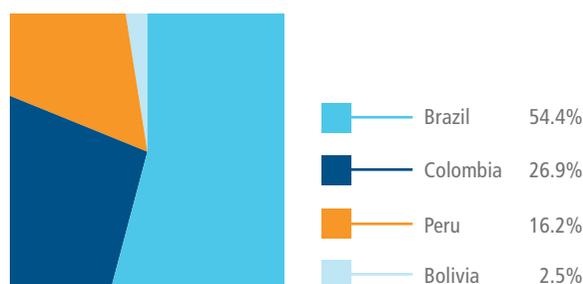
- Despite 2.2% negative variation in PPI, its positive trend between January and August permitted 2.9% growth in energy transport revenue and 5.9% in revenue for connection to STN.
- 12.4% increase in revenue from dark fiber, as agreed with INTERNEXA.
- Such increases were affected by the decline in revenue from infrastructure projects that fell from COP 27,290 million in 2008 to COP 15,309 million in 2009 due to the fact that in the past year most projects were executed under the delegated management modality.

## Revenues from equity method by company

(Millions of \$)

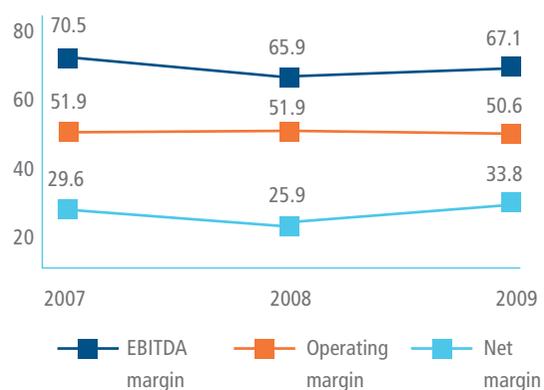
Company	2009	2008	Variation
<b>Colombia</b>			
TRANSELCA	40,269	37,042	3,227
XM	711	1,904	(1,193)
INTERNEXA	(3,148)	5,542	(8,690)
<b>Peru</b>			
REP	3,171	10,423	(7,252)
TransMantaro	14,630	11,496	3,134
ISA Peru	2,670	1,932	738
PDI	2,236	2,136	100
<b>Brazil</b>			
ISA Capital	76,417	(9,627)	86,044
<b>Bolivia</b>			
ISA Bolivia	3,530	1,673	1,858
<b>TOTAL</b>	<b>140,487</b>	<b>62,521</b>	<b>77,966</b>

## Revenue from equity method by country



## ISA's financial indicators

percentage %



Operating costs and expenses totaled COP 460,174 million, equivalent to 4.6% increase explained basically by increased provisions (inventories, legal contingencies and investments abroad) and increased depreciation.

EBITDA grew 3.7% to COP 625,204 million, while EBITDA margin increased from 65.9% to 67.1% or 1.2 percentage points, which reflects the Company's improved operating performance.

Operating income at COP 471,933 million is -0.5% down on 2008, a decrease that is explained principally by increase in provisions.

In turn, non-operating results at -COP 11,584 million show improvement with respect to 2008 (-COP 143,604 million) and are explained by the following factors:

- Net financial results of -COP 176,177 million, which are COP 17,038 million higher than a year earlier due to lower financial expenses from loan amortizations and to higher financial revenue from cash surplus returns.
- Net exchange difference of COP 20,179 million (explained by 8.88% revaluation of the Peso) in contrast with 2008 negative balance of -COP 12,643 million.
- 124.7% increase in net revenue from equity method, COP 77,966 million more than in 2008, explained by COP 86,044 million increase in income of ISA Capital do Brasil. (improved results in CTEEP and decline in financial expenses due to negative variation in IGPM).

Income tax provision increased by 54.4% due to higher pre-tax income.

Lastly, as of the end of 2009, net income at COP 314,878 million was 33.1% higher than in 2008 (COP 236,593 million), which shows in improved net margin that grew from 25.9% in 2008 to 33.8% in 2009.

### Balance sheet

The Company's assets at COP 8,521,132 million are 16.3% higher than in 2008 as a result of the share issue for COP 384,198 million and the appreciation of investments abroad, especially of the companies in Brazil. As a result of the above and of ISA's increased income, equity grew 27.3%.

### Financial liabilities

At the end of the period, total debt stood at COP 1,439,012 million, 16% down on 2008 (COP 1,713,374 million).

Since 2004, ISA has had a COP 450,000 million bond issue program which was expanded to COP 850,000 million in 2006 and to COP 1.2 trillion in 2008. To improve its debt portfolio profile, increase average term and lower cost, ISA issued two series of corporate bonds for COP 209,500 million, at five and nine years, which were 2.19x overbooked. Part of funds from this issue were earmarked to prepay commercial and bridge loans for COP 178,638 million.

### Balance sheet structure

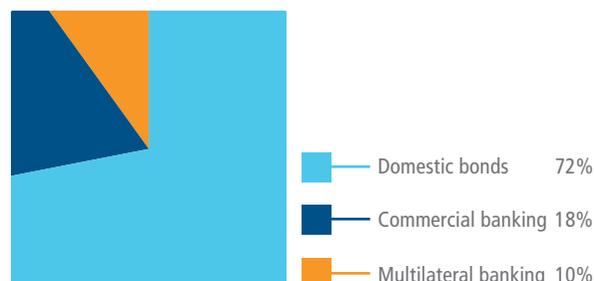
percentage %



### Debt by currency



### Debt by source



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.  
**Consolidated Financial Statements**



**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	NOTES	2009	2008
<b>Assets</b>			
<b>Current assets</b>			
Cash	(5)	464,228	377,376
Marketable investments	(5)	552,594	267,489
Accounts receivable – net	(7)	1,086,065	782,578
Inventories – net	(8)	89,810	57,423
Deferred charges and other assets	(10)	146,183	124,451
<b>Total current assets</b>		<b>2,338,880</b>	<b>1,609,317</b>
<b>Non-current assets</b>			
Long-term investments – net	(6)	374,493	72,990
Accounts receivable – net	(7)	874,503	610,031
Inventories – net	(8)	55,542	60,891
Property, plant and equipment – net	(9)	3,064,246	3,539,150
Deferred charges and other assets	(10)	7,511,552	6,105,302
Reappraisals	(11)	2,830,160	2,442,009
<b>Total non-current assets</b>		<b>14,710,496</b>	<b>12,830,373</b>
<b>Total assets</b>		<b>17,049,376</b>	<b>14,439,690</b>
<b>Memorandum accounts</b>			
Debit	(19)	<b>3,419,788</b>	<b>3,580,929</b>
Credit	(19)	<b>1,888,460</b>	<b>2,129,477</b>

See accompanying notes to Consolidated Financial Statements.

**Luis Fernando Alarcón M.**  
Chief Executive Officer

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

**Alba Lucía Guzmán L.**  
Statutory Auditor  
T.P. 35265-T

(See attached report of March 4 of 2010)  
Designated by Ernst & Young Audit Ltda. TR-530

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	NOTES	2009	2008
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Outstanding bonds	(12)	85,660	188,915
Financial liabilities	(13)	805,837	675,902
Accounts payable	(14)	584,134	351,619
Labor liabilities	(15)	32,274	35,300
Accrued liabilities and estimated provisions	(16)	254,266	141,266
Other liabilities	(17)	344,004	199,546
<b>Total current liabilities</b>		<b>2,106,175</b>	<b>1,592,548</b>
<b>Non-current liabilities</b>			
Outstanding bonds	(12)	2,667,771	2,468,211
Financial liabilities	(13)	1,020,838	1,321,299
Accounts payable	(14)	398,608	229,882
Labor liabilities	(15)	1,740	1,461
Accrued liabilities and estimated provisions	(16)	806,364	772,928
Other liabilities	(17)	389,305	335,024
<b>Total non-current liabilities</b>		<b>5,284,626</b>	<b>5,128,805</b>
<b>Total liabilities</b>		<b>7,390,801</b>	<b>6,721,353</b>
<b>Minority interests</b>		<b>3,481,539</b>	<b>2,777,292</b>
<b>Shareholders' equity</b> (18)			
Subscribed and paid share capital		36,916	35,866
Capital surplus		1,445,509	1,062,361
Reserves		504,965	431,872
Cumulative translation adjustment		57,152	131,782
Equity revaluation		592,019	612,192
Revaluation surplus		2,405,688	2,185,306
Surplus from equity method		819,909	245,073
Net income		314,878	236,593
<b>Total shareholders' equity</b>		<b>6,177,036</b>	<b>4,941,045</b>
<b>Total liabilities, minority interests and shareholders' equity</b>		<b>17,049,376</b>	<b>14,439,690</b>
<b>Memorandum accounts</b>			
Credit	(19)	1,888,460	2,129,477
Debit	(19)	3,419,788	3,580,929

See accompanying notes to Consolidated Financial Statements.



Luis Fernando Alarcón M.  
Chief Executive Officer



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



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

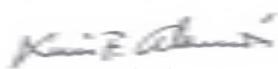
(See attached report of March 4 of 2010)

Designated by Ernst & Young Audit Ltda. TR-530

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED INCOME STATEMENTS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	NOTES	2009	2008
<b>Operating revenues</b>	(20)		
Electric energy transmission services		2,807,710	2,659,505
Connection charges		292,056	269,967
Dispatch and CND-MEM coordination		39,852	32,369
MEM Services (STN, SIC, SDI)		27,988	29,061
Telecommunications		100,102	109,209
Other operating revenues		39,356	64,930
<b>Total operating revenues</b>		<b>3,307,064</b>	<b>3,165,041</b>
<b>Operating costs and expenses</b>			
Operating costs	(21)	1,042,259	1,000,637
Administration expenses	(22)	521,267	448,256
<b>Total operating costs and expenses</b>		<b>1,563,526</b>	<b>1,448,893</b>
<b>Operating income</b>		<b>1,743,538</b>	<b>1,716,148</b>
<b>Non-operating revenues (expenses)</b>	(23)		
Non-operating revenues		864,972	793,867
Non-operating expenses		(1,235,149)	(1,261,921)
		<b>(370,177)</b>	<b>(468,054)</b>
<b>Income before taxes</b>		<b>1,373,361</b>	<b>1,248,094</b>
Income tax provision	(16.2)	(483,980)	(434,723)
<b>Income before minority interests</b>		<b>889,381</b>	<b>813,371</b>
<b>Minority interests</b>		<b>574,503</b>	<b>576,778</b>
<b>Net income</b>		<b>314,878</b>	<b>236,593</b>

See accompanying notes to Consolidated Financial Statements.



Luis Fernando Alarcón M.  
Chief Executive Officer



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



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

(See attached report of March 4 of 2010)  
Designated by Ernst & Young Audit Ltda. TR-530

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**DECEMBER 2009 - DECEMBER 2008**  
**(In millions of Colombian pesos)**

	Capital surplus			Reserves					Total				
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Legal	For tax purposes mandatory	Reserve for repurchase of shares	Reinforcement of equity	Reserve for rehabilitation and replacement of STN assets		For dividend payment	Retained earnings	Equity revaluation	Surplus from revaluation and equity method
<b>Balances at December 31, 2007</b>	<b>35,866</b>	<b>1,044,980</b>	<b>17,381</b>	<b>17,009</b>	<b>208,847</b>	<b>46,600</b>	<b>39,871</b>	<b>37,435</b>	<b>6,682</b>	<b>195,147</b>	<b>632,366</b>	<b>1,520,262</b>	<b>3,802,446</b>
Transfers approved by the Shareholders' Meeting				925	6,216	(8,500)	83,469	0	(6,682)	(75,428)			-
Dividend payment at \$140 per share on 1,075,661,374 outstanding shares payable in four quarterly installments in April, July and October of 2008, and January of 2009													(150,593)
Cumulative translation adjustment										162,656			162,656
Variation in equity revaluation											(20,174)		(20,174)
Increase in surplus from equity method												26,331	26,331
Increase in re-appraisals of the year												883,786	883,786
Net income year 2008										236,593			236,593
<b>Balances at December 31, 2008</b>	<b>35,866</b>	<b>1,044,980</b>	<b>17,381</b>	<b>17,934</b>	<b>215,063</b>	<b>38,100</b>	<b>123,340</b>	<b>37,435</b>	<b>0</b>	<b>368,375</b>	<b>612,192</b>	<b>2,430,379</b>	<b>4,941,045</b>
Transfers approved by the Shareholders' Meeting					25,487		47,606			(73,093)			-
Issuance of 32,016,520 shares at \$12,000 per share formalized by the Board of Directors on December 4, 2009	1,050	383,148											384,198
Dividend payment at \$152 per share on 1,075,661,374 outstanding shares payable in four quarterly installments in April, July and October of 2009, and January of 2010										(163,500)			(163,500)
Cumulative translation adjustment										(74,630)			(74,630)
Variation in equity revaluation											(20,173)		(20,173)
Increase in surplus from equity method												574,836	574,836
Increase in re-appraisals of the year												220,382	220,382
Net income year 2009										314,878			314,878
<b>Balances at December 31, 2009</b>	<b>36,916</b>	<b>1,428,128</b>	<b>17,381</b>	<b>17,934</b>	<b>240,550</b>	<b>38,100</b>	<b>170,946</b>	<b>37,435</b>	<b>0</b>	<b>372,030</b>	<b>592,019</b>	<b>3,225,597</b>	<b>6,177,036</b>

See accompanying notes to Consolidated Financial Statements.



**Luis Fernando Alarcón M.**  
Chief Executive Officer



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



**Alba Lucía Guzmán L.**  
Statutory Auditor  
T.P. 35265-T

(See attached report of March 4 of 2010)  
Designated by Ernst & Young Audit Ltda. TR-530

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	2009	2008
<b>Cash flow from operating activities</b>		
Net income	314,878	236,593
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	574,503	576,778
Depreciation of property, plant and equipment	194,949	172,575
Amortization of deferred charges and other assets	365,031	333,771
Amortization of retirement pensions and fringe benefits	29,690	29,341
Allowance for doubtful accounts	5,020	3,391
Provision for inventory protection	6,860	374
Investment allowance	9,891	-
Income tax provision	483,980	434,723
Loss (gain) on sale and retirement of property, plant and equipment	15,885	(11,922)
Exchange difference (revenue) expense	(382,332)	391,346
Hedging operations valuation expense (revenue)	428,498	(204,521)
Recovery of provisions	(2,473)	(4,766)
Interest and commissions accrued	373,368	387,148
	<b>2,417,748</b>	<b>2,344,831</b>
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	(373,359)	(119,939)
Inventories	(33,898)	(7,153)
Deferred charges and other assets	(399,831)	199,085
Accounts payable	669,540	16,783
Labor liabilities	(2,747)	(16,188)
Accrued liabilities and estimated provisions	(456,089)	(441,085)
Collections in favor of third parties	276,238	182,763
Minority interests	(416,142)	(808,851)
Other liabilities	(91,088)	(183,404)
<b>Cash flow in other operations</b>		
Payment of retirement pensions	(21,976)	(26,190)
Payment of taxes	(387,345)	(215,240)
<b>Net cash provided by operating activities</b>	<b>1,181,051</b>	<b>925,412</b>
<b>Cash flow from investment activities</b>		
Decrease in long-term investments	106,706	151,537
Decrease (acquisition) of property, plant and equipment	(173,559)	(261,631)
<b>Net cash used in investment activities</b>	<b>(66,853)</b>	<b>(110,094)</b>
<b>Cash flow from financing activities</b>		
Interest received in cash	16,483	38,709
Interest paid in cash	(336,172)	(369,944)
Cash dividends paid	(160,274)	(147,373)
Increase in financial liabilities	571,381	779,883
Bond issues	278,001	104,500
Payment of financial liabilities	(974,590)	(914,939)
Bond payment/decrease	(353,499)	(360,092)
Share issues	384,198	-
Equity variations	(167,769)	(88,343)
<b>Net cash used in financing activities</b>	<b>(742,241)</b>	<b>(957,599)</b>
<b>Increase (decrease) in cash and cash equivalents - Net</b>	<b>371,957</b>	<b>(142,281)</b>
Cash and cash equivalents at the beginning of the year	644,865	787,146
<b>Cash and cash equivalents at the end of the year</b>	<b>1,016,822</b>	<b>644,865</b>

See accompanying notes to Consolidated Financial Statements.



Luis Fernando Alarcón M.  
Chief Executive Officer



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



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

(See attached report of March 4 of 2010)

Designated by Ernst & Young Audit Ltda. TR-530

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

The consolidated financial statements of Interconexión Eléctrica S.A. E.S.P. for the years ended December 31, 2009 and 2008, have been prepared in conformity with accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de Servicios Públicos Domiciliarios, which do not purport to be in conformity with accounting principles generally accepted in the United States. Ms. Alba Lucía Guzmán L.. of our office, acted as statutory auditor of such consolidated financial statements and her report thereon is dated March 4, 2010. Her statutory audit examination was made in accordance with auditing standards generally accepted in Colombia.

At your request, we have prepared the enclosed English language translation of the consolidated financial statements and the statutory audit report of Ms. Alba Lucía Guzmán L. thereon.

Very truly yours,

A handwritten signature in black ink that reads 'Ernst & Young Audit Ltda'.

Medellín, Colombia  
March 4, 2010

## Statutory Auditor's Report

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

I have audited the accompanying consolidated financial statements of Interconexión Eléctrica S.A. E.S.P. and its Subordinates, which comprise the consolidated balance sheet at December 31, 2009 and the related consolidated statements of income, changes in equity, and cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes. The consolidated financial statements at December 31, 2008 included herein for comparison purposes, were audited by another statutory auditor, who in his opinion of February 27, 2009 issued an unqualified opinion.

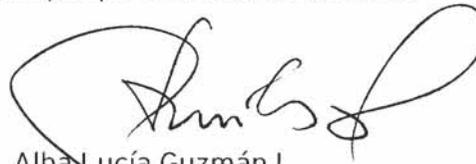
Management is responsible for the preparation and appropriate and correct presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de Servicios Públicos Domiciliarios; of designing, implementing, and maintaining the relevant internal control for the appropriate and correct presentation of financial statements, free of material misstatements either by fraud or error; of selecting and applying appropriate accounting policies; and of establishing reasonable accounting estimations in the circumstances.

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I obtained the necessary information to comply with my functions and performed my examinations in accordance with auditing standards generally accepted in Colombia. These standards require that an audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements in the financial statements. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. I believe that my audits provide a reasonable basis for my audit opinion.

In my opinion, the aforementioned consolidated financial statements, present fairly in all material respects, the consolidated financial position of Interconexión Eléctrica S.A. E.S.P. and its Subordinates at December 31, 2009, the consolidated results of its operations, the changes in financial position and the cash flows for the years then ended, in accordance with public accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de Servicios Públicos Domiciliarios.

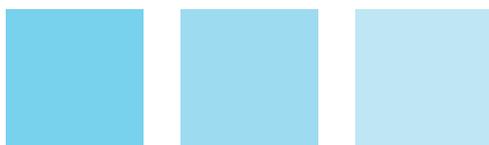
As explained in Notes 7 and 16 to the consolidated financial statements, the opinion of the independent auditors on the financial statements at December 31, 2009 of CTEEP, a subordinate located in Brazil, contains an explanatory paragraph relating with the responsibility for the payments of the retirement pension complementation plan established by Law No. 4819/58, where in accordance with management and its legal counsel, this is a responsibility of the state of Sao Paulo and, accordingly, any obligation or provision regarding such plan has not been recorded in the Company's financial statements.

A handwritten signature in black ink, appearing to read 'Alba Lucía Guzmán L.', written in a cursive style.

Alba Lucía Guzmán L.  
Statutory Auditor  
Professional Card 35265-T  
Designated by Ernst & Young Audit Ltda. TR-530

Medellín, Colombia  
March 4, 2010

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.  
**Financial Statements**



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.  
**BALANCE SHEETS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	NOTES	2009	2008
<b>Assets</b>			
<b>Current assets</b>			
Cash	(5)	107,823	45,326
Investments and derivatives	(5)	477,359	196,778
Accounts receivable – net	(7)	183,723	201,828
Inventories – net	(8)	2,596	1,872
Deferred charges and other assets	(10)	83,812	97,230
<b>Total current assets</b>		<b>855,313</b>	<b>543,034</b>
<b>Non-current assets</b>			
Long-term investments – net	(6)	2,411,165	1,735,050
Long-term accounts receivable	(7)	23,056	29,017
Inventories – net	(8)	55,542	60,891
Property, plant and equipment – net	(9)	2,434,389	2,442,825
Deferred charges and other assets	(10)	335,979	331,574
Reappraisals	(11)	2,405,688	2,185,306
<b>Total non-current assets</b>		<b>7,665,819</b>	<b>6,784,663</b>
<b>Total assets</b>		<b>8,521,132</b>	<b>7,327,697</b>
<b>Memorandum accounts</b>			
Debit	(20)	2,514,672	2,681,805
Credit	(20)	1,105,044	1,268,655

See accompanying notes to Financial Statements.

Luis Fernando Alarcón M.  
Chief Executive Officer

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

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

(See attached report of March 4 of 2010)

Designated by Ernst & Young Audit Ltda. TR-530

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**BALANCE SHEETS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	NOTES	2009	2008
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Outstanding bonds	(12)	-	102,938
Financial liabilities	(13)	174,698	269,695
Accounts payable	(15)	134,570	125,807
Labor liabilities	(16)	6,566	6,495
Accrued liabilities and estimated provisions	(17)	104,249	51,708
Other liabilities	(18)	10,576	1,189
<b>Total current liabilities</b>		<b>430,659</b>	<b>557,832</b>
<b>Non-current liabilities</b>			
Outstanding bonds	(12)	1,031,365	821,865
Financial liabilities	(13)	232,950	518,876
Related parties	(13)	267,537	259,768
Accounts payable	(15)	47,686	42,753
Labor liabilities	(16)	1,609	1,323
Accrued liabilities and estimated provisions	(17)	120,819	121,136
Other liabilities	(18)	268,623	194,881
<b>Total non-current liabilities</b>		<b>1,970,589</b>	<b>1,960,602</b>
<b>Total liabilities</b>		<b>2,401,248</b>	<b>2,518,434</b>
<b>Equity</b> (19)			
Subscribed and paid share capital		36,916	35,866
Capital surplus		1,445,509	1,062,361
Reserves		504,965	431,872
Revaluation surplus		2,405,688	2,185,306
Surplus from equity method		819,909	245,073
Equity revaluation		592,019	612,192
Net income		314,878	236,593
<b>Total shareholders' equity</b>		<b>6,119,884</b>	<b>4,809,263</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,521,132</b>	<b>7,327,697</b>
<b>Memorandum accounts</b>			
Credit	(20)	1,105,044	1,268,655
Debit	(20)	2,514,672	2,681,805

See accompanying notes to Financial Statements.



Luis Fernando Alarcón M.  
Chief Executive Officer



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



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

(See attached report of March 4 of 2010)  
Designated by Ernst & Young Audit Ltda. TR-530

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**INCOME STATEMENTS**

**DECEMBER 2009 - DECEMBER 2008**

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

	NOTES	2009	2008
<b>Operating revenues</b>			
	(21)		
Electric energy transmission services		802,436	779,776
Connection charges		76,415	72,186
Infrastructure projects		15,309	27,290
Telecommunications		18,445	16,403
Other operating revenues		19,502	18,689
<b>Total operating revenues</b>		<b>932,107</b>	<b>914,344</b>
<b>Operating costs and expenses</b>			
Operating costs	(22)	357,755	365,971
Administration expenses	(23)	102,419	73,989
<b>Total operating costs and expenses</b>		<b>460,174</b>	<b>439,960</b>
<b>Operating income</b>		<b>471,933</b>	<b>474,384</b>
<b>Non-operating revenues (expenses)</b>			
Non-operating revenues	(24)	219,176	253,198
Non-operating expenses	(24)	(230,760)	(396,802)
<b>Non-operating loss</b>		<b>(11,584)</b>	<b>(143,604)</b>
<b>Income before taxes</b>		<b>460,349</b>	<b>330,780</b>
Income tax provision	(17.2)	145,471	94,187
<b>Net income</b>		<b>314,878</b>	<b>236,593</b>
<b>Net income per share</b>		<b>292.18</b>	<b>219.95</b>

See accompanying notes to Financial Statements.



Luis Fernando Alarcón M.  
Chief Executive Officer



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



Alba Lucía Guzmán L.  
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T.P. 35265-T

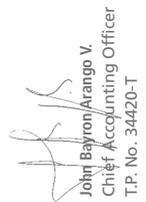
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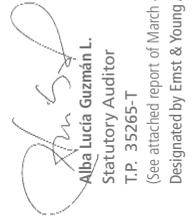
**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos, except share value and dividend per share that are expressed in pesos)

	Capital surplus			Reserves					Total						
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Total	Legal	For tax purposes mandatory	Reserve for purchase of shares	Reinforcement of equity		Reserve for rehabilitation and replacement of STN assets	For dividend payment	Net income	Equity revaluation	Surplus from equity method	Revaluation surplus
<b>Balances at December 31, 2007</b>	<b>35,866</b>	<b>1,044,980</b>	<b>17,381</b>	<b>1,062,361</b>	<b>17,009</b>	<b>208,847</b>	<b>46,600</b>	<b>39,871</b>	<b>37,435</b>	<b>6,682</b>	<b>226,021</b>	<b>632,366</b>	<b>218,742</b>	<b>1,301,520</b>	<b>3,833,320</b>
<b>Transfers approved by the Shareholders' Meeting</b>					925	6,216	(8,500)	83,469		(6,682)	(75,428)			-	-
Dividend payment at \$140 per share on 1,075,661,374 outstanding shares payable in four quarterly installments in April, July and October of 2008, and January of 2009											(150,593)				(150,593)
Variation in equity revaluation												(20,174)			(20,174)
Increase in surplus from equity method													26,331		26,331
Increase in re-appraisals of the year														883,786	883,786
Net income at December of 2008											236,593				236,593
<b>Balances at December 31, 2008</b>	<b>35,866</b>	<b>1,044,980</b>	<b>17,381</b>	<b>1,062,361</b>	<b>17,934</b>	<b>215,063</b>	<b>38,100</b>	<b>123,340</b>	<b>37,435</b>	<b>-</b>	<b>431,872</b>	<b>612,192</b>	<b>245,073</b>	<b>2,185,306</b>	<b>4,809,263</b>
<b>Transfers approved by the Shareholders' Meeting</b>						25,487		47,606			(73,093)			-	-
Issuance of 32,016,520 shares at \$12,000 per share formalized by the Board of Directors on December 4, 2009	1,050	383,148		383,148											384,198
Dividend payment at \$152 per share on 1,075,661,374 outstanding shares payable in four quarterly installments in April, July and October of 2009, and January of 2010											(163,500)				(163,500)
Variation in equity revaluation												(20,173)			(20,173)
Increase in surplus from equity method													574,836		574,836
Increase in re-appraisals of the year														220,382	220,382
Net income at December of 2009											314,878				314,878
<b>Balances at December 31, 2009</b>	<b>36,916</b>	<b>1,428,128</b>	<b>17,381</b>	<b>1,445,509</b>	<b>17,934</b>	<b>240,550</b>	<b>38,100</b>	<b>170,946</b>	<b>37,435</b>	<b>-</b>	<b>504,965</b>	<b>592,019</b>	<b>819,909</b>	<b>2,405,688</b>	<b>6,119,884</b>

See accompanying notes to Financial Statements.

  
**Luis Fernando Alarcón M.**  
Chief Executive Officer

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

  
**Alba Lucía Guzmán L.**  
Statutory Auditor  
T.P. 35265-T  
(See attached report of March 4 of 2010)  
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**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In millions of Colombian pesos)

	2009	2008
<b>Cash flow from operating activities</b>		
Net income	314,878	236,593
Add (less) – Adjustments to reconcile net income to net cash Provided by operating activities:		
Depreciation of property, plant and equipment	110,354	105,319
Amortization of deferred charges and other assets	6,008	7,241
Amortization of retirement pensions and fringe benefits	11,847	12,851
Allowance for doubtful accounts	1,071	1,255
Provision for inventory protection	6,860	374
Investment allowance (recovery)	7,169	(2,324)
Income tax provision	(145,471)	(94,187)
Loss on sale and retirement of property, plant and equipment	2,515	2,773
Exchange difference (expense) revenue	(10,170)	35,015
(Income) from equity method	(140,487)	(62,521)
Interest and commissions accrued	180,026	187,576
	<b>344,600</b>	<b>429,965</b>
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	21,853	(19,399)
Receivables write-offs	(1,075)	(3,970)
Inventories	(2,235)	(3,455)
Deferred charges and other assets	13,750	518
Accounts payable	203,305	115,072
Labor liabilities	357	1,379
Accrued liabilities and estimated provisions	198,012	120,774
Other liabilities	83,129	35,469
<b>Cash flow in other operations</b>		
Payment of retirement pensions	(12,164)	(10,737)
Payment of taxes	(207,981)	(187,238)
<b>Net cash provided by operating activities</b>	<b>641,551</b>	<b>478,378</b>
<b>Cash flow from investment activities</b>		
Acquisition of long-term investments	(1,125)	(13,315)
Decrease in long-term investments - dividends received	34,571	39,261
Decrease in long-term investments	(1,088)	24,377
Sale of property, plant and equipment	6,365	143
Acquisition of property, plant and equipment	(110,798)	(79,105)
Additions to deferred charges and other assets	(10,413)	(17,590)
<b>Net cash used in investment activities</b>	<b>(82,488)</b>	<b>(46,229)</b>
<b>Cash flow from financing activities</b>		
Interest received in cash	3,419	3,587
Interest paid in cash	(199,545)	(182,570)
Dividends paid	(160,273)	(147,379)
Increase in financial liabilities	-	203,000
Bond issues	106,562	104,500
Payment of financial liabilities	(358,115)	(373,592)
Decrease in hedging operations	-	(137)
Decrease in related parties loans	7,769	1,413
Increase in equity - share issue	384,198	-
<b>Net cash used in financing activities</b>	<b>(215,985)</b>	<b>(391,178)</b>
<b>Increase in cash and cash equivalents – Net</b>	<b>343,078</b>	<b>40,971</b>
Cash and cash equivalents at the beginning of the year	242,104	201,133
<b>Cash and cash equivalents at the end of the year</b>	<b>585,182</b>	<b>242,104</b>

See accompanying notes to Financial Statements.

  
Luis Fernando Alarcón M.  
Chief Executive Officer

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

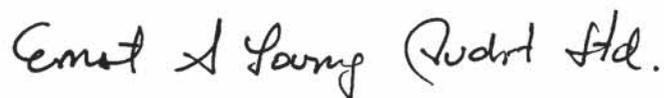
  
Alba Lucia Guzmán L.  
Statutory Auditor  
T.P. 35265-T  
(See attached report of March 4 of 2010)  
Designated by Ernst & Young Audit Ltda. TR-530

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

The statutory financial statements of Interconexión Eléctrica S.A. E.S.P. for the years ended December 31, 2009 and 2008, have been prepared in conformity with accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de Servicios Públicos Domiciliarios, which do not purport to be in conformity with accounting principles generally accepted in the United States. Ms. Alba Lucía Guzmán L. of our office, acted as statutory auditor of such financial statements and her report thereon is dated February 24, 2010. Her statutory audit examination was made in accordance with auditing standards generally accepted in Colombia.

At your request, we have prepared the enclosed English language translation of the statutory financial statements and the statutory audit report of Ms. Alba Lucía Guzmán L. thereon.

Very truly yours,

A handwritten signature in black ink that reads 'Ernst & Young Audit Ltda.' in a cursive script.

Medellín, Colombia  
February 24, 2010

## Statutory Auditor's Report

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

I have audited the accompanying financial statements of Interconexión Eléctrica S.A. E.S.P., which comprise the balance sheets at December 31, 2009 and the related statements of income, changes in equity, and cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes. The financial statements at December 31, 2008 included herein for comparison purposes, were audited by another statutory auditor, who in his opinion of February 27, 2009 issued an unqualified opinion.

Management is responsible for the preparation and appropriate and correct presentation of the financial statements in accordance with accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de Servicios Públicos Domiciliarios; of designing, implementing, and maintaining the relevant internal control for the appropriate and correct presentation of financial statements, free of material misstatements either by fraud or error; of selecting and applying appropriate accounting policies; and of establishing reasonable accounting estimations in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audit. I obtained the necessary information to comply with my functions and performed my examinations in accordance with auditing standards generally accepted in Colombia. These standards require that an audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements in the financial statements. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that my audits provide a reasonable basis for my audit opinion.

In my opinion, the aforementioned financial statements, present fairly in all material respects, the financial position of Interconexión Eléctrica S.A. E.S.P. at December 31, 2009, the results of its operations, the changes in financial position and the cash flows for the years then ended, in accordance with accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de Servicios Públicos Domiciliarios.

Further, based on the scope of my audit, I am not aware of situations indicating that the Company has not: 1) kept minute books, the shareholders' register and the accounting records in accordance with legal requirements and prescribed accounting principles; 2) carried out its operations in accordance with the by-laws and the decisions of the Shareholders' and Board of Directors' meetings, and the rules related with the integral social security system; 3) retained correspondence and the accounting vouchers; and, 4) adopted internal control measures for the maintenance and custody of the Company's assets and those of third parties held by it. Additionally, there is agreement between the accompanying financial statements and the accounting information included in the management report prepared by the Company's administration.

A handwritten signature in black ink, appearing to read 'Alba Lucía Guzmán/L.', written in a cursive style.

Alba Lucía Guzmán/L.  
Statutory Auditor  
Professional Card 35265-T  
Designated by Ernst & Young Audit Ltda. TR-530

Medellín, Colombia  
February 24, 2010

## Special report on transactions with subsidiary companies

(Figures in millions of Colombian pesos)



In compliance with Article 29 of Law 222 of 1995 and given the existence of ISA and its companies, we present to the Shareholders' Meeting the special report on the economic relationships with ISA's companies during 2009 and 2008 that have been directed and coordinated by the parent company, INTERCONEXIÓN ELÉCTRICA S.A. –ISA– E.S.P.

Commercial transactions carried out during 2009 and 2008 among ISA's companies, either directly or indirectly, abide by the provisions of Law 788 regarding transfer prices in force since January 1st 2004.

The main transactions between ISA and its subsidiaries correspond to:

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

It is important to highlight that none of the items below has taken place among ISA and its companies during the same period:

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

As to equity participation, ISA updates investments in the subsidiaries through application of the equity method, after homologating accounting rules and practices and translating the financial statements into Colombian pesos with the United States Dollar as reference currency.

The financial information of ISA and its companies is consolidated through the global integration methodology, according to which, significant balances and transactions between ISA and the subsidiaries are eliminated, and minority interests corresponding to equity and the results of the period, are recognized and presented in the Consolidated Financial Statements.

The main balances and transactions with related parties during 2009 and 2008 are:

	2009	2008
<b>Balance Sheet</b>		
<b>Equity investments</b>		
TRANSELCA S.A. E.S.P.	774,305	603,420
ISA Capital do Brasil	1,217,155	701,933
REP S.A.	112,481	118,534
INTERNEXA S.A. E.S.P.	123,578	142,204
TransMantaro S.A.	83,968	74,479
ISA Perú S.A.	15,056	15,106
ISA Bolivia S.A.	31,744	30,730
XM, Compañía de Expertos en Mercados S.A. E.S.P.	22,823	23,622
Proyectos de Infraestructura del PERÚ -PDI-	4,333	2,372
Interconexión Colombia-Panamá -ICP-	1,012	-
<b>Accounts receivable</b>		
TRANSELCA S.A. E.S.P.	554	149
INTERNEXA S.A. E.S.P.	4,703	4,970
ISA Perú S.A.	155	111
REP S.A.	2,072	1,892
ISA Bolivia S.A.	1,833	1,735
XM, Compañía de Expertos en Mercados S.A. E.S.P.	424	396
Proyectos de Infraestructura del PERÚ -PDI-	842	1,103
Transnexa S.A E.M.A.	31	29
<b>Accounts payable and financial liabilities</b>		
TRANSELCA S.A. E.S.P.	255,018	231,005
ISA Capital do Brasil	48,662	61,324
INTERNEXA S.A. E.S.P.	3,310	4,375
REP S.A.	131	68
XM, Compañía de Expertos en Mercados S.A. E.S.P.	697	814
Proyectos de Infraestructura del PERÚ -PDI-	98	279
INTERNEXA (en Perú)	-	247

	2009	2008
<b>Equity transactions</b>		
<b>Dividends declared in favor of ISA</b>		
TRANSELCA S.A. E.S.P.	26,489	18,297
INTERNEXA S.A. E.S.P.	4,988	18,122
ISA Perú S.A.	1,594	2,089
XM, Compañía de Expertos en Mercados S.A. E.S.P.	1,500	753
<b>Transactions related to results</b>		
<b>Revenue</b>		
TRANSELCA S.A. E.S.P.	1,626	1,243
INTERNEXA S.A. E.S.P.	21,589	19,841
ISA Perú S.A.	2,055	1,819
ISA Bolivia S.A.	934	1,914
REP S.A.	3,013	3,548
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,755	2,753
TransMantaro S.A.	17	205
Proyectos de Infraestructura del PERÚ -PDI-	4,666	1,410
INTERNEXA (en Perú) (Ingresos operacionales)	35	146
INTERNEXA (en Perú) (Ingresos no operacionales - Reintegro ingresos de ejercicios anteriores)	-	(894)
Transnexa S.A. E.M.A.	761	562
<b>Expenses</b>		
TRANSELCA S.A. E.S.P.	24,015	21,907
INTERNEXA S.A. E.S.P.	5,745	7,508
XM, Compañía de Expertos en Mercados S.A. E.S.P.	7,926	6,411
REP S.A.	1,065	1,868
ISA Capital do Brasil	2,215	3,616
Proyectos de Infraestructura del PERÚ -PDI-	179	297

The decisions of major significance that the controlled corporation has made or has omitted to make because of influence or in interest of the controlling corporation, as well as the decisions of major significance that the controlling corporation has made or has omitted to make because of influence or in interest of the controlled corporation during 2009, are as follows:

#### **CTEEP**

On June 1st of 2009, Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– established the company Interligação Elétrica Serra Do Japi S.A., whose main activity is the exploitation of concessions of transmission services delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, lines, substations, control centers and respective infrastructure; in particular, the construction of Jandira and Salto substations. CTEEP owns 99.99%.

In 2009, CTEEP transferred 49.9% of its participation in Interligação Elétrica Sul S.A. –IESUL– to CYMI Holding S.A., as provided by the shareholders agreement; CTEEP's participation is then 50.1%.

#### **IENNE**

On April 24, 2009, ISA's Board of Directors authorized management to guarantee IENNE for up to 25% of CTEEP's participation in such corporation, in the loan to be granted by Brazilian financial bodies.

**ISA CAPITAL DO BRASIL S.A.**

In 2008 took place the fiscal optimization through corporate restructuring of ISA Participações with CTEEP and ISA Capital do Brasil for BRL 656,217 resulting from CTEEP purchase; accordingly, in 2009 participation of ISA Capital do Brasil in CTEEP increased from 37.46% to 37.50% through capitalization of goodwill amortized along 2008.

On February 27, 2009, ISA's Board of Directors authorized management to support ISA Capital do Brasil in granting of stand-by guarantee in favor of BNDES.

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

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

In Resolution 2001 of 2009, the Colombian Financial Superintendency authorized ISA's affiliate, XM, and the Colombian Stock Exchange to establish Administradora de Sistemas de Negociación de Valores "DERIVEX S.A.", a corporation whose purpose will be the negotiation and recording of operations with financial derivatives with electric energy, gas, fuel and/or other energy commodities as underlying assets.

**INTERNEXA S.A. E.S.P.**

On November 27 of 2009, INTERNEXA S.A. E.S.P. purchased from Chilean CMET Telecomunicaciones S.A., 90.00% of shares of Comunicaciones Intermedias S.A., owner of the fiber optics infrastructure that connects major Chilean cities. On January 7 of 2010, the Special Shareholders' Meeting of Comunicaciones Intermedias S.A. approved changing its name to INTERNEXA Chile S.A.

Along 2009, INTERNEXA S.A. E.S.P. made capital contributions to INTERNEXA S. A. (Peru) of PEN 8,584,871.

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

On February 27, 2009, ISA's Board of Directors approved increasing by USD 4.5 million the guarantee granted for additional costs incurred by EPR Transmission Project in Central America, where ISA holds 11.11%.

## Supplementary Information

## US Dollars Consolidated Financial Statements



**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 2009 - DECEMBER 2008**

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

	2009	2008
<b>Assets</b>		
<b>Current assets</b>		
Cash	227,092	168,202
Marketable investments	270,319	119,224
Accounts receivable – net	531,283	348,806
Inventories – net	43,933	25,594
Deferred charges and other assets	71,510	55,470
<b>Total current assets</b>	<b>1,144,137</b>	<b>717,296</b>
<b>Non-current assets</b>		
Long-term investments – net	183,195	32,533
Accounts receivable – net	427,791	271,900
Inventories – net	27,170	27,140
Property, plant and equipment – net	1,498,973	1,577,450
Deferred charges and other assets	3,674,514	2,721,219
Reappraisals	1,384,463	1,088,438
<b>Total non-current assets</b>	<b>7,196,106</b>	<b>5,718,680</b>
<b>Total assets</b>	<b>8,340,243</b>	<b>6,435,976</b>
<b>Memorandum accounts</b>		
Debit	1,672,898	1,596,071
Credit	923,800	949,138

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In thousands of US Dollars translated at the exchange rate on closing dates)

	2009	2008
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Outstanding bonds	41,903	84,202
Financial liabilities	394,201	301,259
Accounts payable	285,748	156,722
Labor liabilities	15,788	15,734
Accrued liabilities and estimated provisions	124,382	62,964
Other liabilities	168,280	88,940
<b>Total current liabilities</b>	<b>1,030,302</b>	<b>709,821</b>
<b>Non-current liabilities</b>		
Outstanding bonds	1,305,022	1,100,117
Financial liabilities	499,375	588,922
Accounts payable	194,992	102,462
Labor liabilities	851	651
Accrued liabilities and estimated provisions	394,459	344,505
Other liabilities	190,441	149,325
<b>Total non-current liabilities</b>	<b>2,585,140</b>	<b>2,285,982</b>
<b>Total liabilities</b>	<b>3,615,442</b>	<b>2,995,803</b>
<b>Minority interests</b>	<b>1,703,105</b>	<b>1,237,879</b>
<b>Shareholders' equity</b>		
Subscribed and paid share capital	18,059	15,986
Capital surplus	707,117	473,509
Reserves	247,020	192,491
Net income	154,033	105,453
Cumulative translation adjustment	27,958	58,737
Equity revaluation	289,605	272,863
Revaluation surplus	1,176,819	974,022
Surplus from equity method	401,085	109,233
<b>Total shareholders' equity</b>	<b>3,021,696</b>	<b>2,202,294</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>8,340,243</b>	<b>6,435,976</b>
<b>Memorandum accounts</b>		
Credit	923,800	949,138
Debit	1,672,898	1,596,071

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED INCOME STATEMENTS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In thousands of US Dollars translated at the exchange rate on closing dates)

	2009	2008
<b>Operating revenues</b>		
Electric energy transmission services	1,373,480	1,185,379
Connection charges	142,868	120,328
Dispatch and CND-MEM coordination	19,495	14,427
MEM Services (STN, SIC, SDI)	13,691	12,953
Telecommunications	48,968	48,676
Other operating revenues	19,252	28,940
<b>Total operating revenues</b>	<b>1,617,754</b>	<b>1,410,703</b>
<b>Operating costs and expenses</b>		
Operating costs	509,854	445,998
Administration expenses	254,994	199,794
<b>Total operating costs and expenses</b>	<b>764,848</b>	<b>645,792</b>
<b>Operating income</b>	<b>852,906</b>	<b>764,911</b>
<b>Non-operating revenues (expenses)</b>		
Non-operating revenues	423,129	353,838
Non-operating expenses	(604,212)	(562,456)
	<b>(181,083)</b>	<b>(208,618)</b>
<b>Income before taxes</b>	<b>671,823</b>	<b>556,293</b>
Income tax provision	(236,754)	(193,762)
<b>Income before minority interests</b>	<b>435,069</b>	<b>362,531</b>
<b>Minority interests</b>	<b>281,036</b>	<b>257,078</b>
<b>Net income</b>	<b>154,033</b>	<b>105,453</b>

**INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**DECEMBER 2009 - DECEMBER 2008**  
(In thousands of US Dollars translated at the exchange rate on closing dates)

	2009	2008
<b>Cash flow from operating activities</b>		
Net income	154,033	105,453
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	281,036	257,078
Depreciation of property, plant and equipment	95,365	76,919
Amortization of deferred charges and other assets	178,567	148,766
Amortization of retirement pensions and fringe benefits	14,524	13,078
Allowance for doubtful accounts	2,456	1,511
Provision for inventory protection	3,356	167
Income tax provision	236,754	193,762
Loss (gain) on sale and retirement of property, plant and equipment	7,771	(5,314)
Exchange difference (revenue) expense	(187,030)	174,428
Hedging operations valuation expense (revenue)	209,613	(91,158)
Recovery of provisions	(1,210)	(2,124)
Interest and commissions accrued	182,645	172,557
	<b>1,182,718</b>	<b>1,045,123</b>
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	(182,640)	(53,459)
Inventories	(16,582)	(3,188)
Deferred charges and other assets	(195,590)	88,735
Accounts payable	327,527	7,480
Labor liabilities	(1,344)	(7,215)
Accrued liabilities and estimated provisions	(223,110)	(196,598)
Collections in favor of third parties	135,131	81,460
Minority interests	(203,569)	(360,516)
Other liabilities	(44,559)	(81,746)
<b>Cash flow in other operations</b>		
Payment of retirement pensions	(10,750)	(11,673)
Payment of taxes	(189,482)	(95,936)
<b>Net cash provided by operating activities</b>	<b>577,750</b>	<b>412,467</b>
<b>Cash flow from investment activities</b>		
Decrease in long-term investments	52,199	67,542
Acquisition of property, plant and equipment	(84,902)	(116,613)
<b>Net cash used in investment activities</b>	<b>(32,703)</b>	<b>(49,071)</b>
<b>Cash flow from financing activities</b>		
Interest received in cash	8,063	17,253
Interest paid in cash	(164,449)	(164,889)
Dividends paid	(78,403)	(65,686)
Increase in financial liabilities	279,509	347,605
Bond issues	135,993	46,577
Payment of financial liabilities	(476,752)	(407,798)
Bond payment/decrease	(172,925)	(160,498)
Share issues	187,943	-
Equity variations	(82,070)	(39,376)
<b>Net cash used in financing activities</b>	<b>(363,091)</b>	<b>(426,812)</b>
<b>Increase (decrease) in cash and cash equivalents - Net</b>	<b>181,956</b>	<b>(63,416)</b>
Cash and cash equivalents at the beginning of the year	287,426	350,842
Initial balance translation effect	28,029	-
Cash and cash equivalents at the end of the year	<b>497,411</b>	<b>287,426</b>

# Certification of Financial Statements and other relevant reports



Medellín, February 23, 2010

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

In connection with the 2009 annual report of ISA economic group, the undersigned, legal agent and chief accounting officer of Interconexión Eléctrica S.A. E.S.P., in compliance with Article 37 of Law 222 of 1995, Law 964 of 2005, and Resolution 356 of 2007 of the Colombian General Accounting Office, hereby certify that:

1. The Consolidated Financial Statements and the Individual Financial Statements of ISA as of December 31, 2009 and 2008, have been faithfully taken from the books, and before making them available to you and to third parties, we have verified the following assertions therein contained:
  - a. That facts, transactions and operations have been recognized and carried out during the accounting period.
  - b. That the economic facts are disclosed in compliance with the provisions of the Public Accounting Regime.
  - c. That the total value of assets, liabilities, equity, revenues, expenses, costs and memorandum accounts has been disclosed in the basic accounting statements up to the closing date.
  - d. That assets represent potential services or future economic benefits while liabilities represent past facts that imply an outflow of resources in execution of its activities.

2. That the financial statements and other reports relevant to the public related to the fiscal years ended December 31, 2009 and 2008, do not contain defects, inaccuracies or errors that prevent ascertaining the true financial position and operations of the Group.

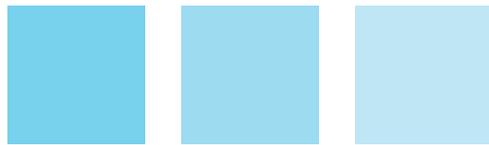


Luis Fernando Alarcón Mantilla  
Chief Executive Officer



John Bayron Arango  
Chief Accounting Officer  
T.P. 34420-T

## Certification of Compliance with Intellectual Property and Copyright Regulations



The undersigned legal agent and information director of Interconexión Eléctrica S.A. E.S.P., in compliance with Article 1 of Law 603 of 2000,

Certify:

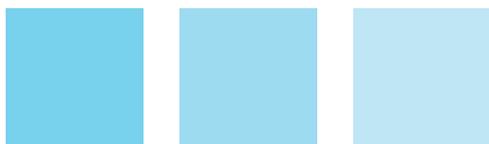
1. That the corporation complies with all regulations regarding intellectual property and copyrights, and that all software used is legal and the rights to use it have been paid for, either through purchases, usage licenses, or assignments. Supporting documents can be found at our central archives.
2. That the Information Direction of the Corporation carries an inventory of all software used and controls its installation according to the type of license purchased.
3. That in accordance with corporate policies and institutional guidelines, employees are bound to observe all regulations regarding intellectual property and copyrights.

  
Luis Fernando Alarcón Mantilla  
Chief Executive Officer

  
Olga Lucía López Marín  
Information Director

## Code of Commerce Article 446 Report

(Figures in millions of Colombian pesos)



As provided by the Code of Commerce, Article 446, number 3, below is the detail of the information required therein:

### A. Remuneration of the Corporation's Executives.

Details of amounts received by the corporation's executives:

Item	Directors (*)	Managers (**)	Total
Integral salary	3,365	2,384	5,749
Benefits (education and health)	232	62	294
Bonuses (temporary transfer, results, directive position)	568	584	1,152
Vacations	224	122	346
Other (sick leaves and non-variable per-diems)	139	76	215
<b>Total earned</b>	<b>4,528</b>	<b>3,228</b>	<b>7,756</b>
<b>Loans balance</b>	<b>1,067</b>	<b>694</b>	<b>1,761</b>

(\*) "Directors" includes 26 executives of the Company, whose posts are as follows:

Operating Audit Director	Accounting and Costs Director
Northwest CTE Director	Southwest CTE Director
Central CTE Director	East CTE Director
Organizational Development Director	Project Execution Director
Road Concessions Director	Subsidiaries Management Director
Maintenance Management Director	Human Talent Management Director
Information Director	Project Engineering Director
Legal Director	Logistics Director
New Businesses Director	Corporate Planning Director
Financial and Tax Planning Director	Business Integral Management Director
Corporate Image Director	Financial Resources Director
Social and Environmental Director	Operation Management Director
Panama Interconnection Project Director	Deputy Technical Manager

(\*\*) "Managers" includes 8 executives, whose posts are as follows: Chief Executive Officer, Secretary General, Corporate Auditor, Corporate Finance Manager, Corporate Strategy Manger, Project Infrastructure Manager, Energy Transport Manager and Administrative Manager.

## Fees paid to the members of the Board of Directors:

Between January 1 and December 31 of 2009, Board of Directors' members were paid \$419 in fees.

- B. In 2009, no expenditures were made for salaries, fees, per-diems, representation expenses, bonuses, premiums in cash or in kind, and transportation in favor or advisors or intermediaries, either or not related to the corporation through work contract, when their main duty is to carry out formalities before public or private entities or to advise or prepare studies for such endeavors.
- C. Transfers in cash or other assets, free of charge in favor of individuals or legal entities:

Below is a list of the elements delivered as contributions during 2009 under the social management model that did not require consideration from the other party:

	Book value
Materials for rural electrification of three localities in Toledo (Norte de Santander Province)	\$30
Furniture and fixtures for Piedecuesta (Santander Province) school	\$ 0
Support to people affected by Mira river flood in Tumaco	\$6.6

- D. Between January 1 and December 31 of 2009, \$10 were paid as expenses for public relations with stakeholders.

Between January 1 and December 31 of 2009, \$1,182 were paid for publicity and advertising, as follows:

Item	Total
Prints and publications	326
Advertising and publicity	856
<b>General total</b>	<b>1,182</b>

- E. Monies and other assets held by the corporation abroad and foreign-currency liabilities.

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

	2009	2008
<b>Assets</b>		
<b>Current assets</b>		
Cash	115	449
Fixed-yield investment	-	43,105
Accounts receivable	9,300	11,932
<b>Total current assets</b>	<b>9,415</b>	<b>55,486</b>
<b>Non-current assets</b>		
Foreign currency investments	727,173	455,897
<b>Total non-current assets</b>	<b>727,173</b>	<b>455,897</b>
<b>Total assets</b>	<b>736,588</b>	<b>511,383</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of financial liabilities	18,604	142,159
Accounts payable	2,830	2,195
<b>Total current liabilities</b>	<b>21,434</b>	<b>144,354</b>
Long-term liabilities	54,764	-
Related parties	23,800	23,800
Accounts payable	53	3,728
<b>Total non-current liabilities</b>	<b>78,617</b>	<b>27,528</b>
<b>Total liabilities</b>	<b>100,051</b>	<b>171,882</b>
<b>Net monetary position</b>	<b>636,537</b>	<b>339,501</b>

F. The Company's investments in other local or foreign corporations are:

	2009	2008
<b>Investment in local shares</b>		
TRANSELCA S.A. E.S.P.	774,305	603,420
XM, Compañía de Expertos en Mercados S.A. E.S.P.	22,823	23,622
INTERNEXA S.A. E.S.P.	123,578	142,204
FEN S.A.	3	3
ELECTRICARIBE	12,114	12,114
<b>Total investment in local shares</b>	<b>932,823</b>	<b>781,363</b>
<b>Investment in foreign shares</b>		
ISA Capital do Brasil	1,217,155	701,933
REP S.A.	112,481	118,534
Consorcio TransMantaro S.A.	89,427	74,479
ISA Bolivia S.A.	33,790	30,730
ISA Perú S.A.	15,056	15,106
Proyectos de Infraestructura del Perú –PDI–	4,571	2,371
Interconexión Eléctrica Colombia - Panamá –ICP–	1,012	-
Empresa Propietaria de la Red –EPR–	13,017	12,620
<b>Total investment in foreign shares</b>	<b>1,486,509</b>	<b>955,773</b>

All other issues mentioned in Article 446 of the Code of Commerce are included in the financial statements, the Statutory Auditor's report and the CEO's management report.



## Abbreviations

<b>ANEEL:</b>	Agência Nacional de Energia Elétrica.
<b>AOM:</b>	Administration, Operation and Maintenance.
<b>BVC:</b>	Bolsa de Valores de Colombia.
<b>CTEEP:</b>	Companhia de Transmissão de Energia Elétrica Paulista.
<b>EBITDA:</b>	Earnings Before Interest, Taxes, Depreciation and Amortization.
<b>EPR:</b>	Empresa Propietaria de la Red.
<b>ETESA:</b>	Empresa de Transmisión Eléctrica de Panamá.
<b>FAER:</b>	Financial Support Fund for Electrification of Interconnected Rural Areas Interconectadas.
<b>FAZNI:</b>	Financial Support Fund for Electrification of Non-Interconnected Rural Areas Interconectadas
<b>ICP:</b>	Interconexión Eléctrica Colombia-Panamá.
<b>IEMG:</b>	Interligação Elétrica de Minas Gerais.
<b>IENNE:</b>	Interligação Elétrica Norte e Nordeste.
<b>IESUL:</b>	Interligação Elétrica Sul.
<b>IGBC:</b>	General Index of the Colombian Stock Exchange.
<b>IGPM:</b>	Índice Geral de Preços do Mercado (Brazil).
<b>IEMADEIRA:</b>	Interligação Elétrica do Madeira.
<b>INCO:</b>	Instituto Nacional de Concesiones
<b>IPC:</b>	Consumer Price Index.
<b>IPP:</b>	Producer Price Index.
<b>BHAG:</b>	Big Hairy Audacious Goal.
<b>MEM:</b>	Wholesale Energy Market.
<b>PDI:</b>	Proyectos de Infraestructura del Perú.
<b>GDP:</b>	Gross Domestic Product.
<b>REP:</b>	Red de Energía del Perú.
<b>CSR:</b>	Corporate Social Responsibility.
<b>SEIN:</b>	National Interconnected Electric System (Peru).
<b>SIC:</b>	Commercial Settlement System.
<b>SIEPAC:</b>	Central American Electrical Interconnection System.
<b>SIN:</b>	National Interconnected System.
<b>SSPD:</b>	Superintendency of Domiciliary Public Utilities.
<b>STN:</b>	National Transmission System.
<b>STR:</b>	Regional Transmission System.
<b>TIE:</b>	International Electricity Transactions.
<b>UPME:</b>	Mining and Energy Planning Unit.
<b>USD:</b>	United States Dollar.

# ISA and companies directory

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