

BOARD OF DIRECTORS

PRINCIPAL MEMBERS

Ministry of Mines and Energy

Minister

Carlos Enrique Rodado Noriega

Hernán Martínez Torres

Ministry of Finance and Public Credit

Vice – Minister General

William Bruce Mac Master Rojas

Gloria Inés Cortés Arango

Isaac Yanovich Farbaiarz

Empresas Públicas de Medellín

Chief Executive Officer

Federico Restrepo Posada

Santiago Montenegro Trujillo

Luisa Fernanda Lafaurie Rivera

Orlando Cabrales Martínez

ALTERNATE MEMBERS

Ministry of Mines and Energy

Vice – Minister

Tomás González Estrada

Silvana Giaimo Chávez

Ministry of Finance and Public Credit

Legal Counsel to the Minister

Nhora Abuchar Chamie

Ministry of Finance and Public Credit

Public Credit and National
Treasury Director General

Germán Arce Zapata

Viviana Lara Castilla

Empresas Públicas de Medellín

Energy Director

Jesús Arturo Aristizábal Guevara

Jorge Hernán Cárdenas Santamaría

Luis Fernando Uribe Restrepo

Andrés Felipe Mejía Cardona

MANAGEMENT

Chief Executive Officer

Luis Fernando Alarcón Mantilla

Energy Transport Manager

Julián Cadavid Velásquez

Infrastructure Projects Manager

Guillermo Márquez Moreno

Corporate Strategy Manager

Ana Mercedes Villegas Mejía

Corporate Finance Manager

Camilo Barco Muñoz

Administrative Manager

Carlota María Nicholls Estrada

Secretary General

Natalia Martínez Villa
Juan David Bastidas Saldarriaga

Corporate Auditor

Jhon Jairo Vásquez López
John Byron Pérez Díez

Corporate Socio-Environmental Director

Martha Ruby Falla González

Corporate Image Director

Carmen Elisa Restrepo Vélez

1. Message from the Management

Messrs. Shareholders:

It is of great value for the Management to share the results of 2010, a year when the Corporation not only formalized its entrance into new business areas and markets, but also committed itself to interesting challenges that will generate value for every one of you as well as development in the countries where we have a presence.

Successful advancement in the materialization of its growth strategy has made ISA into a world-class enterprise, with a presence in Latin America's most important countries.

ISA's BHAG for the year 2016 proposes to reach USD 3,500 million of yearly revenues, of which 80% shall be generated abroad, and 20% by business other than energy transport.

Its venture in road concessions, especially through acquisition of 60% of Cintra Chile, and consolidation of INTERNEXA in the Southern Common Market, brings it closer to its goal of diversifying 20% of its revenue before the year 2016.

The outstanding position of ISA and its companies as energy carriers in Colombia, Peru and São Paulo State (Brazil), the entrance to the road concession business in Chile, and the financial strength and solidness its companies boast, allowed specialized agencies to ratify its rating of corporate risk, as well as of its domestic and international bonds issues. In 2010, ISA was assigned for the first time the investment grade by Moody's Investor Service after receiving a Baa3 issuer rating with stable outlook for both domestic and foreign currency.

Certain of its ability to meet challenges, and advancing on its sustainable growth course, ISA saw important financial achievements in 2010: consolidated operating income increase of 6.2%, reaching COP 3,500,000 million; consolidated EBITDA increase of 5%, reaching COP 2,500,000 million; and net income of COP 343,896 million, 9.2% up on 2009.

Integration of Cintra Chile and its concessionaries brought the assets of ISA and its companies to COP 25,800,000 million, with 51.4% growth, while liabilities closed at COP 14,100,000 million, 91.4% up on 2009.

Along 2010, the tenth annual commemoration of ISA's public listing, a fundamental step in its institutional consolidation process, stood out. At year closing, the Company had 51,204 shareholders, with 31.42% of shareholding in the hands of private investors. Along the decade, ISA's share appreciated by 1,559% and dividends worth over COP 1,000,000 million were paid. As of December 31, ISA's share closed at COP 14,100, 8.63% up on 2009.

1. Message from the Management

This report shows management results by business unit: Electric Energy Transport, Telecommunications Transport, Road Concessions, Markets Operation and Administration, and Construction of Infrastructure Projects.

ISA and its companies remain one of Latin America's largest transporters of electric power, thanks to their operation of a 38,989-km, high-voltage network spanning Colombia, Peru, Bolivia, and Brazil. During 2010, this network grew by 438 km of circuits, after starting commercial operation of some projects that were under construction.

In Colombia, ISA started commercial operation of Porce, at 500 kV, Cira Infantas, and Caricare substations. Additionally, it subscribed five contracts with generators, network operators, and large users to develop connection projects to the National Transmission System –STN–. It is worth highlighting that ISA's transmission network management indicators outdid the goals set for the period.

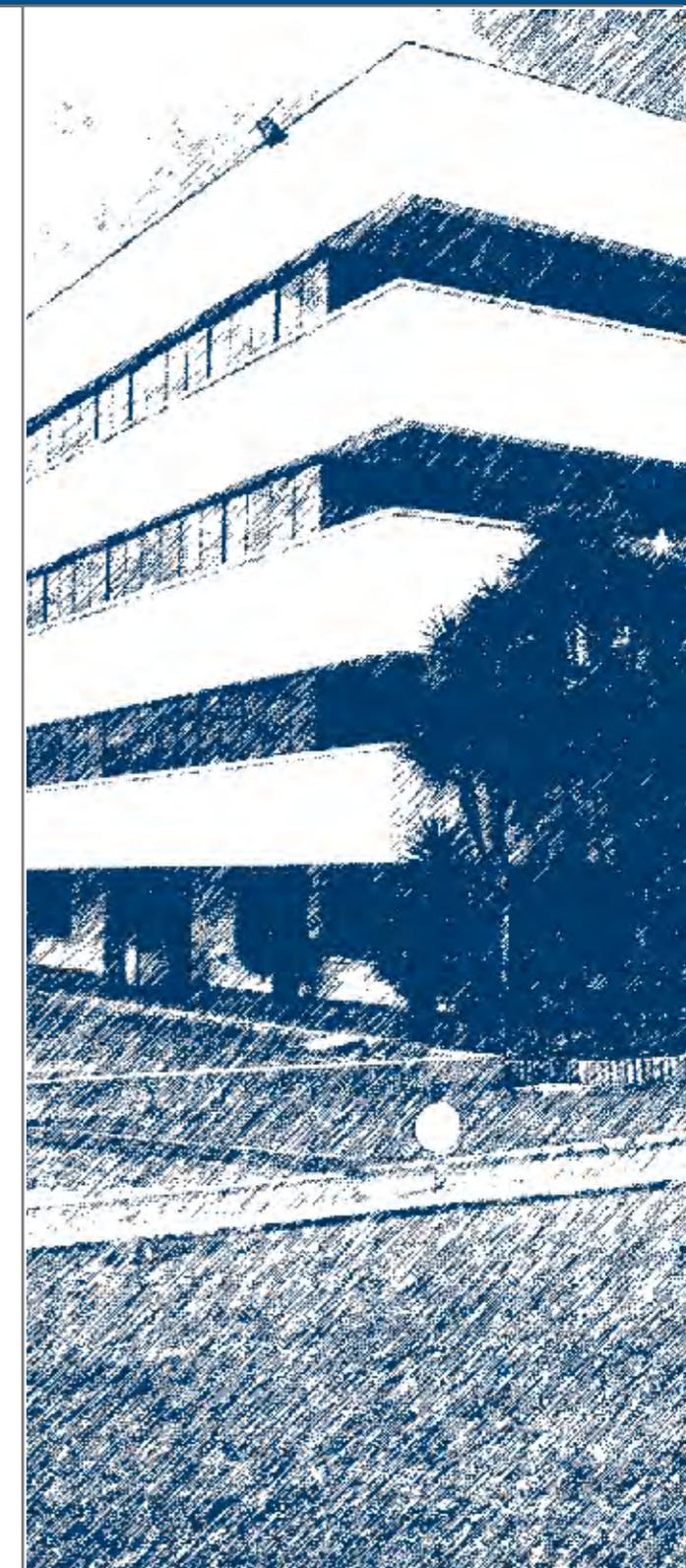
In Peru, subsidiary Transmantaro commissioned the transmission line integrating Miskimayo mine to the Peruvian electric system. Additionally, awarding of three biddings to develop the Talara–Piura, Pomacocha–Carhuamayo and Macchu Picchu–Abancay–Cotaruse projects, demanding a USD 140-million investment, meant remarkable growth. Some of these works stand as engineering challenges, given they will be built at up to 4,500-meter altitude above sea level.

In Brazil, Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– integrated 281 km of transmission lines and 769 MVA of transformation capacity to the system, through reinforcements and connections in the State of São Paulo. It also acquired the remaining 40% participation in Interligação Elétrica de Minas Gerais –IEMG–, consolidating itself as owner of one hundred percent of shares.

As part of its growth strategy, CTEEP, through the investments it owns in Brazil, is currently developing construction of works demanding USD 1,350-million investment, where the HVDC line that is to connect generation from the Madeira River to Brazil's interconnected system, one of the world's most extensive line constructions underway, stands out. Additionally, Interligação Elétrica Norte o Nordeste –IENNE– (ISA's investment through CTEEP), finished construction of 720 km of lines at 500 kV.

In the Telecommunications Transport business unit, INTERNEXA started commercial operations in Chile, offering its customers optical continuity services from Caracas (Venezuela) to Concepción (Chile), based on a strong and stable network.

As a big leap in its expansion process, INTERNEXA acquired in Brazil and Argentina a network of nearly 6,000 km of telecommunications connectivity infrastructure that will consolidate ISA as the operator with the largest uninterrupted network in South America, crossing seven countries and connecting by land the Pacific and Atlantic coastlines.



1. Message from the Management

In the Road Concessions business unit, it finalized in September the acquisition of 60% of Cintra Chile, that country's main road concessionary, and the owner of five concessions totaling 907 km of highways connecting Santiago with Río Bueno, in Southern Chile. This transaction, that was to be closed by early April, was postponed due to the earthquake of February 27, while verification of the quake impact on the infrastructure and authorizations and registrations required by Spain, Colombia, and Chile proceeded to completion.

In Colombia, ISA and the National Institute of Concessions –INCO, for its Spanish initials– signed the inter-administrative agreement authorizing ISA to carry out the first stage of the Autopistas de la Montaña feasibility study. Once this stage is concluded, another shall start, where ISA must build, operate and maintain four road corridors (1,250 km) that will connect Antioquia province with the country's main roads.

As to the Markets Operation and Administration business unit, XM successfully backed up Colombia's Ministry of Mines and Energy in handling the El Niño phenomenon that severely affected the country in the first few months of 2010. Likewise, and in association with Colombian Stock Exchange, it started commercial operations of Derivex, the company managing the country's new energy derivatives negotiation system.

Additionally, XM, availing of its expertise and knowledge in operation of the National Interconnected System –SIN– and administration of the electric market, focused its growth process on new business areas, setting up as a first step an alliance with UNE EPM Telecomunicaciones and Consorcio ITS Medellín to operate the control center of Medellín Mobility Intelligent System, that will make transport in the city more efficient.

Through ISA in Colombia and Proyectos de Infraestructura del Perú –PDI– in that country, the Construction of Infrastructure Projects business unit keeps on offering integral solutions for design and construction of linear infrastructure systems for both ISA's companies and third parties. At the end of the period, it consolidated a business portfolio worth USD 833 million, representing 27% increase on 2009 (USD 658 million). Also in 2010, the Colombian Institute of Technical Standards –ICONTEC, for its Spanish initials– again certified the services delivered by ISA, under ISO 9001 standard, while in Peru, Bureau Veritas granted PDI certification under the same quality standard.

The positive balance of ISA's business units is based on an 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 the companies.

1. Message from the Management

As part of its growth and internationalization process, ISA has reached an important learning level in terms of social commitment, and it understands that the sustainability vision it has been committed to must evolve to respond to new challenges inherent to a globalized world. These challenges call for integrated and systemic environmental, social and economic solutions for all business units, a challenge for which the Company has developed a new Social and Environmental Management Model that becomes an action frame for companies to materialize their commitment to sustainable development, by contributing to the principles of the Global Compact, the Millennium Development Goals, and climate change.

In accordance with this prospect, and in a bet for construction of sustainability, ISA produced its first Sustainability Report under the international methodology of Global Reporter Initiative –GRI– level B. This publication identifies material subjects that are of significance to the management, and representative for the stakeholders, to measure and communicate the main impacts.

The future has in store great challenges for ISA. In order to continue being Latin America’s largest international carrier of electric power, the Company shall keep on working toward consolidated participation in those countries where it has a presence, evaluate new growth opportunities, and look for integration of regional energy markets.

INTERNEXA will go on consolidating itself as the telecommunications operator with the largest uninterrupted terrestrial network in South America. Additionally, it shall keep working on its dream of connecting telecommunications from Central to South America by assisting REDCA implement a fiber optics network for the Central American Nations’ Power Interconnection System –SIEPAC–.

In order to consolidate the Road Concessions business unit, the short-term vision shall focus on integrating to ISA the recently acquired concessions in Chile, as well as concretion in Colombia of the project Autopistas de la Montaña.

In its regulated business, XM shall keep on administering and operating the Colombian power market. For growth of its non-regulated business, it shall offer diverse economic sectors the technology and expertise for operation coordination and information management of intelligent infrastructure networks, with high value added.

The Construction of Infrastructure Projects business unit shall go on leveraging implementation of linear infrastructure projects for ISA and its companies, and offering its services to third parties.

None of the achievements of 2010 would have been possible without the commitment of the associates of ISA and its companies; there is no doubt whatsoever that their individual participation was fundamental in the achievement of results. We heartedly thank all our associates in the countries where we are,

1. Message from the Management

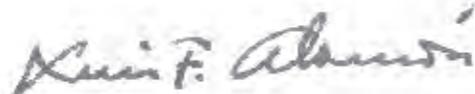
for making corporate accomplishments possible. We are a team motivated by deeply rooted corporate values: ethics, excellence, social responsibility and innovation.

Thanks a lot to the suppliers for allowing integration of their assets and services into ISA, to the clients, for the opportunity to serve them day after day, to the shareholders and investors, for honoring the Corporation with their trust, and to the countries where we are present, for welcoming us and allowing us to participate in their development.

The Management reiterates its commitment to face with tenacity and enthusiasm the challenges that 2011 brings, and it expects results to live up to expectations.



Orlando Cabrales Martínez
Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla
CEO

2. Report from ISA's Board of Directors

In compliance with the provisions of the Bylaws 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 2010 – March 2011.

2.1 COMPOSITION OF ISA'S BOARD OF DIRECTORS

On March 29 of 2010, the Shareholders' Meeting designated positions and persons knowledgeable and with expertise in management, economics, engineering, finance, and public, stock market and corporate law fields, 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, Carlos Enrique Rodado Noriega, who replaced Hernán Martínez Torres in August.
- Second seat: Vice–Minister General of Finance and Public Credit, William Bruce Mac Master Rojas, who replaced Gloria Inés Cortés Arango in August.
- 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, Tomás González Estrada, who replaced Silvana Giaimo Chávez in August.
- Legal Counsel to the Minister of Finance and Public Credit, Nhora Abuchar Chamie

2. Report from ISA's Board of Directors

- Director General of Public Credit and National Treasury of the Ministry of Finance and Public Credit, Germán Arce Zapata, who as of August 2010 has replaced Ms. 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.

Except for their condition as shareholders of Orlando Cabrales Martínez, Jorge Hernán Cárdenas Santamaría and Andrés Felipe Mejía Cardona, 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, Carlos Enrique Rodado Noriega.
- Vice–Minister of Mines and Energy, Tomás González Estrada.
- Vice–Minister General of Finance and Public Credit, William Bruce Mac Master Rojas.
- Legal Counsel to the Minister of Finance and Public Credit, Nhora Abuchar Chamie.
- Director General of Public Credit and National Treasury of the Ministry of Finance and Public Credit, Germán Arce Zapata.

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. Report from ISA's Board of Directors

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.

2.2 OPERATION OF THE MEETINGS

Schedule

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

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

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

2. Report from ISA's Board of Directors

Quorum

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

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

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 2010 to March 2011, 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 13 meetings was as follows:

- Carlos Enrique Rodado Noriega, Minister of Mines and Energy: four meetings (starting August 27, 2010). Hernán Martínez Torres: five meetings.
- William Bruce Mac Master Rojas, Vice-Minister General of Finance and Public Credit: seven meetings (starting August 27, 2010). Gloria Inés Cortés Arango: five meetings.
- Isaac Yanovich Farbaiarz: 13 meetings.
- Federico Restrepo Posada: 12 meetings.
- Santiago Montenegro Trujillo: 10 meetings.
- Luisa Fernanda Lafaurie Rivera: 11 meetings.
- Orlando Cabrales Martínez: 12 meetings.

2. Report from ISA's Board of Directors

Attendance by the alternate members was as follows:

- Tomás González Estrada, Vice–Minister of Mines and Energy, eight meetings (starting August 27, 2010). Silvana Giaimo Chávez: five meetings.
- Nhora Abuchar Chamie, Legal Counsel to the Minister of Finance and Public Credit: 13 meetings.
- Germán Arce Zapata, Director General of Public Credit and National Treasury of the Ministry of Finance and Public Credit: eight meetings (starting August 27, 2010). Viviana Lara Castilla: four meetings.
- Jesús Arturo Aristizábal Guevara: 13 meetings.
- Jorge Hernán Cárdenas Santamaría: 11 meetings.
- Luis Fernando Uribe Restrepo: 12 meetings.
- Andrés Felipe Mejía Cardona: 11 meetings.

Approval of minutes

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

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

Preparation of topics to be considered at the meetings

As recommended by the improvement plan, the Board centered efforts on strengthening the strategic focus of the meetings and on optimizing time distribution, so as to make the work more efficient. 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. Report from ISA's Board of Directors

2.3 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 2010 – March 2011. Its members are Luis Fernando Uribe Restrepo, Nhora Abuchar Chamie, Jesús Arturo Aristizábal Guevara, Jorge Hernán Cárdenas Santamaría and Andrés Felipe Mejía Cardona.

It examined the Statutory Auditor's report, reports for supervision and control entities, financial statements for 2010, proposition for designation and fees of the Statutory Auditor, and approval of Corporate Audit work plan for 2011. Its recommendations refer to the improvement of controls established regarding governance, managerial, financial, technical, and IT issues.

Board and Corporate Governance Committee

This committee met four times along the period; its members are William Bruce Mac Master Rojas, Orlando Cabrales Martínez, Santiago Montenegro Trujillo and Tomás González Estrada. As part of its functions, it presented recommendations to the Board of Directors regarding variable remuneration, Ethics Code, budget, and reports to the Shareholders Meeting, among others.

New Business Committee

Its members are Luisa Fernanda Lafaurie Rivera, Orlando Cabrales Martínez, Andrés Felipe Mejía Cardona, Santiago Montenegro Trujillo, William Bruce Mac Master Rojas, Tomás González Estrada and Isaac Yanovich Farbaiarz. Its functions are analyzing investment initiatives included in ISA's growth strategy and monitoring ongoing business.

The Committee met 14 times along the period. On such occasions, the Committee analyzed the opportunities in different sectors and markets of interest to ISA, and it provided the Management with guidelines regarding those issues.

2. Report from ISA's Board of Directors

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.

2.4 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.

2.5 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.

2.6 RELATIONS OF THE BOARD OF DIRECTORS WITH ISA'S COMPANIES

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

2.7 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 28 and February 18 of 2011 using a 14-person 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: 92.5%
- Group performance: 80.4%
- Performance and participation of management: 77%

2. Report from ISA's Board of Directors

Standing out among the Board of Directors' strengths are teamwork, debate independence for its decisions and its sense of belonging into the Company.

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.

Besides its self-evaluation, the Board was rated according to the results of the indicators of the corporate integral and top level management charts. Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 77.9%, and compliance with top level chart was 72.8%, above the lower goal.

Finally, I inform Messrs. Shareholders that each and every member of the Board of Directors has contributed their knowledge, experience, dedication, and positive critical attitude to the growth and sustainability of Interconexión Eléctrica S.A. E.S.P. –ISA–.



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 Bylaws and the Code of Good Governance, in my capacity as Chairman of the Board of Directors, and on behalf of the Chief Executive Officer, I present the following report:

3.1 SHAREHOLDERS' MEETING

The notice for the Regular Shareholders' Meeting of March 29 of 2010 was published in two newspapers of wide national circulation.

Likewise, on March 28TH, 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 as well as the 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, and the meeting was broadcast live via Internet streaming.

For information of shareholders, abstracts of minutes 99 corresponding to the regular meeting held on March 29 of 2010 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 29 elected the Board of Directors for the April 2010 – March 2011 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.

3. Report on Compliance with and Advancement of the Good Governance Code

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

The Chief Executive Officer is evaluated according to the results of the 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 77.9%, compliance with top level was 72.8%, and compliance with first level indicator was 81.1%, above the lower goal.

The Board of Directors expresses its recognition to the Chief Executive Officer, Luis Fernando Alarcón Mantilla, for his outstanding work, and its satisfaction for the work carried out along 2010.

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

To negotiate shares of ISA, administrators must have authorization from the Board of Directors, as provided in Decision 60 of 2006 of the Board of Directors. During the period, no authorization to purchase or sell shares was requested by any member of the Board of Directors.

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

External control bodies

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

3. Report on Compliance with and Advancement of the Good Governance Code

National General Auditing Office: 38 reports related to rendering of accounts, advancement of improvement plans; information for the Debt Unified Statistics System –SEUD, for its Spanish initials–; information regarding cash budget for the Fiscal Statistics Information System –SIDEF, for its Spanish initials–; monthly reports for the State Procurement Information System –SICE, for its Spanish initials– regarding contracts subscribed along the previous month, and quarterly reports on investment and operation budgets.

Colombian Financial Superintendency: 18 reports on bond underwriting, pre–and–post–Shareholders’ Meeting information, accounting information and financial information. Besides, 81 information pieces of relevant information of the Company were published.

Superintendency of Domiciliary Public Utilities –SSPD, for its Spanish initials–: 17 reports with general information to update the Single Register of Public Utilities Providers –RUPS, for its Spanish initials–; financial, administrative, commercial and accounting information; investment in infrastructure; electricity–related accidents; and information related to the Shareholders’ Meeting.

Ministry of Finance and Public Credit: For reports about the Company’s shareholding structure.
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–: Four reports on quarterly and annual services import and export survey.

External Auditor for Results Management: AGN Jiménez & Asociados acted as ISA’s External Auditor for the period 2009–2010. Its report issued on March 15th of 2010 and published in the national newspapers on May 16th 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 1, 2010 – March 31, 2011 fiscal period, 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.

3. Report on Compliance with and Advancement of the Good Governance Code

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 and alternate legal representatives. Also, ISA's shareholding participation in its companies was updated.

Credit ratings

FitchRatings de Colombia ratified the AAA rating, stable outlook, for ISA's third bond issue 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).

In 2010, ISA was assigned the investment grade by Moody's Investor Service after receiving a Baa3 issuer rating with stable outlook for both domestic and foreign currency. Likewise, Fitch Ratings assigned it a BBB issuer rating with stable outlook for both local and domestic currency.

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 Web page (www.isa.com.co) for information of shareholders and investors.

Internal control bodies

Corporate Audit Committee: Along the April 2010 – March 2011 period, the committee met six times. It examined the Statutory Auditor's report, reports for supervision and control entities, financial statements for 2010, proposition for designation and fees of the Statutory Auditor, and approval of Corporate Audit work plan for 2011.

The Corporate Audit carried out 14 evaluations, in areas like: database vulnerability, SAP information system security, IT outsourcing, communications protocol, maintenance crossed evaluation, line maintenance, administrative and financial evaluation, compliance with the Code of Good Governance, per diems, payroll, procurement evaluation, taxation processes, management of property, plant and equipment, evaluation of contingencies and litigations. Its recommendations refer to the improvement of controls established regarding governance, managerial, financial, technical, and IT issues.

3. Report on Compliance with and Advancement of the Good Governance Code

Control instruments

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

3.4 STAKEHOLDERS

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

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

Shareholders

As of December 31, 2010, ISA had 1,107,677,894 outstanding shares held by 51,204 shareholders, as follows:

Shareholding		
Shareholders	Shares	%
State investors	682,078,108	61.58
The State	569,472,561	51.41
Empresas Públicas de Medellín	112,605,547	10.17
Public and private capital investors	77,577,007	7.00
ECOPETROL	58,925,480	5.32
Empresa de Energía de Bogotá	18,448,050	1.67
Empresa de Energía del Pacífico	203,477	0.02
Private investors	348,022,779	31.42
Institutional investors	210,447,090	19.00
Individuals	93,621,269	8.45
Legal persons	21,699,213	1.96
Foreign investment funds	20,658,682	1.87
ISA ADR Program	1,596,525	0.14
Outstanding subscribed and paid capital	1,107,677,894	100.00

3. Report on Compliance with and Advancement of the Good Governance Code

Relations with shareholders and investors

Along the period, the shareholders' information center reached 98% service level with 35,601 contacts: Service level dispatched by the Shareholder's Attention Line was 94.4%, with 32,080 calls, and the line's quality obtained 4.79 rating, equivalent to "excellent", in the Quality Service Audit.

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.
- The Company received about 50 visits from international investors, participated in six events, and held quarterly tele-conferences with investors.
- Two shareholders' newsletters were issued and delivered; these publications are available in the Web page, investors section. In compliance with fiscal regulations, 22,427 certifications were delivered.
- ISA made available an electronic consultation mechanism in its Web page, for information regarding the value of the investment, through account statements.



3. Report on Compliance with and Advancement of the Good Governance Code

Dividend policy

On March 29, 2010, ISA's Shareholders' Meeting approved the appropriation and distribution of earnings of the year 2009, which meant distribution of earnings and reserves totaling COP 177,228 million to pay dividends of COP 160 per share. Payment took place in four quarterly installments of COP 40 each on April 19, July 19, and October 19 of 2010 and January 27 of 2011.

Suppliers

In the year 2010, ISA signed 1,240 contracts worth COP 174,239 million, excluding VAT.

Of the 104 notices published on the Web page related to procurement of goods and services, 71 correspond to the energy transport service and 33 to goods and services for the corporation in general.

At e-mail boxes contratacionweb@isa.com.co and proveedores@isa.com.co, 2,354 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 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 33,243 million.

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

MITU/FEN-ISA-05/2010, Trust Agreement between Financiera Eléctrica Nacional -FEN- (an entity ascribed to the Ministry of Mines and Energy), and ISA, to construct the 34.5-kV electrical interconnection between Mitú micro power plant and the 34.5/13.8-kV substation, subscribed on December 23 of 2010, for COP 10,193 million.

3. Report on Compliance with and Advancement of the Good Governance Code

The State, represented by National Institute of Concessions –INCO, for its Spanish initials–, 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 2010, a risk map was built for ISA and its companies, identifying as the most significant risks in terms of probability and severity of consequences, the growth, sociopolitical, natural phenomena, human or procedural error, contract default, legal and regulatory risks.

In the Web page as well as in number 10.2 of this report, the Company 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.

3. Report on Compliance with and Advancement of the Good Governance Code

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 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 pertinent 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 2011 and March 2011.

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 Code's verification mechanism reports, 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. During the period, one audit was conducted producing no findings of non-compliance with the Code's commitments.

Also, 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

3. Report on Compliance with and Advancement of the Good Governance Code

Toll-Free line for shareholder attention:

Nationwide: 01 8000 115000

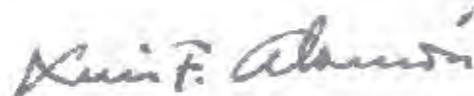
From Medellín: 57 (4) 3602472

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

Thank you very much,



Orlando Cabrales Martínez
Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla
CEO

4. About us

4.1 ISA AND ITS BUSINESS UNITS

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, Telecommunications Transport, Road Concessions, Markets Operation and Administration, and Construction of Infrastructure Projects.

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

Electric Energy Transport

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

CTEEP, together with other regional partners, has in Brazil investments in the companies Interligação Elétrica Norte Nordeste –IENNE–, Interligação Elétrica Sul –IESUL– and Interligação Elétrica do Madeira –IEMadeira–.

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 38,989 km of high-voltage circuit operated by them, ISA and its companies are recognized today as one of the largest international transporters of energy in Latin America.

Telecommunications Transport

Through its subsidiary INTERNEXA, ISA moves signals connecting two or more locations, through telecommunications infrastructure connectivity based on fiber optics, satellite transmission and microwave supporting networks.

4. About us

Through integration of its networks in Colombia with that of TRANSNEXA, its subsidiary in Ecuador, INTERNEXA, both in Chile and Peru, and with networks in other countries, is creating the region's Grand Network that allows it to offer an ever more important services portfolio in Internet transport, connections and access.

As carrier of carriers, INTERNEXA has access to a 12,029-km fiber optics network integrating Colombia, Ecuador, Peru, Chile and Venezuela; and in the near future, it will consolidate as the telecommunications operator with the largest uninterrupted terrestrial network in South America, after acquiring 6,000 km of fiber optics in Brazil and Argentina.

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

Road Concessions

In accordance with its strategic direction, ISA has entered this business, strengthened by a series of competencies related to its knowledge of linear infrastructure systems, with which it will soon be able to operate around 2,158 km of highways, a meaningful figure in terms of road infrastructure in Latin America.

At the end of 2010, ISA formalized its venture into this business after formalizing an 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 in Ruta 5 Sur. This infrastructure is operated by concessionaries Autopista del Maipo, Talca – Chillán, Ruta del Bosque, Ruta de la Araucanía and Ruta de los Ríos. In order to carry out this purchase, it created the investment vehicle ISA Inversiones Chile.

Meanwhile in Colombia, the Company is preparing feasibility studies for the Autopistas de la Montaña Project, consisting of four road corridors totaling 1,251 km, being executed under an inter-administrative contract between ISA and the National Institute of Concessions –INCO, for its Spanish initials–. So as to conduct pre-operative activities in relation to this project, ISA established the subsidiary Autopistas de la Montaña in January of 2011.

4. About us

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.

In 2010, XM and the Colombian Stock Exchange started operations of Derivex, the company managing the new energy derivatives negotiation system in Colombia.

Thanks to its soundness and expertise in operation of the power system and administration of the electricity market, XM is able to offer technology and knowledge to several economic sectors for operation coordination and information management of intelligent infrastructure networks, with high value added. Accordingly, XM, UNE EPM Telecomunicaciones and Consorcio ITS Medellín, signed an administrative alliance to operate the control center of Medellín’s Intelligent Mobility System –SIMM, for its Spanish initials– so as to administer traffic photo tickets, a closed television circuit, a variable messages board and all other equipment needed to make more efficient the response time of the City’s Transport Secretary.

Construction of Infrastructure Projects

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

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

4.2 WHERE WE ARE HEADED

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

By the year 2016, ISA will have become a business conglomerate with expected revenues of USD 3.5 billion, 80% of which will be generated outside of Colombia.

- ISA will be recognized among the first three electric energy transporters of America, and Latin America’s largest by consolidating its platforms in Brazil and the Andean region, and by being a relevant player in other countries.

4. About us

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

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



4. About us

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

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

4.3 CORPORATE VALUES

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

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

- **Ethics:** Moral character of the Company's acts as long as they are aimed toward individual or collective benefit. Ethical thinking results in transparent attitudes and actions.
- **Social Responsibility:** Commitment to looking for improved standards of living for its employees and their families, the environment, and society in general.
- **Innovation:** Introduction of new aspects in the companies and their services, so as to help achievement of goals.
- **Excellence:** Compliance with the quality standards for service delivery that set us apart from our competitors.

4.4 CODE OF ETHICS

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

4. About us

In this scenario, ethics is recognized as the value of values that defines the global character of the Organization, generates trust among stakeholders, and is identified as the intrinsic trait of managers, directive staff, and associates.

Decisions made routinely by ISA and its companies affect those among its stakeholders (shareholders, associates, suppliers, customers, society, and state), which implies relations based on values, policies and commitments strengthening corporate culture and institutional coherence.

ISA pursues ever more demanding and ambitious goals, for which it develops its practices on diverse, challenging and novel contexts that call for the utmost solid set of values as the core and frame buttressing its decisions.

The Company, well aware of the permanent transformation of its setting as well as the immense challenges of its growth process, permanently reviews its frame of action. As part of this permanent reviewing process, it developed with its companies a new Corporate Code of Ethics, a document approved by the Board of Directors in November of 2010.

This Code, to be officially introduced in April of 2011, is the result of an ample consultation process among companies and their associates, and it served as the material for construction of a text structured by stakeholders, and divided by ethical guidelines, constituting tools for decision-making in the face of conflict and dilemma. These guidelines hinge on transparent information, relation principles, equitable treatment, and strict compliance with rules and commitments.

This Code is expected to be the guiding reference for its associates and other stakeholders, as well as the pillar for coherent decision-making, on pair with an ever more challenging and demanding context, and also the instrument for unswerving trust and definition of the global character for the Organization.

The text of this new Ethics Code is part of this Annual Report, and as of April of 2011, those interested will be able to access it by visiting www.isa.com.co

5. Electric Energy Transport Business Unit

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

ISA and its companies are one of the largest international transporters of electric energy in Latin America with a network of 38,989 km of high-voltage transmission circuits in Colombia, Peru, Bolivia and Brazil and to its international interconnections between Venezuela and Colombia, Colombia and Ecuador, and Ecuador and Peru.

5.1 GROWTH

5.1.1 Projects starting commercial operation

During 2010, the electric energy transport grid of ISA and its companies expanded by 438 km of circuits and by 986 MVA of transformation capacity, due to the starting of commercial operation of projects that were in construction phase:

Colombia: ISA commissioned the 500 kV Porce substation and associated works (UPME 01 of 2007) that will connect Porce III hydroelectric plant (600 MW), owned by Empresas Públicas de Medellín, to the National Transmission System –STN–. Additionally, the 230/34.5 kV connection substations La Cira Infantas in Norte de Santander province and 34.5 kV Caricare in Arauca province were commissioned during 2010.

Peru: Subsidiary Transmantaro commissioned the 138 kV transmission line (41km) integrating Miskimayo mine to the Peruvian electric system.

Brazil: Affiliate Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– integrated 281 km of transmission lines and 769 MVA of transformation capacity to the Brazilian electric system, through reinforcements and connections in the state of São Paulo.

Additionally, CTEEP acquired the remaining 40% of shares of Interligação Elétrica de Minas Gerais –IEMG–, consolidating CTEEP as 100% owner of total shares.

Commissioning these projects allows ISA and its companies to consolidate an important share, measured by revenue, in electric transport systems in each of the countries where ISA is present.

5. Electric Energy Transport Business Unit

Electric infrastructure in operation

Country	Colombia		Peru			Bolivia	Brazil		Total
Revenue particip. by country	81%		82%			34%	16%		
Company	ISA	TRANSELCA	REP	TransMantaro	ISA Peru	ISA Bolivia	CTEEP	IEMG	
Transmission (km of circuit)	10,115	1,547	5,837	1,369	393	588	18,968	172	38,989
Transformation (MVA)	12,811	2,843	1,878	338	235	370	43,992		62,467

On the other hand, some of the companies where ISA has stakes, commissioned nearly 900 km of transmission circuits (Empresa Propietaria de la Red –EPR– in Central America and Interligação Elétrica Norte o Nordeste –IENNE– in Brazil).

EPR commissioned during 2010 the first section of the network integrating the Central American Nations' Power Interconnection System –SIEPAC, for its Spanish initials–. This 178 km stretch belongs to the 230 kV transmission line interconnecting Rio Claro (Costa Rica) and Veladero (Panama) substations. During 2011 the remaining sections will be progressively commissioned in order to interconnect the six nations, adding up 1,800 km of the complete project.

In turn, IENNE, ISA subordinate through CTEEP (25% participation), entered into commercial operation by commissioning 720 km of transmission lines at 500 kV in Tocantins and Piauí states.

5.1.2 New project and projects under development

In order to keep their leadership as electric energy transporter and to consolidate their position in Latin America, ISA and its companies take part in bid processes endorsed by national governments, promote the connection to the grid of generation utilities, distribution utilities and large consumers, and work with different country's regulators the way to expand and strengthen existing grids.

5. Electric Energy Transport Business Unit

As a result of their endeavors, ISA and its companies are working in Colombia, Peru and Brazil on the design and construction of nearly 5,047 km of high-voltage circuits and the installation of 16,818 MVA of transformation capacity. These projects will demand investments of nearly USD 2.1 billion.

Electric infrastructure under development

Country	Colombia	Peru		Brazil		Total
Investment (approx.) USD million	50	700		1,350		2,100
Company	ISA	REP	TransMantaro	CTEEP	Other companies (*)	
Transmission (km of circuit)	24	398	1,746	296	2,584	5,047
Transformation (MVA)	75	468	3,645	1,380	11,250	16,818

(*) *Interligação Elétrica Pinheiros, Interligação Elétrica Serra do Japi, Interligação Elétrica Sul –IESUL– and Interligação Elétrica do Madeira –IEMadeira–.*

Colombia: ISA and Transelca signed five contracts with generators, network operators and big consumers in order to develop connection projects to the STN.

Perú: ISA reached its largest growth in 2010 in this country, where it won three international public bids in order to design, finance, build, operate and maintain for 30 years a series of works that will be under subsidiary TransMantaro's responsibility:

- The 220 kV transmission line (104 km) between Talara and Piura (Piura province) will reinforce the electric system in the Northern region in order to improve demand supply, which is rapidly growing due to large mining projects in the area. The project will generate estimated annual revenues of USD 2.3 million.
- The 220 kV single-circuit transmission line (106 km) from Pomacocha (Huancavelica province) to Carhuamayo (Junin province), and its associated substations, will increase transmission capacity in the Central and Northern regions of SEIN, offering improved safety to the system and allowing to supply the foreseen demand increase and improve the reliability level of supply. The project will generate estimated annual revenues of USD 2.4 million.

5. Electric Energy Transport Business Unit

- The 220 kV transmission line (204 km) Machupicchu – Abancay – Cotaruse, the 220 kV transmission line (198 km) Suriray – Cotaruse and the expansion and building of associated substations, will help to reinforce the National Interconnected Electric System –SEIN, for its Spanish initials–, allowing transmitting, with improved reliability, energy from the new generation projects in the southern region to the demand centers. Works will be built at altitudes ranging from 1,800 meters above sea level in the Machupicchu area to 4,500 meters near Cotaruse and Abancay substations. The project will generate estimated annual revenues of USD 9.8 million.

Subsidiary Transmantaro signed transmission service contracts with two generators in order to connect their plants to Chilca substation.

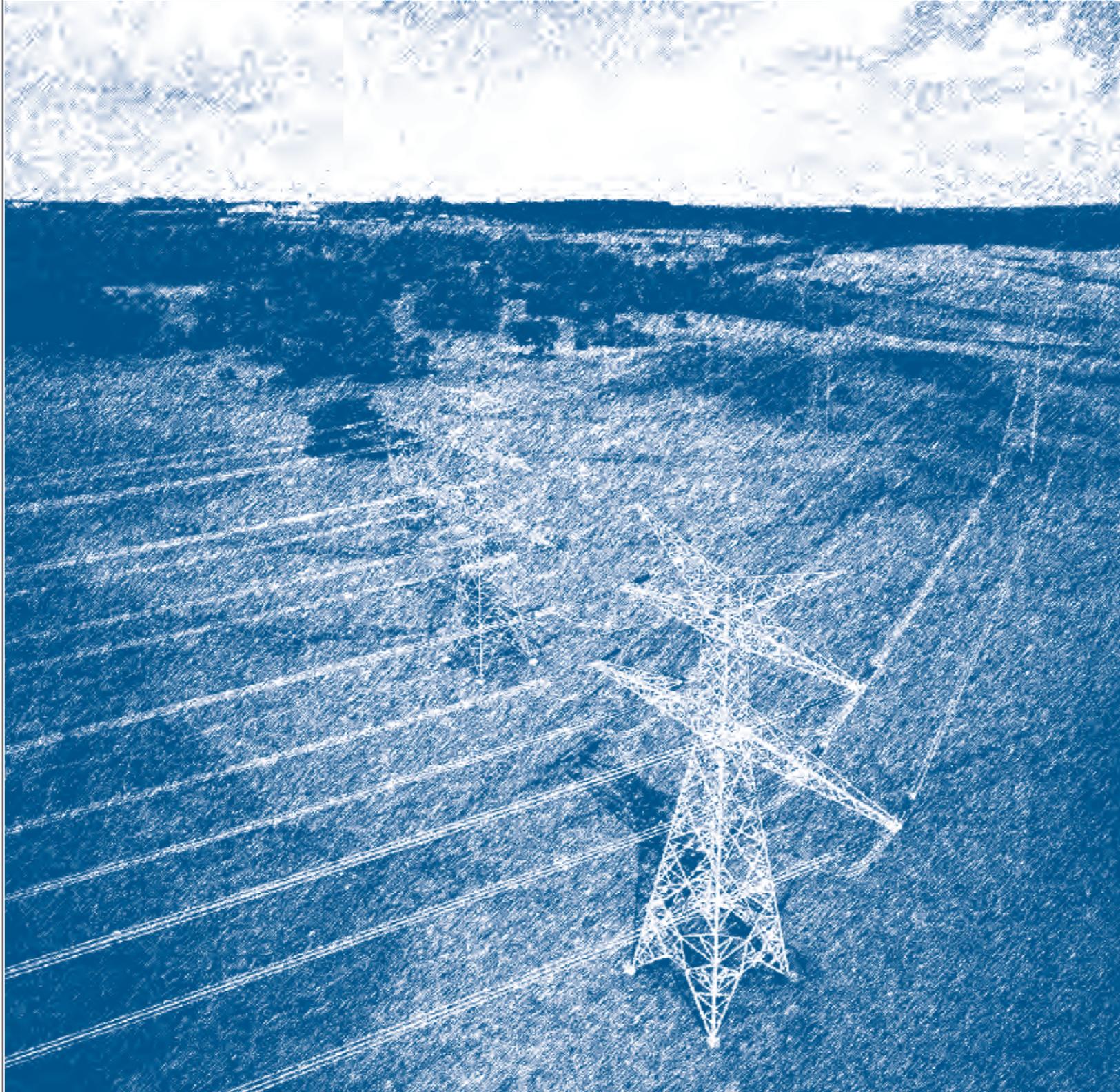
Additionally, REP and Peru's Ministry of Energy and Mines signed agreements to expand and reinforce the transmission network. Works will include 398 km of circuits and 470 MVA of transforming capacity.

Brazil: CTEEP negotiated with the Agência Nacional de Energia Elétrica –ANEEL– a series of substation expansions aiming to reinforce the state of São Paulo transforming network. Works will include 394 MVA of transforming capacity.

Additionally, CTEEP, through their investments in Brazil, is constructing works worth USD 1.35 billion. The main projects are:

- Building 198 km of circuits and 3,550 MVA in seven substations that will help to expand the transforming capacity of several regions in the country. Works to be built in the state of São Paulo will be the responsibility of Interligação Elétrica Pinheiros –IEPinheiros–, while works in Rio Grande do Sul and Santa Catarina states will be done by Interligação Elétrica Sul –IESUL–. Commissioning of the projects is scheduled for 2011.
- Building of Jandira and Salto substations at 440 kV in São Paulo state, which will add 1,600 MVA of transformation capacity to the electric system. This project will be built by Interligação Elétrica Serra do Japi. This project is scheduled for commissioning in 2011.

5. Electric Energy Transport Business Unit



5. Electric Energy Transport Business Unit

- Building, operation and maintenance of the HVDC transmission line Porto Velho (Rondônia) – Araraquara 2 (São Paulo), a 2,325 km circuit at 600 kV with a rectifying and an inverting station at 600 kV (6,100 MVA). These projects bid by ANNEL in 2008 were awarded to CTEEP (51%) in a consortium with State-owned Furnas Centrais Elétricas (24.5%) and Companhia Hidro Elétrica do São Francisco (24.5%). Both the transmission line and the substations will allow integrating the Rio Madeira Hydroelectric Complex to Brazil's Interconnected System, expanding CTEEP's coverage in the northwestern and southeastern regions of the country. The projects will be built by Interligação Elétrica do Madeira –IEMadeira– and are scheduled for commissioning in 2013.

Panama: Through the bi-national company Interconexión Eléctrica Colombia – Panama –ICP–, ISA and its equivalent Empresa de Transmisión Eléctrica S.A. –ETESA– continue work to make viable, build and operate the transmission line between the two countries. In this direction, and in the frame of a technical cooperation with the Inter-American Development Bank –IDB–, the detailed electricity studies, pre-design and project basic terms were completed. Previous to the Environmental and Social Impact Studies –EIAS, for its Spanish initials–, an analysis and agreement work is under development that will allow defining the most viable pathway for building the interconnection line.

At the same time, authorities in both countries have published the regulatory harmonization proposals, opening a consultation and debate opportunity in order to define harmonized, clear and stable rules, permitting energy interchanges.

5.2 BEST PRACTICES

ISA works in a coordinated way with its companies to identify, standardize and implement the best practices and synergies allowing to achieve service provisioning with rigor and excellence, and under homologated processes.

Concepts of rigor and excellence were adopted in order to comply with national and international protocols, procedures and standards when performing operation and maintenance activities, under quality, opportunity and safety criteria for people, equipment and the environment.

Additionally, ISA and its companies promote and lead a series of initiatives associated to competencies development; technology strengthening and the implementation of new management tools. Among the most outstanding developments during the period, with its respective results, are the following:

5. Electric Energy Transport Business Unit

- Operation reliability: a unified handbook for operation and maintenance was published and implemented for all energy transport subordinate companies.
- Human talent development: ISA continued with the certification for safety maintenance and non-interruptive maintenance techniques focused on maintenance workers and switching center operators.
- Technology development: A Technology Plan for the Electric Energy Transport business unit was defined, including research, development and innovation projects aimed at achieving objectives.

Service quality

ISA's goal is to guarantee that all its companies provide services under high levels of reliability, availability and safety according to applicable regulation in each country. As far as energy supply availability and continuity is concerned, the following are the most relevant transmission network quality indicators:

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

Service quality indicators

Country	Colombia		Peru			Bolivia	Brazil
Company	ISA	TRANSELCA	REP	TransMantaro	ISA Peru	ISA Bolivia	CTEEP
Grid availability (%)	99.93%	99.73%	99.47%	99.42%	99.89%	99.59%	99.96%
Unserved load (MWh)	4,828	2,876	9,146	121	73	654	1,208

5. Electric Energy Transport Business Unit

Technical conference

With the attendance of more than 400 representatives from ISA and its subordinates in the Electric Energy Transport business unit, the Third Technical Conference on Energy Transmission Systems Operation and Maintenance took place in Medellin, Colombia. The main subject of this academic event was "Rigor and Excellence in Electric Energy Transport".

This biennial event is aimed at strengthening knowledge management, sharing experiences and identifying its applicability in each company.

In the Conference well-known lecturers from Argentina, Brazil, Canada, Chile, Colombia, Spain and Italy took part, who disclosed the state-of-the-art in operation and maintenance. Additionally, 80 papers written by ISA's subordinates personnel were presented, sharing improvements and technology innovations in subjects as: high voltage equipment for substations; control and protection systems; transmission lines; operation and power systems; environmental and social management; and ancillary processes.

At the same time, a technical showcase took place where 12 national and international suppliers offered the attendants the possibility to get in contact with the latest technology proposals in energy transport.

5.3 ISA IN THE TRANSPORT OF ELECTRIC ENERGY IN COLOMBIA

With 71.15% ownership 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 10,115 km of transmission lines at 230 kV and 500 kV; 61 substations; 12,811 MVA of transformation and 4,205 MVAR of reactive compensation.

5.3.1 Portfolio of services

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

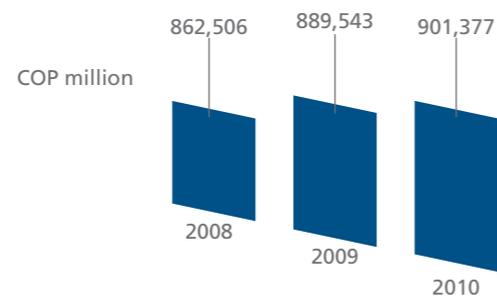
- Electric energy transport: It is offered to market agents for energy trading and for regional electric systems interconnection.

5. Electric Energy Transport Business Unit

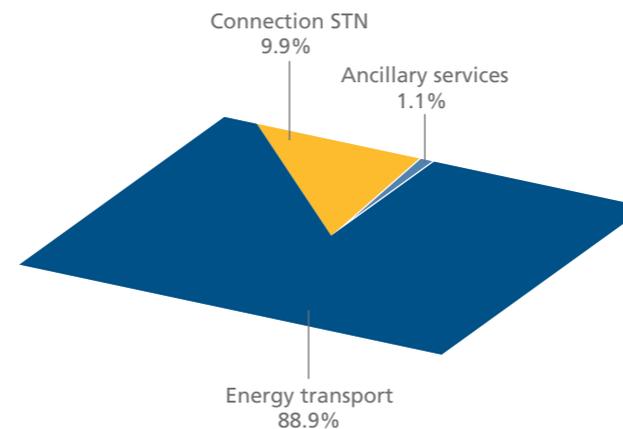
- Connection to STN: It provides generators, grid operators, distributors, regional transporters and large consumers with access to the SIN, allowing them to deliver and receive the power and electric energy required or generated.
- Ancillary services: ISA offers its customers a series of additional services. Among them are: electricity and energy studies and transmission system maintenance (equipment and substations AOM, chemical analysis of isolating materials and energy meters calibration, among others).

During 2010, revenues from these services totaled COP 901,377 million, COP 11,834 million more than during 2009.

REVENUE FROM SERVICES



REVENUE BY SERVICE



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

ISA received the ISO 9001:2000 quality certification for the Energy Transport Service to perform studies, design, supply, construct, build, test, commission, operate and maintain electric energy transmission systems. Additionally, for operation, maintenance and connection to the STN, ISA has been certified for environmental management and safety and occupational health, under ISO 14001 and OHSAS 18001 standards, respectively.

5. Electric Energy Transport Business Unit

The Colombian Institute of Technical Standards and Certifications –ICONTEC, for its Spanish initials– started the first phase of auditing in December 2010 in order to update the Integrated Management System –SIG–, for the three standards already certified. The second phase of this process must be finished by April 2011.

As an additional challenge, ISA is working to obtain ISO 27001 certification on information security.

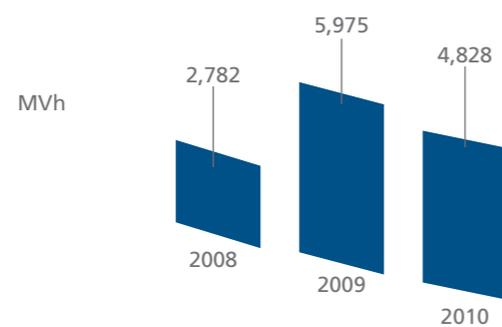
5.3.2 Grid performance

Management indicators of ISA's transmission grid exceeded the goals set for 2010 evidencing the rigor and excellence of service delivery. Availability and continuity of energy supply indicators are as follows:

Unserviced load:

During 2009, unserved energy to the SIN was 4,828 MWh, which was under the goal set for the year (7,241 MWh). This figure is the result of facts where the Company was responsible and does not take into account terrorist attacks. 76% of unserved load was due to scheduled maintenance activities and coordinated with affected customers. This is the result of optimum system operation, because only 0.009% of SIN's total demand (56,148) corresponded to unserved load.

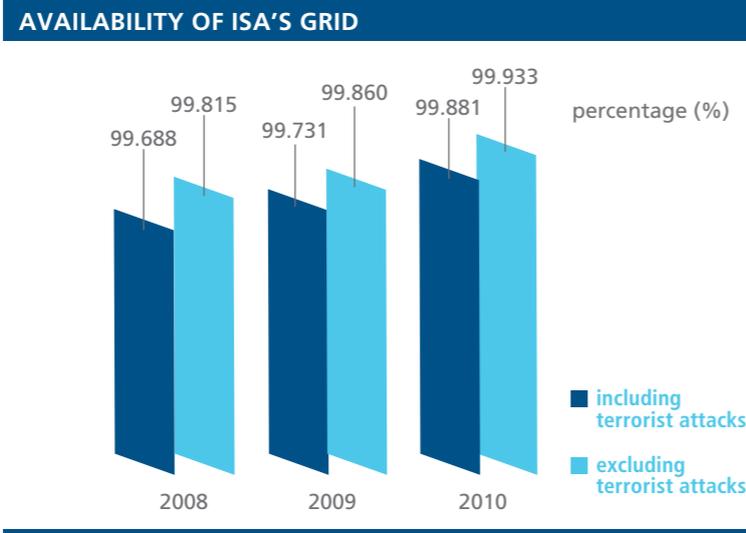
UNSERVED LOAD



5. Electric Energy Transport Business Unit

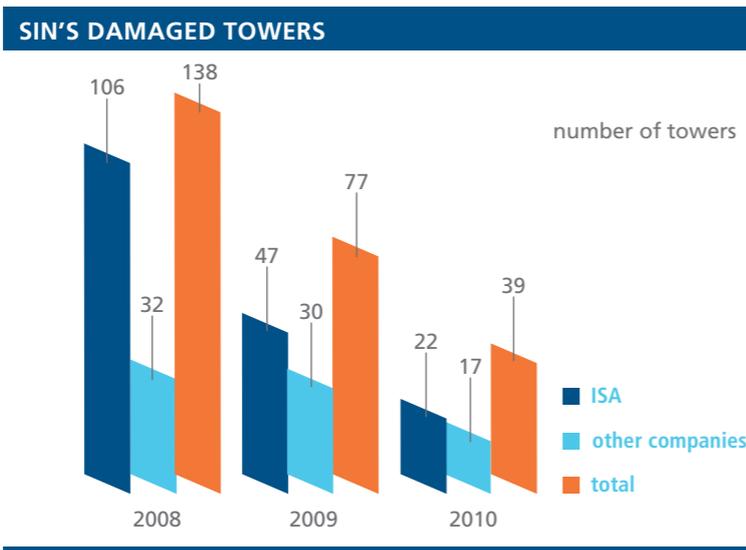
Transmission grid availability:

Total average availability of ISA's transmission assets was 99.933%, a figure that outdoes the average goal of 99.881% set by the Energy and Gas Regulatory Commission –CREG–.



Terrorist attacks to electric infrastructure

During 2010, 22 towers of ISA's transmission network were felled by terrorist attacks (46.8% less than in 2009). From this total, 17 were located in Antioquia province.



5. Electric Energy Transport Business Unit

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 2010, 86% of the Company's infrastructure that was affected by terrorist attacks had already been recovered.

The average time to recover damaged structures was 20.9 days per tower, representing a significant increase compared to the mean value reached during the previous years (5.9 days in 2009 and 6.73 days in 2008). This was due to public order problems, making it difficult to have access to the sites of damaged towers in the Porce – Cerromatoso 500 kV circuit. Expenses for infrastructure recovery were COP 5,377 million, 2.73% less than in 2009.

Towers affected by the rainy season

The strong rainy season affecting the country at the end of 2010, flooded transmission tower sites in the Bogota region, the Canal del Dique (Northern region), the Antioquia Urabá region and Norte de Santander province.

In order to face this situation, ISA scheduled an emergency plan of flight and pedestrian surveillance, over water and under water inspection and civil works construction, allowing bringing to a minimum the impact of flooding in substations and avoiding unavailability of the energy transport service. During 2011 several works will be carried out to finally recover damages caused by the rainy season.

5.3.3 Technological development

In this field, ISA has focused its challenges on developing competitive advantages that will allow the Company to be recognized in the Latin American market for its leadership in safe and reliable service provision, the compliance with regulations and the development of processes safe to the people and in balance with the environment. During 2010, the Company continued strengthening technologies applied to development of new products and services, improvement of processes and acquisition of essential competencies. During this period, the following initiatives were implemented:

- Service reliability: Based on the successful experience of 2009, where the line's capacity at Chivor and San Carlos 230 kV substations was increased, a project is under way to update other substations. Control, protection and ancillary systems are being updated and isolators and breakers replaced. Works are under way at Jaguas (Antioquia province), La Esmeralda (Caldas province), La Mesa (Cundinamarca province) and Yumbo (Valle del Cauca province) substations.

5. Electric Energy Transport Business Unit

- **Non-interruptive maintenance techniques:** For the first time in Colombia, non-interruptive maintenance techniques were used at a substation without interrupting energy supply. Maintenance works were performed at San Bernardino 220 kV substations without affecting the normal energy supply to the Southwestern region of the country and the interconnection tie-line with Ecuador. Three years of research and analysis on mechanical, electrical and risk issues were required to develop this initiative. The success of this procedure is a milestone for future interventions to power transformers at the substations of ISA and its subordinated companies.
- **Technology management:** In association with universities, research centers and Colciencias, the Company is developing three important projects applicable to its main activities. These projects are: the influence of different atmospheric variables on the behavior of coatings applied over galvanized steel; distributed event diagnosis; management networks optimization for electric energy transmission systems; and monitoring earth movements on transmission lines tower sites.

5.4 OUTLOOK

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

Colombia: ISA will also take part in the bids for the 2010 – 2024 Reference Expansion Plan, prepared by the Mining and Energy Planning Unit –UPME–, with foreseen investments in transmission of USD 550 million for the next five years.

Peru: The Company expects to keep on growing in this country, and for this reason will be alert for new invitations to bid under the Energy Transitory Plan for the next two years. Plan investments are foreseen at USD 400 million, for extensions, reinforcements and new bid processes.

5. Electric Energy Transport Business Unit

Brazil: ISA will continue to be interested in new auctions that will allow expanding its infrastructure and consolidating its position in this market. To date, the 2010 – 2017 Decennial Energy Expansion Plan, approved by the Ministry of Mines and Energy, foresees investments of nearly USD 15.5 billion for the next years.

Panama: ISA, through ICP, will continue promoting the Colombia–Panama interconnection viability, with a foreseen investment of nearly USD 450 million. The main priority is to make possible a successful bid to assign access financial rights to the interconnection capacity, which will be the way for ICP to get revenues. Additionally, the Company expects to have a clear and stable regulatory frame, making viable integration of the two countries' energy markets.



6. Telecommunications Transport Business Unit

Telecommunications are one of the most thriving and promissory areas of modern economy. They are the basic supports for the industry and represent entertainment and proximity; they make instantly reachable to our hands, something that was far away. To this environment belong media, contents, Internet access, fixed telephony, mobile telephony and data transport companies.

According to the United Nations –UN– definitions, telecommunications are a basic civil right. For this reason, the UN has urged countries to join efforts in order to give broadband Internet access to more than half the world population by the year 2015.

In order to be consistent with the strategic importance of this sector, ISA decided to take part in this business through INTERNEXA, a company that in a decade of operations has been consolidating the widest continuous terrestrial telecommunications network in South America, totaling 18,500 km of fiber optics.

Telecommunications infrastructure by country

Country	Company	Operational fiber optics (km)
Colombia	INTERNEXA	6,652
Peru	INTERNEXA	1,293
	Ongoing Project	380
Chile	INTERNEXA	1,181
Ecuador	TRANSNEXA	926
Venezuela	INTERNEXA in association with local operator	1,977
Argentina	Developing Project	2,577
Brazil	Developing Project	3,506
Total		18,492

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

6. Telecommunications Transport Business Unit

INTERNEXA's network reaches more than 60 cities in South America offering a total transmission capacity of 326,440 MB/s, accessing submarine cables Emergia, Maya and SAC. INTERNEXA is the owner of transmission capacity in the ARCOS 1- CFX System and has a platform to offer direct connection to the main Internet providers in the United States.

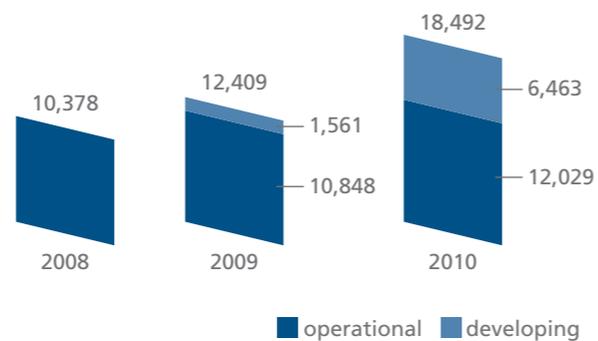
More than 150 local and regional service providers rely on the excellent quality and high levels of reliability and availability offered by INTERNEXA, the first telecommunications company in Colombia to obtain International Quality Certification ISO 9001:2000 for the carrier service.

6.1 GROWTH

Market and product expansion achieved by INTERNEXA in just one decade has permitted to interconnect Venezuela, Colombia, Ecuador, Peru and Chile, and in the near future, will connect its fiber optics network to Brazil and Argentina, ratifying its commitment to develop Latin America with long term investments, having impact on its inhabitant's quality of life.

GROWTH OF TELECOMMUNICATIONS CONNECTIVITY INFRASTRUCTURE

km of fiber optics



With the arrival of INTERNEXA to Chile in 2009, and with the acquisition of connectivity infrastructure in Argentina and Brazil, the company is making preparations to operate in three key areas of the continent: Andean Community of Nations, Southern Common Market and Central America.

6. Telecommunications Transport Business Unit

Andean Community of Nations

INTERNEXA reached a key milestone in 2010 promoting the interconnection of Network Access Points –NAPs– from Colombia, Peru and Ecuador. This project will bring great benefits, being reflected in a significant improvement in the end user web–surfing experience and a shorter time to transfer information packages and access local contents.

As far as digital content business is concerned, the company is undertaking important works associated with hosting a larger number of their customers' equipments.

Additionally, in the technology field, the company is building a Multi Protocol Label Switching –MPLS– regional network. MPLS, a high performance data transmission technology, will permit the company to provide newer and more flexible and versatile services to its customers.

Southern Common Market

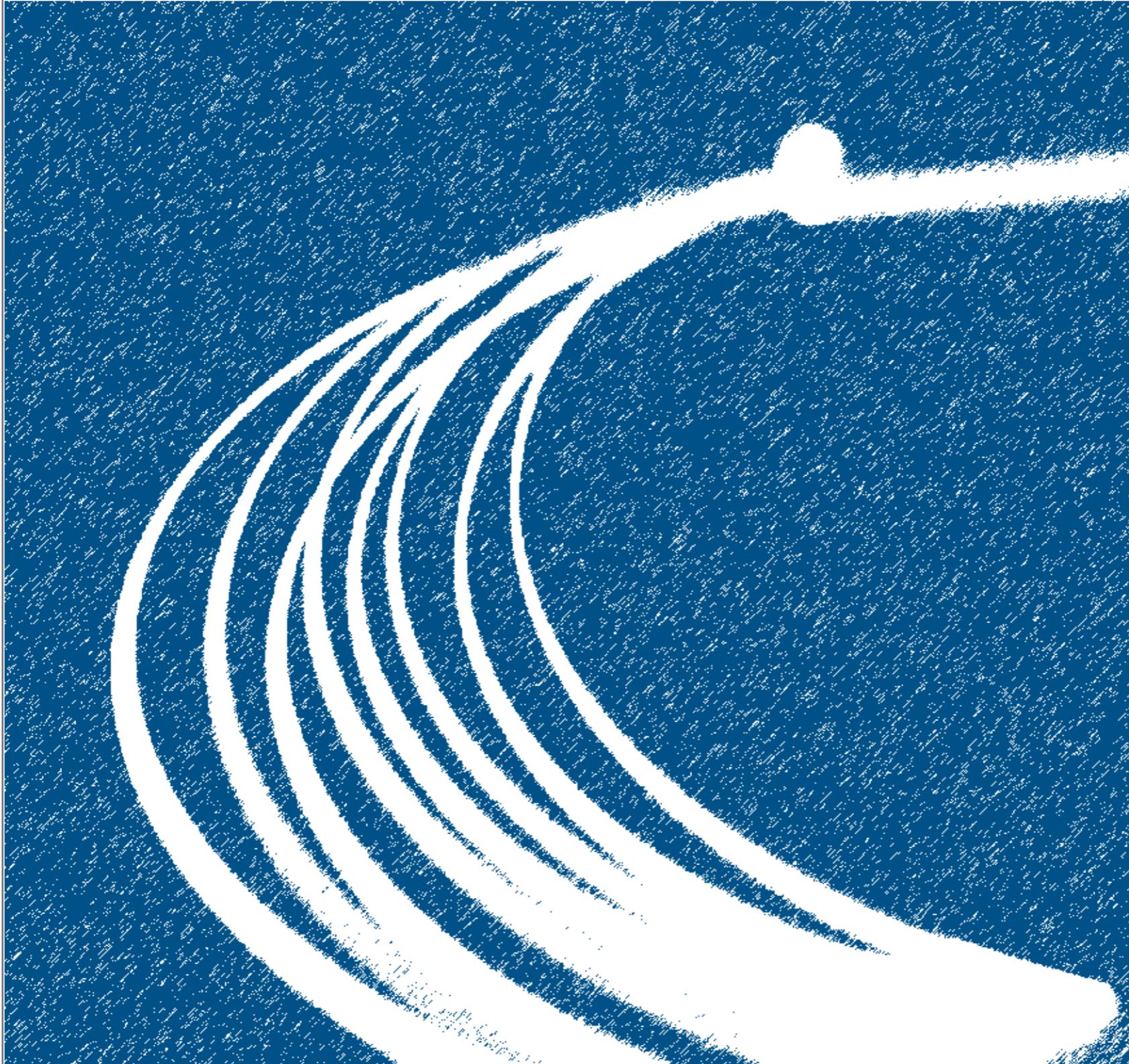
In 2010 INTERNEXA started commercial operations in Chile after the adaptation and verification of its infrastructure. Today, the company provides its customers optical continuity services from Caracas (Venezuela) to Concepcion (Chile), based on a strong and stable network.

In order to guarantee complete services availability in Chile, the company started to build additional 750 km of fiber optics network, allowing to loop–shape the current network and make it more strong and redundant. This project is scheduled for commissioning in 2011.

INTERNEXA agreed to connect the Chilean network to the Andean Community of Nations network through the submarine cable heads connecting the Northern region of Chile with Lima, Peru. In this way, continuity without interruptions can be provided along the whole Andes mountain range.

Additionally, INTERNEXA acquired in Brazil and Argentina (the largest markets in South America), a network of nearly 6,000 km of telecommunications connectivity infrastructure. This network is actually under verification and adaptation and will enter into commercial operation in 2011.

6. Telecommunications Transport Business Unit



6. Telecommunications Transport Business Unit

Central America

INTERNEXA is actively taking part in a project lead by REDCA*, the company managing fiber optics assets of the SIEPAC Project. During 2010, REDCA awarded the working headquarters in Nicaragua; finished a market research on telecommunications access in Central America; went into more depth in interconnection agreements with shareholders of the countries involved; and made progress building an OPGW-technology telecommunications network.

6.2 OUTLOOK

During 2011, the company will continue working on the final definitions of a project to connect by land Peru and Chile's networks. The company will enter into commercial operation 6,000 km of fiber optics network recently acquired in Brazil and Argentina. Additionally, INTERNEXA will consolidate as the telecommunications operator with the largest continuous land network in South America, crossing over seven countries and connecting the Pacific Coast to the Atlantic Coast and, thus, all South America's telecommunications.

In Central America, the company will continue working with REDCA in order to connect telecommunications from South to Central America through 1,800 km of fiber optics, integrating Mexico with Colombia, crossing six countries in Central America.

As to commercial issues, INTERNEXA will focus on starting operations in Argentina and Brazil; will get stronger in Peru and Chile, countries where the goal is to get 35% of the non self-served market; and will provide a regional service portfolio with a unique customer support center, making the value proposition to international customers more attractive.

The way INTERNEXA plays in the near future will have impact on the whole industry, bearing in mind its international recognition as a regional player will stimulate producers to host their contents in Latin America.

* REDCA is the company managing fiber optics assets of the SIEPAC Project under construction by EPR. The main fiber optics network of Mesoamerica Project will be implemented over this network. The company will be engaged in the carrier's carrier services, providing connectivity, transparency and excellent services – fundamental conditions to attend telecommunications operators.

7. Road Concession Business Unit

ISA officially entered into the road concession business after reaching an agreement with Spanish Cintra Infraestructuras to acquire 60% share of Cintra Chile, controller of five highway concessions in this country. By reaching this agreement, ISA achieved the objective set several years before: to enter into the road infrastructure sector and into the Chilean concession system, one the most consolidated worldwide.

Preparation to enter into this business is shored up by a series of competencies to structure, design, build, operate and maintain linear infrastructure systems, acquired along its corporate history, and permitting the Company to reach the outstanding position it has today in the market. This process has been levered up by an efficient management system and a company culture signed by values as relevant as ethics, excellence, social responsibility and innovation.

Additionally, ISA subscribed with the State an inter-administrative contract in Colombia, allowing the Company to perform the first phase of the viability studies for the Autopistas de la Montaña Project. Once this stage is concluded and granted the relative approvals, a second phase shall start, where ISA must build, operate and maintain four road corridors (1,250 km) that will connect Antioquia province with the country's main roads.

In two years, the Company will have an important position in Latin America in terms of road infrastructure, having the possibility to operate 2,158 km of highways in Colombia and Chile. Doing so, ISA is ahead to achieve its BHAG, according to which, by the year 2016, at least 20% of its revenues will come from business other than electric energy transport, and at least 80% will be generated outside Colombia.

Road infrastructure

Country	Highways (km)
Chile	907
Colombia (starts operation in 2011)	1,251
Total	2,158

7. Road Concession Business Unit

7.1 GROWTH

7.1.1. Chile

Transaction closing

On December 28 of 2009, ISA and Spanish Cintra Infraestructuras subscribed in Santiago de Chile a sale and purchase agreement defining the terms for a transaction to be closed in April 2010; however, the earthquake that affected Chile on February 27 forced to postpone the deadline until September of 2010. During this period of time, effects of the earthquake on infrastructure were assessed and authorizations and registrations required in Spain, Colombia, Chile and other jurisdictions in which participants are present, were obtained.

As a result of this process, it was confirmed that concessionaires were well insured, something that was taken into account for Fitch Ratings Colombia to keep ISA's credit risk rating at AAA, with stable outlook.

The initial operation (60% of shares) amounted to USD 290 million, equity value, approximately, paid by ISA in cash, through a bank loan and own funds from the capitalization of December 2009. For the remaining 40%, the sale and purchase agreement includes a purchase option for ISA and a sale option for Cintra. The amount and date for this transaction have not yet been defined by the parties

Cintra Chile

Since 1996, Cintra Chile has been the leading player in interurban road concessions in the Country. Control, operation and management of 907 km of roads, going from Santiago to Rio Bueno City, covering six important regions that contribute 80% of population, 70% of Gross Domestic Product –GDP– and to 74% of the number of cars in Chile, are under Cintra's responsibility.

Through its concessionaires, Cintra Chile operates: Autopista del Maipo, Talca – Chillán, Ruta del Bosque, Ruta de la Araucanía and Ruta de los Ríos that represent nearly 40% of Chile's road concessions.

7. Road Concession Business Unit



7. Road Concession Business Unit

Chilean road infrastructure

Concessionaires	Autopista del Maipo	Talca Chillán	Ruta del Bosque	Ruta de la Araucanía	Ruta de los Ríos	Totales
Segment	Santiago–Talca	Talca–Chillán	Chillán–Collipulli	Collipulli–Temuco	Temuco–Río Bueno	Santiago–Río Bueno
Length (km)	237	193	161	144	172	907
Traffic 2009 (*)	76,296	45,168	26,108	30,632	19,747	197,951
Traffic 2010 (*)	88,913	50,175	29,084	32,691	20,979	221,842
Concession's end	2024	2015	2021	2024	2023	

*ADT: Average Daily Traffic

It is worth mentioning that after the earthquake of February 27, Cintra Chile immediately started works in order to reconnect roads and recover traffic, offering its customers safe mobility conditions. Simultaneously, Cintra Chile started emergency works in order to recover affected infrastructure. As far as definitive works is concerned, important progress has been made and works are expected to be completed by the end of 2011.

After the earthquake, Chilean highways have shown clear signs of recovery, both in traffic and in revenues. At the end of 2010, Cintra Chile revenues amounted to USD 287 million, 2.9% more than in 2009.

Cintra Chile and its concessionaires have an efficient operating structure, an expert management team, sector recognition, an optimal financial structure and results showing its good management. Additionally, Cintra was the first Chilean company to be granted an ISO 9001 certification for road concessions management services.

In order to consolidate this operation, ISA is integrating to its management model, all acquired concessions, preserving the knowledge and efficient practices of Cintra Chile, with the purpose of creating synergies with road developments taking place in Colombia.

7. Road Concession Business Unit

7.1.2. Colombia

ISA and the Colombian State, represented by the National Institute of Concessions –INCO, for its Spanish initials –, subscribed on January 28 of 2010, an inter-administrative agreement to develop, under a concession scheme, the Autopistas de la Montaña Project. Under this contract, ISA is bound to carry out engineering, environmental, traffic, legal and financial studies, permitting to structure the construction, operation, maintenance, preservation and commercial exploitation of the four road corridors connecting Medellín with the main Colombian highways.

Autopistas de la Montaña Infrastructure

Segment	Segment I: Hatillo – Caucasia	Segment II: Túnel de Occidente – El Tigre	Segment III: Ancón Sur – Tres Puertas	Segment IV: Bello – Puerto Berrío	Total
Length (km)	284	401	380	186	1,251

Once the contract was subscribed, ISA hired the necessary studies and designs in order to define the works scope and the project viability:

- Aero-photogrammetry: aerial photographs and laser images, used to obtain a land digital model, a surface digital model and ortho-photomaps.
- Demand study: traffic study and current and future demand estimates for feasible works, to determine project's technical and financial viability. Also includes financial evaluation for different route alternatives.
- Designs: development of design engineering, phase II, including engineering studies, Environmental Impact Study –EIA, for its Spanish initials –and a preliminary land property management.
- Legal studies: legal due diligence in order to assess the environmental licenses' status and a valued inventory of legal processes and utilities networks.
- Investment bank: integral financial consultancy in order to structure and prepare the business case and have an optimal financial proposal.

7. Road Concession Business Unit

- Specialized technical consultancy: assistance to ISA in contracting, follow up and control of engineering, demand, and traffic and revenues forecast studies.

In order to give competitiveness to the Country and to Antioquia province, providing more cost-effective alternatives to connect Medellin with the Northern and Southern regions, ISA has proposed INCO a series of alternative corridors to the current roads.

It is worth mentioning that road design is being developed with much higher specifications than the ones traditionally employed in the Country, especially in mountain zones, proposing important works like tunnels and viaducts, guaranteeing geological and geotechnical stability, safety in operation and higher speeds than the current ones (within the range established by the Roads National Institute –INVIAS, for its Spanish initials–).

After a complete and profound multi-criteria analysis, ISA delivered to INCO a report with several scenarios based on technical (geology, geotechnical, environmental impact, investment costs and construction schedules), traffic, economic (cost-benefit analysis), and financial studies.

Simultaneously, in early 2011, ISA filed with the Medellin Chamber of Commerce, the public deed to establish the Autopistas de la Montaña company, with ISA as its sole shareholder.

This same year, ISA, INCO, Antioquia Province and Medellin Municipality must define the scope of the works. Later, the Company will receive the sections to operate, maintain and commercially exploit and will start works construction.

7.2 OUTLOOK

The Company will focus in the short term, as far as this business unit's growth is related, on consolidating the newly acquired concessions in Chile, and on the viability of the Autopistas de la Montaña project in Colombia. Additionally, the Company will continue analyzing the evolution of opportunities in Latin America.

Chile: The region's most advanced country in road concessions development, Chile has an active participation of local and foreign private sectors in projects execution, as well as clear contracting rules for investors and great growth potential, evidenced in future project bids.

7. Road Concession Business Unit

The Ministry of Public Works – MOP, for its Spanish initials –, in its Concessions Program 2010 – 2014, considers infrastructure projects amounting to USD 8 billion, where USD 3.3 billion are road projects. Additionally, the Ministry is considering works under study for USD 3.73 billion, for a total investment amount of USD 11.73 billion for the period.

The sector has a stable regulatory frame, with solid and experienced institutions in charge of concessions, with traffic risk mitigation mechanisms and with economic incentives to increase road safety.

Colombia: Capacity improvement of the road infrastructure is a key factor to strengthen the Country's competitiveness. For this reason, the National Government has as a challenge in its National Development Plan 2010 – 2014, to boost the consolidation of corridors transporting foreign trade load and connecting the main production and consumption centers with sea ports, airports and borders.

In this direction, projects under development will be given priority and for doing this, mechanisms will be adopted to guarantee their effective execution and actions will be implemented in order to have, as soon as possible, the infrastructure in operation.



8. Market Operation and Administration Business Unit

ISA through its subsidiary XM, Compañía de Expertos en Mercados, delivers services of operation planning and coordination of the resources of the National Interconnected System –SIN–, administrates the electric power commercial settlement system –SIC– in the Wholesale Energy Market –MEM–, administers the International Electricity Transactions –TIE– with Ecuador, and carries out the settling and clearing of charges for use of the SIN’s grids.

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.

XM has a portfolio of specialized services solutions for real time power systems and provides solutions for energy markets and associated products. One example, the Operators Training Center, is a learning, training and updating site for electric and power system operation professionals and technicians from the Country and the region.

Thanks to its soundness and expertise in operation of the power system and administration of the electricity market, XM is able to offer technology and knowledge to several economic sectors for operation coordination and information management of intelligent infrastructure networks, with high value added. This includes: capture, custody, processing and deployment of information for decision making in environments that are crucial for the country’s development.

XM has delivered specialized consulting and training services to several companies in Bolivia, Brazil, Panama, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Dominican Republic and Peru.

8.1 COLOMBIAN POWER SYSTEM – XM

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

8. Market Operation and Administration Business Unit



8. Market Operation and Administration Business Unit

Generation capacity

In 2010, electric power generation in Colombia totaled 56,887.6GWh, 1.6% above that of 2009 (55,965.6GWh). Such positive evolution was mainly the result of increased demand.

As of December 31, the SIN had an effective net installed capacity of 13,290 MW to supply an energy demand of 56,147.6 GWh and a power demand of 9,100 MW.

SIN's net effective capacity

Resources	MW	%	% Variation 2010 – 2009
Hydraulic	8,525	64.1	0.0
Thermal	4,089	30.8	-6.3
Gas	2,478		
Coal	990		
Fuel – Oil	434		
Diesel Oil	187		
Minor	621	4.7	8.2
Hydraulic	519		
Thermal	83		
Wind	18		
Cogenerators	55	0.4	56.9
SIN Total	13,290	100	-1.5

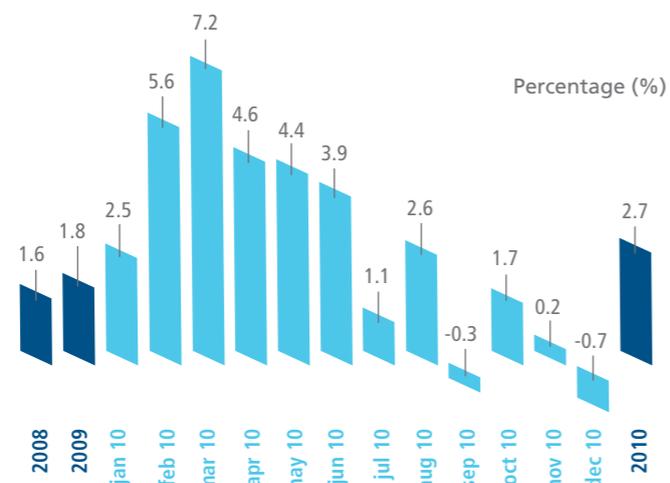
During 2010, the variation between hydraulic and thermal generation was affected by the El Niño phenomenon, which occurred during the first quarter of the year and whose main feature was low water inflows. In a similar way, La Nina phenomenon, associated with high water inflows, which occurred during the second semester, had an effect on the generation variation. Under these considerations, thermal generation reached a 53.3% of total generation in January and dropped to just 17% during the second semester. Thermal generation decrease was also due to generation plants Flores 1 and 2 (with a total of 281 MW) going out of operation.

8. Market Operation and Administration Business Unit

Energy demand

This important variable reached in Colombia 56,147.6 GWh, with an increase of 1,468.7 GWh or 2.7% than in 2009, when demand was 54,678.9 GWh. This increment was due, in large scale, to high residential demand during the first months of 2010 (regulated consumers) as a result of high temperatures in the country because of El Niño phenomenon, and to a 3.8% increase in demand in the economic activity (big consumers) as a consequence of recovery after the economic crisis.

ENERGY DEMAND VARIATION



Behavior of the electric market

The Administrator of the Commercial Settlement System –ASIC, for its Spanish initials–, provides services to agents trading in the market. At the end of 2010, the number of delivery points for regulated consumers was 4,741, the delivery points for unregulated consumers 4,638 and 409 for public lighting. Compared to 2009, the number of delivery points increased by 3.7%.

8. Market Operation and Administration Business Unit

Market agents

Activity	Registered	Trading
Generators	48	41
Traders	85	69
Network operators	30	29
Transporters	11	9

At COP 10,100,000 billion, total energy purchased and sold in the MEM was 4.1% higher than in 2009 (COP 9,700,000 billion). Energy-pool average price fell by 6.6% with respect to 2009, from COP 139.54 kWh to COP 130.35 kWh. Average price for bilateral contracts, in turn, increased 5%, from COP 104.74 kWh in 2009 to COP 109.94 kWh in 2010.

Invoicing collection through accounts administered by XM totaled COP 3,600,000 billion for the SIC and charges for use of the National Transmission System –LAC NTS–

Billing collections (COP million)

Concept	2009	2010	% Variation
Energy pool purchases	2,503,255	2,378,933	-5.0
STN usage charges	1,177,211	1,186,547	0.8
Total	3,680,466	3,565,480	-3.1
FAER, FAZNI, FOES and PRONE Funds	202,707	188,701	-6.9

International Electricity Transactions –TIE–

Regarding international electricity exchanges, Colombian has export and import capacity to and from Ecuador and Venezuela. Since implementation of TIE in 2003, 9,437 GWh have been exported to Ecuador at an approximate value of USD 780 million.

8. Market Operation and Administration Business Unit

International Electricity Transactions –TIE–

Year	Energy (GWh)		Value (USD thousand)	
	Exports	Imports	Exports	Imports
2008	509.8	37.5	35,908	2,309
2009	1,076.7	20.8	107,712	1,118
2010	797.7	9.7	73,812	565
Total desde 2003	9,437.7	225,7	777,952	9,103

8.2 DERIVEX

Derivex is the corporation administering in Colombia the negotiation system of derivatives based on energy commodities, a scheme under which initial negotiation of electric power futures for the current month and the three subsequent months is possible.

The operating license for the new corporation was granted by the Financial Superintendency according to Resolution 1869 of September 30, 2010 and started operation on October 4, 2010 trading the first electric energy future.

Derivex is the end phase of a joint project between XM and the Colombian Stock Exchange –BVC, for its Spanish initials–, in their quest to broaden the financial and electric energy derivatives markets. The implemented trading system will allow agents of the Wholesale Energy Market and unregulated customers coverage from the variation risk of energy prices, which are characterized by their high volatility. Investors interested in trading with electric energy, could also negotiate in a market that would otherwise be inaccessible to them.

At the end of 2010, eight settlers and negotiators had joined the corporation: Alianza Valores, Banco de Occidente, Bancolombia, Bolsa y Renta, Correval, Davivienda, Interbolsa and Valores Bancolombia. These entities act before the Cámara de Riesgo Central de Contraparte –CRCC–, fully guaranteeing the credit risk coverage of derivatives traded there. Based on this structure, and with a modern technological platform, Derivex provides the energy and financial markets with an innovative alternative, both useful and safe to manage risk and investment.

8. Market Operation and Administration Business Unit

Additionally, traders received training focused on the energy market and on financial, accounting, taxation, clearing and settlement issues for derivatives.

In the future, the Company plans to trade derivatives on other energy products.

8.3 MOBILITY

XM, UNE EPM Telecomunicaciones and Consorcio ITS Medellín signed an administrative alliance to operate the control center of Medellín's Intelligent Mobility System –SIMM, for its Spanish initials–. The entities will join their experience, knowledge, transparency, innovation and technology in order to provide the city of Medellín with a system to administer traffic photo tickets, a closed television circuit, a variable messages board and the additional equipment needed to make more efficient the response time of the City's Transport Secretary.

This initiative, pioneer in Colombia, will help to lower traffic accident rates and will improve public transport performance. This experience could be replicated in other Colombian cities and other countries in Latin America.

8.4 OUTLOOK

Since its creation, XM started a strategic process, permitting the Company to identify hidden assets and corporate competencies, value processes' strengths and capitalize on detected weaknesses with the aim of setting new challenges to head the Company to a clearly defined horizon. This search has been motivated by the need to find growth opportunities, contributing to continuous improvement and to value adding, both from the economic and human and intellectual capital development points of view.

As a result of this analysis, XM formulated a dominant subject, boosting the current market segment and identifying the path for future growth: "XM conducts the planning, design, optimization, commissioning, operation, administration and management of goods and services markets requiring the development of information systems or technological platforms that involve value added information exchange.

This statement has permitted the Company to find new growth opportunities in other economic sectors, as transportation, opening new opportunities like the coordination of urban mass transportation systems and urban or inter-urban mobility management systems, among others.

9. Construction of Infrastructure Projects Business Unit

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

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.

In the countries where it acts, it develops complex projects and adopts technological innovations, engineering solutions, and management processes in line with the best practices worldwide.

In 2010, the Colombian Institute of Technical Standards –ICONTEC, for its Spanish initials– again certified the services delivered by ISA, under ISO 9001:2008 standard, while in Peru, Bureau Veritas granted PDI certification under the same quality standard.

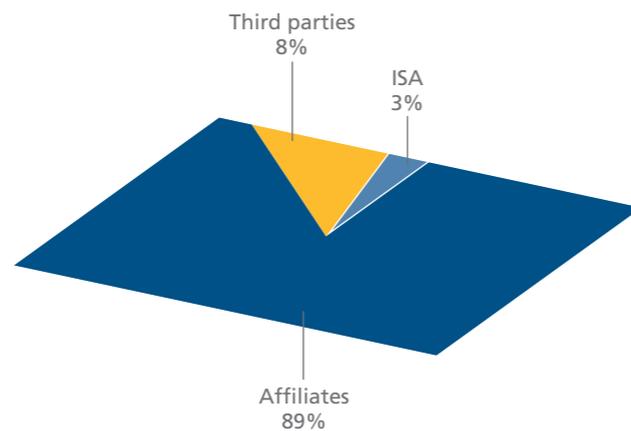
On the other hand, customers rated their general satisfaction with the services rendered with 86.6% favorability percentage in Colombia, and 80% in Peru.

9.1 GROWTH

Portfolio of contracts

Construction of Infrastructure Projects closed 14 new business deals in 2010, for USD 243 million, with USD 217 million in Peru and the rest in Colombia.

NEW CONTRACTS PER CUSTOMER TYPE

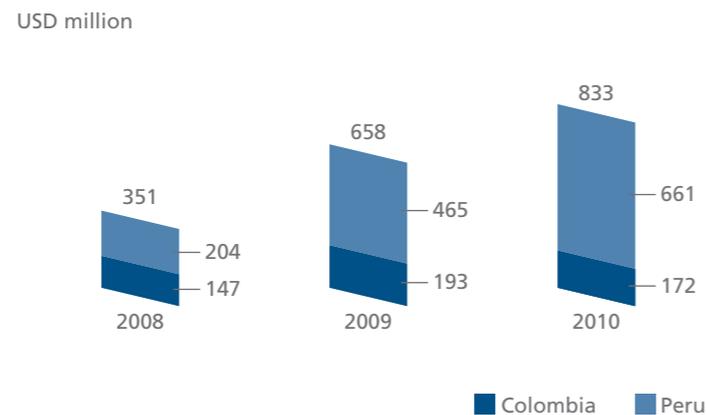


9. Construction of Infrastructure Projects Business Unit

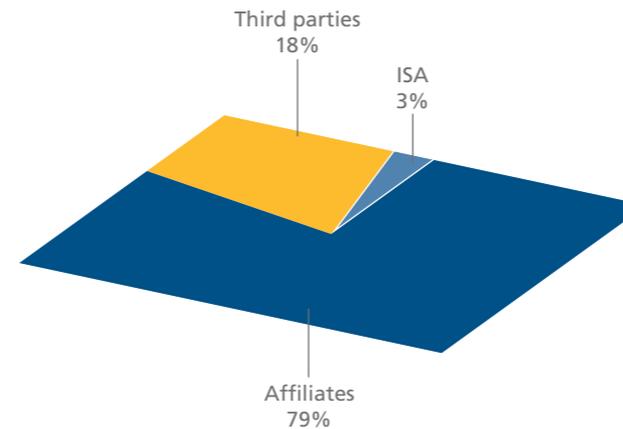
At the end of the period, it consolidated a business portfolio worth USD 833 million, representing 27% increase on 2009 (USD 658 million). Of this total, USD 661 million correspond to ISA's subsidiaries in Peru, USD 146 million to third parties, and USD 26 million to ISA.

The noticeable growth this business has seen in Peru arises from the country's economic rebound in the last few years, the result of intense mining and manufacturing development. This situation shows in increased electricity demand, boosting large investments aimed at higher generation capacity and reinforced electricity transmission. The last five years have seen 27% average yearly electric sector investment increase.

EVOLUTION OF CONTRACTS PORTFOLIO



CONTRACTS BY CUSTOMER TYPE



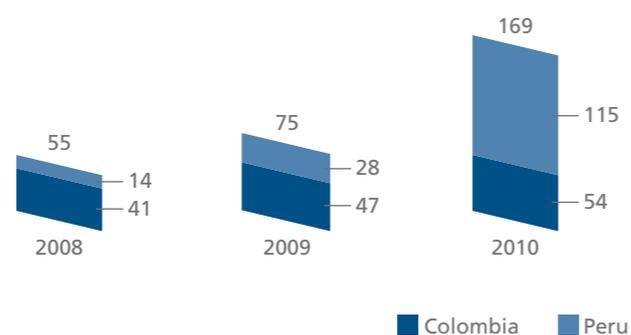
Billing

In 2010, ISA and PDI recorded 125% gross revenue increase, with billing worth USD 169 million, of which 68% was obtained in Peru and 32% in Colombia. Operating profit totaled USD 2.1 million.

9. Construction of Infrastructure Projects Business Unit

BUSINESS UNIT'S BILLING EVOLUTION

USD million



Main ongoing projects

The business unit carried out 24 projects for construction, expansion and/or renovation of electric infrastructure in 65 substations in Colombia and Peru, representing 3,343 km of transmission circuits with 4,447 MVA transformation capacity.

Business unit main figures by country

Country	Projects concluded in 2010				Projects in execution			
	circuit km	MVA	Substations	Value (USD million)	circuit km	MVA	Substations	Value (USD million)
Colombia	108	139	5	67	1,053	157	17	172
Peru	41	38	1	14	2,142	4,113	42	661
Total	149	177	6	80	3,194	4,270	59	833

9. Construction of Infrastructure Projects Business Unit



9. Construction of Infrastructure Projects Business Unit

Colombia:

ISA implemented the following projects:

Projects	Benefits	Customers	Commissioning
Commissioned Projects:			
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
Caricare Connection to STN	Connects Caricare oil field to Caño Limon substation	ISA	2010
UPME 01 2007 bid – Porce 500 kV substation and associated works	Integrates Porce III generation project to the STN	ISA	2010
Projects under construction			
UPME 02 2008 bid – El Bosque 230 kV substation and associated works	Improves energy supply reliability in the Cartagena region	ISA	2011
Expansion of Sucre electric distribution grid	FAER funds: Expands coverage of rural electrification in La Mojan region, Sucre	Ministry of Mines and Energy	2011
Popayan – Guapi 115 kV line and associated substations	FAZNI funds: Improves energy service in Cauca and Nariño	Ministry of Mines and Energy	2011
34.5 kV electric interconnection and associated substations in the Chocó province	Electric interconnection from Istmina municipality to Paimadó and San Miguel	DISPAC	2012

9. Construction of Infrastructure Projects Business Unit

Peru:

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

Projects	Benefits	Customers	Commissioning
Commissioned Projects:			
Miski Mayo 138 kV connection	Connects Miski Mayo mining project to SEIN	TransMantaro	2010
Projects under construction			
Expansion 5: Substations Independencia, Quencoro, Azangaro, Trujillo Norte, Piura, Tingo María, Tocache and Bellavista	Meets generation growth and increases transformation and load capacity	REP	2011
Expansion 6: Second circuit of Chiclayo Oeste – Piura Oeste 220 kV line and associated substations	Improves reliability in the country's Northern region	REP	2011
Expansion 7: Integral adaptation of Chavarría, San Juan, Santa Rosa, Ventanilla and Zapallal substations	To meet new growth conditions of the short-circuit level in Lima region	REP	2012
Expansion 9: Second circuit of Chiclayo Oeste – Guadalupe – Trujillo Norte 220 kV line and associated substations	Increases power transfer capacity in the country's Northern region	REP	2012
Expansion 1: Increase of short-circuit tolerance of 220 kV Mantaro–Cotaruse–Socabaya line and associated substations	Increases transmission capacity to ensure serving demand in the country's Southern region	TransMantaro	2011

9. Construction of Infrastructure Projects Business Unit

Projects	Benefits	Customers	Commissioning
Public Bidding: Chilca – La Planicie – Carabayllo 220 kV line, Chilca – Carabayllo 500 kV line and associated substations	Reinforces SEIN to transport energy from new thermal generation projects in Lima Southern region	TransMantaro	2011
Public Bidding: Independencia – Ica 220 kV line and associated substations	Meets demand growth in the center region	TransMantaro	2011
Public Bidding: Zapallal – Trujillo 500 kV line and associated substations	Permits timely and reliable supply in the country's Northern region	TransMantaro	2012
Public Bidding: Talara – Piura second circuit at 220 kV and adaptation of associated substations	Improves capacity of SEIN's 220 kV links to serve electricity demand increase in the Northern region	TransMantaro	2012
Public Bidding: Pomacocha – Carhuamayo 220 kV Transmission Line and associated substations	Increase transmission capacity for the Central and Northern zones of the National Interconnected Electric System (SEIN), boosting the system's reliability by forming a ring among associated substations.	TransMantaro	2012
Public Bidding: Machupicchu – Abancay – Cotaruse 220 kV transmission line and associated substations	Adapts SEIN in Southern region for connection of new hydro generation developments.	TransMantaro	2012
Connection: Fénix – Chilca 500 kV line and expansion Chilca 220/500 kV substation	Permits connection to SEIN of Fenix thermal plant	TransMantaro	2012

9. Construction of Infrastructure Projects Business Unit

9.2 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, and commitment to sustainable development, integral growth of people, ethics, and social responsibility.

Colombia: Gain recognition as the best ally for integral development of linear infrastructure projects, 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, both associated with third parties, and deriving from expansion of the SEIN. To provide for the large mining projects, the Ministry of Mines and Energy –MEM, for its Spanish initials– forecasts large demand growth in the next few years, which will bring about increased electricity generation and reinforced transmission capacity by SEIN, mainly through projects at 500 kV.

10. Corporate Management

10.1 ADMINISTRATIVE MANAGEMENT

ISA and its companies consider as intangibles the array of capabilities (knowledge and competencies) they have to define and implement business strategies. Intangibles are part of management, and their main components are: human capital, corporate capital, and technological capital.

The Company is embarked in permanent administrative efforts to homologate practices, construct synergies, and find mobility of human talent in its companies.

ISA has homologated with its companies practices for organizational climate assessment, performance management, model of competencies by contribution, recruiting, development indexes, and educational process in its stages of induction, training, and formation. As part of this work, the results reached in qualification and certification of work competencies in the companies that are part of the Electric Energy Transport business unit are worth highlighting.

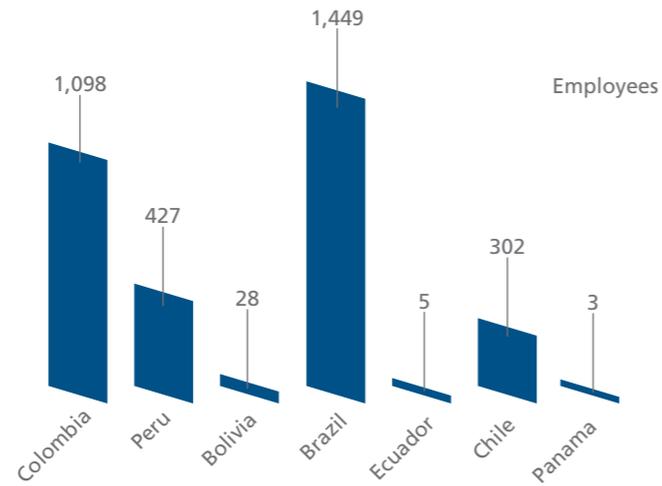
10.1.1 Human capital

It refers to the individual and group capabilities of the companies' labor force, as well as to their capacity to learn, share, and regenerate knowledge. Through this resource, ISA looks for availability of skills, talents and know-how that will allow it to develop the activities required by its corporate and business strategy.

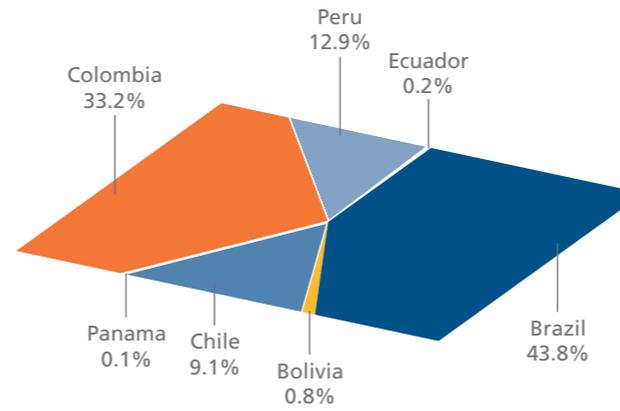
As of December of 2010, ISA and its companies had a human group of 3,312 associates, of which 339 work in its affiliates.

10. Corporate Management

EMPLOYEES OF ISA AND COMPANIES

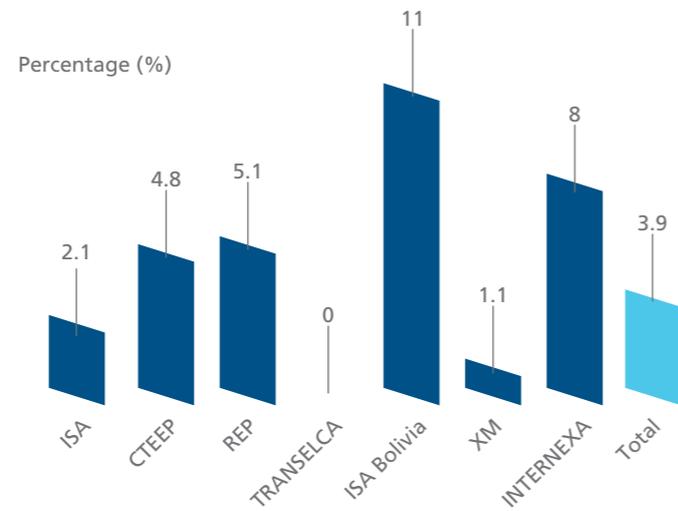


DISTRIBUTION OF EMPLOYEES BY COUNTRY



Along the past year, 183 new people joined the ranks of ISA and its subsidiaries, with the exception of Cintra Chile and its concessionaires, while 153 left, resulting in a turnover ratio of 5.4% (number of people leaving to total average staff). Retirements excluded, this turnover index stands at 3.9%.

EMPLOYEES TURNOVER



10. Corporate Management

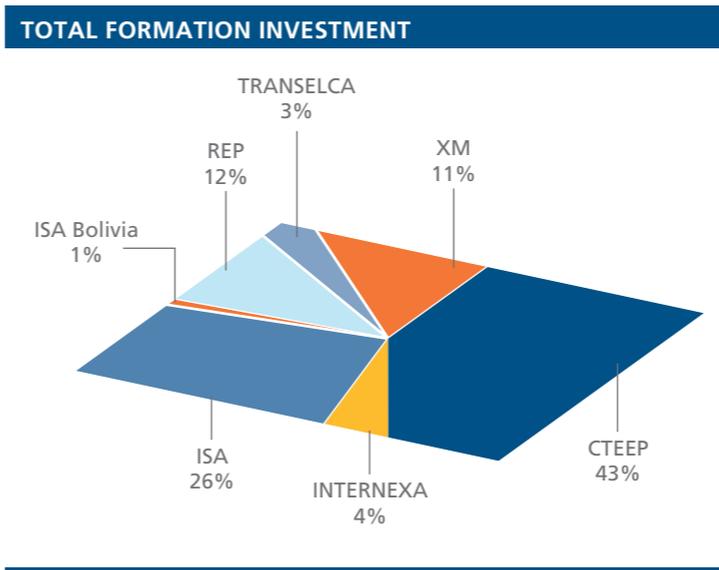
Personnel development

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

ISA and its subsidiaries, with the exception of Cintra Chile and its concessionaires, carried out along 2010 a training program calling for USD 2.1-million investment. Training programs, as well as the investment carried out, indicate that on average, each associate benefited from 75.1 yearly training hours, with an individual investment of USD 741.2. These indicators are well above those proposed by Saratoga 2010(*) for South America: 31.6 hours/person and an investment of USD 283 per associate.

Investments in formation

Company	Value (USD)	Average Plant	Indicator (USD/employee)
ISA	537,604	631	852
TRANSELCA	69,638	159	438
XM	240,574	188	1,277
INTERNEXA	86,026	111	773
CTEEP	918,185	1,385	663
REP	248,965	354	704
ISA Bolivia	13,741	27	502
Total	2,114,733	2,853	741



Issues to highlight in terms of formation are: the internship program, aimed at managing the technical knowledge of business through learning and transfer of best practices; the strengthening of technical knowledge; and the participation in research activities within both the company and other entities and suppliers. Along the period, 36 internship programs took place, more than the 28 originally planned for the year.

* Saratoga is a service of PricewaterhouseCoopers, a global leader in the measurement and benchmarking of human capital and strategic application of information on work force.

10. Corporate Management

In order to integrate business strategy and associate's development, ISA has a model of competencies by contribution, understood as the set of observable behaviors characterizing the skills, capabilities, and attitudes called for by superior individual performance in a given role.

Talent management for high-level executives and succession plan

ISA and its companies advanced updating of mapping of high-level executives and professionals with managerial potential, and started definition of individual development plans based on information on development and performance, as well as on current and future succession needs.

In order to guarantee succession of the 152 executive positions at ISA and its subsidiaries, with the exception of Cintra Chile and its concessionaries, 118 of those positions currently have a defined successor, to take over immediately, or in a one-to-two-year period.

In terms of formation of leadership capabilities, a program is underway aiming to widen perspectives, guide results, and direct and develop others.

10.1.2 Organizational capital

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

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

Organizational climate

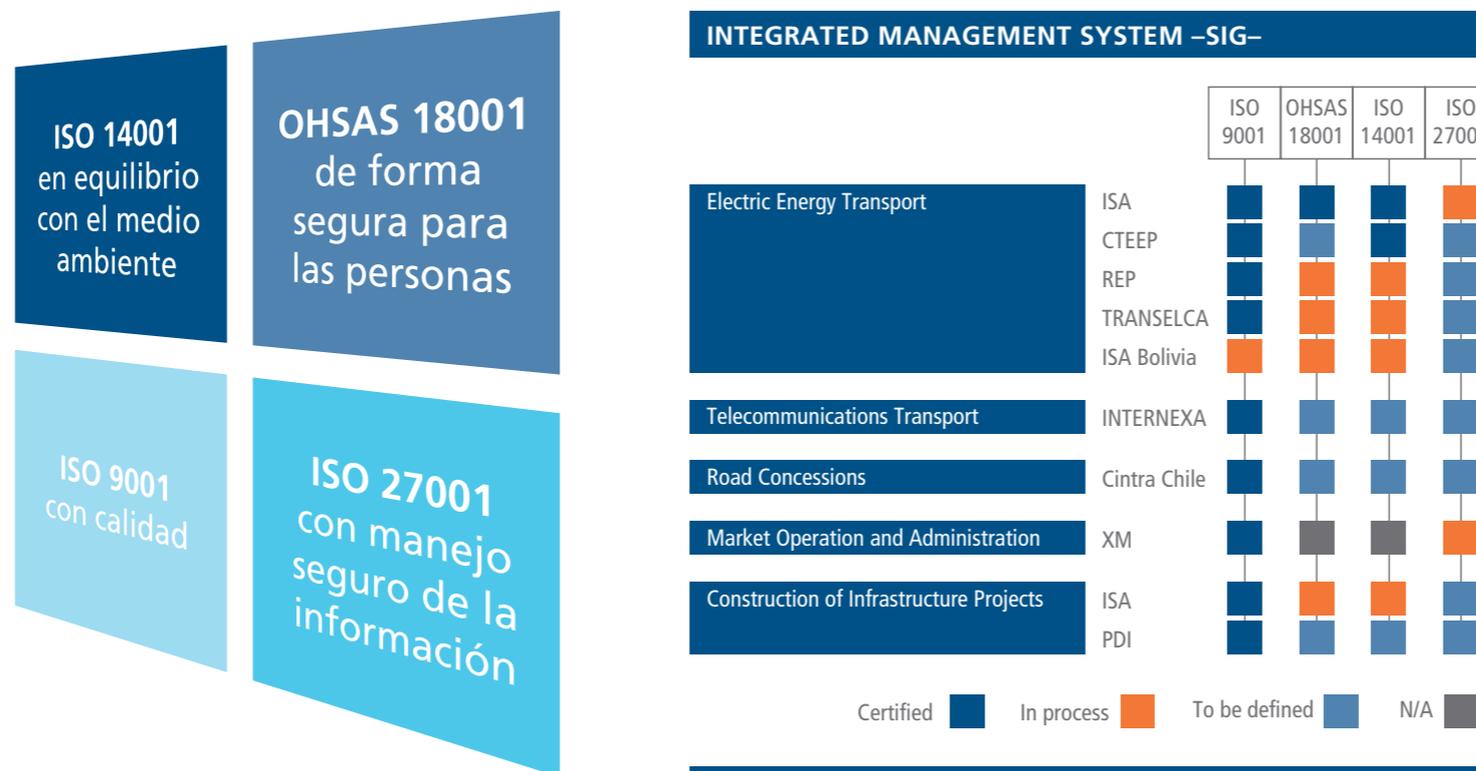
ISA and its subsidiaries, except for Cintra Chile and its concessionaries, evaluated organizational climate in 2010 with participation of 95% of workers, obtaining 65% favorability, 1% up on 2009. This evaluation measures four corporate health dimensions: individual and company effectiveness, work recognition, and commitment. Among the 16 factors evaluated, general commitment, management, external image, and values remain a clear strength. On the other hand, some factors previously on the down side improved noticeably: upper management, resources, autonomy, cooperation, support, balance, and workload.

10. Corporate Management

Integrated Management System –SIG, for its Spanish initials–

Always shored up by the principles grouped in the SIG, ISA and its companies have embarked in the search for international certifications that constitute a decided contribution to higher competitiveness levels.

Always shored up by the principles grouped in the SIG, ISA and its companies have embarked in the search for international certifications that constitute a decided contribution to higher competitiveness levels.



Tools of continuous improvement

To strengthen day-to-day administration, the pillar of ISA's and its companies' management model, deployment of the Lean Six Sigma –LSS–(*) initiative was started at XM, TRANSELCA, INTERNEXA and REP.

* LSS is a tested and structured problem-solving methodology for closing of gaps and continuous improvement.

10. Corporate Management

Along 2010, two projects were developed for XM, 17 for ISA and five, in the modality of replica, were implemented at TRANSELCA. Today, ISA and its companies have 17 black belts, and 64 green belts, trained and certified for LSS methodology.

Projects of this type represent a step ahead in the road for successful facing of new challenges, given that they incorporate tools that allow achievement of expected results, and ensure long-term sustainability. Incorporated improvements will remain in follow-up and control phase so as to stabilize and retain results achieved.

10.1.3 Technological Capital

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

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

Assessment and adjustment of general strategies for IT and corporate governance management were developed along 2010, and the 2011–2013 Technological Plan was defined for ISA and its companies. Outstanding among the goals and purposes resulting from this work are: strengthening information technology for simplified and homologous processes, improving services, facilitating collaboration, conducting applied technological surveillance, achieving synergies, and consolidating companies.

A series of projects were implemented in the previous year, among which management and operation homologation at Proyectos de Infraestructura de Perú –PDI– and ISA Perú under the SAP system stands out, aimed to achieve synergies, effectiveness, and productivity of support processes. Additionally, technological solutions were offered for the Road Concessions business unit, to which end the market's leading tools and those utilized by the competitors were identified, in order to incorporate the most convenient information systems for construction, operation, and maintenance of road infrastructure. Finally, ISA and its companies completed implementation of the International Financial Reporting Standards –IFRS–, a project that deserved recognition to achievement from Colombia's SAP Users Association.

10. Corporate Management



10. Corporate Management

10.2 FINANCIAL INFORMATION AND RISK MANAGEMENT

Financial information

In accordance with its expansion and international recognition process, the need to unify accounting parameters with world-class best practices, and the requirements of units to measure and compare companies, ISA implemented the International Financial Reporting Standards –IFRS–.

In 2010, the definition, preparation and configuration phases were completed. Stabilization phase is currently underway, and it will allow adjustments inherent to commissioning of projects, regulation changes, and new interpretation of regulation.

Implementation of the IFRS benefits the internationalization process of financial information, appealing to the world's best practices (high quality, transparency, and comparability), while allowing the companies to access capital markets under lower underwriting costs.

Risk Management

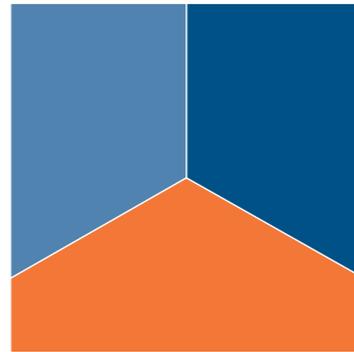
Guided by their Policy for Integral Risk Management, ISA and its companies identify, evaluate, implement management measures, monitor, consolidate and disclose their main risks. Each company has its own risks map, and gives priority to the most relevant ones depending on both likelihood of occurrence and severity of consequences. Likewise, it manages them through not only preventive, but also protective measures, including the transfer of risks.

Additionally, ISA coordinates with its companies the implementation of integral risk management cycles, and it follows up updating and management improvement of risk maps.

In 2010, ISA and its companies prepared a map consolidating the risks they are exposed to, identifying 14 of them, classified in the categories of strategic, operating, and milieu.

10. Corporate Management

RISK MAP OF ISA AND COMPANIES



- | OPERATING | STRATEGIC | MILIEU |
|--|------------------------|---------------------|
| ■ Information and communication technologies | ■ Financial | ■ Natural phenomena |
| ■ Equipment failures | ■ Legal and regulatory | ■ Sociopolitical |
| ■ Human and procedural errors | ■ Reputational | |
| ■ Fraud | ■ Human capital | |
| ■ Environmental | ■ Breach of contract | |
| | ■ Corporate governance | |
| | ■ Growth | |

Application of this evaluation process allowed ISA and its companies to identify priority risks, considering their effect on fundamental resources: financial, human, information and corporate image.

Management of these priority risks, as well as the other risks identified in the companies' maps, is based on application of management measures to not only recurrent activities but also to new action plans that will allow prevention of event occurrence or severity reduction of their effects on fundamental resources.

Priority risks identified were:

Growth: defined as the difficulty or impossibility to venture into or increase participation in target business areas or markets, while securing current business. Financial resources stand as the most vulnerable to this risk.

10. Corporate Management

Main administration actions:

- Analysis of milieu in target countries.
- Analysis of competition.
- Adequate structuring by business case.
- Endeavors with regulators and the industry.
- Follow-up and evaluation of compliance with business plans and management of companies.

Sociopolitical: understood as the dynamics of the armed conflict, social context, and decisions and situations with a political nature that affect the companies. Financial and human resources stand as the most vulnerable to this risk.

Main administration actions:

- Permanent analysis of political and economical situation in the countries where we are present and/or growth strategy development is being planned.
- Endeavors with state entities.
- Management of sociopolitical risks.

Natural phenomena: manifestations of Nature affecting the companies' resources, processes, and goals. Human resources stand as the most vulnerable to this risk.

Main administration actions:

- Emergency and evacuation plans.
- Seismic resistance criteria.
- Adequacy and adaptation of facilities.

10. Corporate Management

- Business continuity plans.
- Occupational health programs.

Human and procedural errors: deviation between what must be done and what is done caused by human acts, not motivated by ill intention, or by the absence or deficiency of procedures. Human resources stand as the most vulnerable to this risk.

Main administration actions:

- Management systems: Quality, environment, safety and occupational health and information security.
- Educational plans.
- Training, qualification and certification in critical processes.
- Unified Handbook for Operation and Safe Maintenance.

Breach of contract: Partial or total default on terms of contracts, covenants or agreements, signed by the companies. Financial and human resources stand as the most vulnerable to this risk.

Main administration actions:

- Internal rules for contracting processes of the companies.
- Demand of policies and guarantees from contractors.
- Follow-up and evaluation of suppliers' performance.
- Follow-up of execution of projects.
- Management systems: Quality, environment, safety and occupational health and information security.
- Definition and implementation of communication strategies.

10. Corporate Management

Legal and regulatory: Changes or deficiencies in legislation, precedent or regulatory frame; increased demands from regulators, or supervisory or controlling entities; differences in application or interpretation of regulation among entities or between entities and the companies. Human resources stand as the most vulnerable to this risk.

Main administration actions:

- Analysis and follow-up of proposed bills.
- Consultation with external advisors to interpret and apply regulation.
- Process management – compliance with regulation.
- Definition and implementation of communication strategies.

10.3 CORPORATE COMMUNICATION

ISA deployed its corporate positioning in its affiliates and subsidiaries, reinforcing the concept of linear infrastructure systems; it also shared its brand name nomenclature system, a document defining principles and organizing the brand-naming system in order to denominate the affiliates, subsidiaries and investments the Company has in the countries where it has a presence.

Additionally, it produced a Communication Handbook for Mitigation of Reputational Risks and Crises, a basic tool to counter risks directly impacting the corporate image resource, given that ISA is an organization susceptible of critical facts that can affect its reputation.

As part of communications management work, ISA and its companies constructed communication lines for the business units of Electric Energy Transport and Telecommunications Transport, and another one for Corporate Social Responsibility. These guidelines contain strategic communications definitions that allow inter-company alignment and alignment with their business, as well as generation of clear, consistent, direct and understandable messages to their stakeholders.

10. Corporate Management

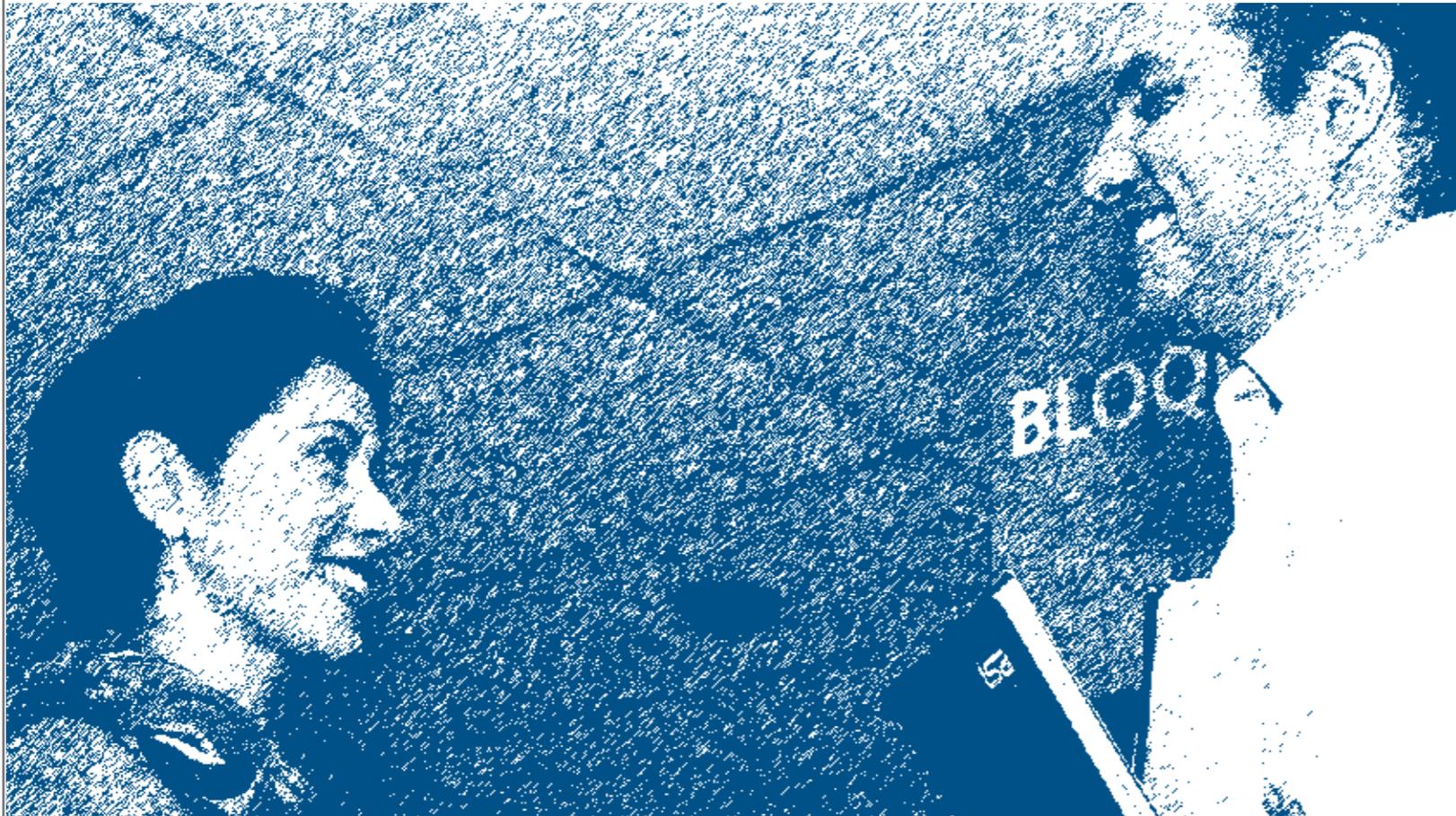
10.4 LEGAL AFFAIRS MANAGEMENT

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 2010. 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.



11. Corporate Social Responsibility

ISA and its companies acknowledge that their works on lineal infrastructure systems design, building and operation, as well as the operation of its administrative units, demand resources and have impact and risk on the environment. For this reason, ISA has made a great effort in their successful management along many years, showing the environmental responsibility it is now recognized for.

As part of its growth and internationalization process, ISA has acquired important knowledge, understanding that the sustainability vision it is committed to, must evolve in order to answer to the new challenges associated with a globalized world: the Human Rights agenda, business management in complex environments, poverty, and the serious effects of global warming that are becoming evident in our hemisphere.

To answer the need to carry out integrated and systemic actions for all its business units in environmental, social and economic terms, ISA has developed a new Social and Environmental Management Model, which in addition to answering all such challenges, has become a framework for the companies to crystallize their commitment to sustainable development working according to the principles of the Global Compact, the Millennium Development Goals and climate change.

This is done in order to direct ISA and its companies to sustainable growth, well ahead of economic value, integrating responsible environmental and social management, through practices that answer to the requirements of the milieu.

ISA and its companies, shaping up its commitment with sustainable development, have as an objective to improve the quality of life and the development of the communities where they are present. To achieve this objective, the companies include in their management endeavors, initiatives aimed at Human Rights respect, improvement of primary education coverage, and promotion of environmentally responsible practices.

In accordance with this new perspective, ISA published its first Sustainability Report under the international methodology of the Global Reporter Initiative –GRI– (*) level B. This report identifies material subjects

GRI is a network-based organization of multiple stakeholders with thousands of individual experts, companies, academic organizations and NGOs in more than 30 countries. GRI's mission is to create conditions for the transparent and reliable exchange of sustainability information through a series of indicators applicable to enterprises. It has different application levels that have to be measured according to its application scope, assigning a "+", given by an external assessor.

11. Corporate Social Responsibility

that are of significance to the management as well as representative for the stakeholders, and through which, the main economic, environmental and social impacts can be measured and disclosed.

Based on this methodology, ISA held meetings with some of its stakeholders, bringing them elements to review management, according to their needs and expectations. Meetings with customers and suppliers, meetings with investors, the Regular Shareholders' Meeting, the corporate climate survey and the reputation survey, among other activities, were paramount to review management endeavors with stakeholders.

During 2010, the following issues are worth mentioning:

11.1 ENVIRONMENTAL MANAGEMENT

Within the frame of the International Year of Biodiversity, declared by the United Nations, ISA organized the information collected by biodiversity and strategic ecosystems papers prepared by the Company during the past 15 years.

Additionally, the Company carried out the Biodiversity National Forum, having as main subject the relation between ecosystems conservation and compensation measures. In this setting, the discussion turned around socially, legally and economically viable measures complementary to reforestation and aimed at sustainably managing the country's most important ecosystems.

The forest compensation program for the 500kV lines connecting the country's Central region to the Atlantic Coast was selected as case study. This program has contributed to preserve more than one million hectares of strategic ecosystems in the jurisdictions of ten Regional Autonomous Corporations –CAR, for the Spanish initials–.

11.2 SOCIAL MANAGEMENT

As an effort to improve the quality of life of communities neighboring its infrastructure, ISA and its companies have been developing a series of initiatives focused on education, culture and community service.

11. Corporate Social Responsibility



11. Corporate Social Responsibility

Initiatives focused on education

With the purpose of improving education quality in Colombia, ISA, XM and TRANSELCA are developing the following programs:

ISA structured the Educational Transformation for Life Program, helping 100 educational institutions in 24 municipalities of six provinces, serving nearly 28,000 students and 900 teachers.

XM started an educational plan of six initiatives designed to promote knowledge. Among them, the Scholarship Program can be highlighted, a program aimed at electric engineering low-income students with outstanding academic performance and working on issues relevant to the Company.

TRANSELCA contributes to education through several initiatives. In association with the Soledad Technological Institute, in Atlántico Province, it provides technological and technical-professional educational cycles; with the AliaRSE Foundation promotes bilingual environments in productive sectors; in association with Alianza Caribe, it develops the Caribbean Region Technical and Technological Education Strengthening Program; in an agreement with the Antonio Restrepo Barco Foundation it conducted a study of educational institutions in order to improve educational quality and physical conditions in schools neighboring ISA's infrastructure; and in association with Corporación Luis Eduardo Nieto Arteta and the Children and Piloto del Caribe libraries, it is conducting in the region the Travelling Briefcases Program, reaching more than 60,000 people from lower social levels not having access to public libraries.

REP, TransMantaro and ISA Peru, in association with two NGOs (IPES in Lima and IDMA in Huánuco), and with resources and technical cooperation from the United States, are developing the Orchards Online Project, aiming at having 500 school orchards in Huánuco and developing an agricultural model centre in Pachacamac.

CTEEP, in association with the State Secretary of Education, is developing the Cultural Circuit Project, aimed at children and young people from 60 public schools in the neighborhood of transmission lines. Additionally, CTEEP is conducting the Film Culture Circuit in schools, where children and young people write stories, to be converted into short films. CTEEP is also supporting the Guri Project, the Santa Marcelina's youth music group and the Grupo Jovenes, composed of the State Youth Choir, the State Youth Orchestra, the Tom Jobim Youth Orchestra and the Youth Symphonic Band.

11. Corporate Social Responsibility

Human Rights

Related to the commitment to support and protect Human Rights, ISA took part in relevant venues like the Energy and Mining Committee, promoting initiatives and best practices in security and Human Rights issues.

Additionally, and in order to strengthen the social fabric allowing a higher fulfillment level of the Global Compact's ten principles, ISA continued supporting processes aimed at promoting knowledge and respect for Human Rights in sites where ISA is present and supporting redress processes in communities where these rights have been violated. All these activities are performed through the Peace and Human Rights line of the Development and Peace Programs run by the ISA Region Program.

ISA also developed the Telemap Program, used to train medical personnel, military authorities and community organizations in order to give early support to victims of anti-personnel land mines and unfired ammunition.

Millennium Development Goals

ISA, in line with the worldwide commitment to support the Millennium Development Goals signed an agreement with United Nations Development Program –UNDP– in order to take actions in 29 Colombian towns (making part of the 71 “Millennium Municipalities”) where the Company is present, and six more, where social–environmental projects, relevant to ISA, are taking place.

The agreement will permit to perform activities framed in three great strategies: promotion of inclusive business contributing to poverty reduction; identification of critical issues hindering achievement of the Millennium Development Goals, especially in education; and the climatic change vulnerability analysis.

Looking to the future, ISA has the challenge to establish a structured process for having productive dialogues with its stakeholders. Additionally, ISA has to deepen application of the Global Reporting Initiative–GRI– methodology to try to find, through reporting, a continuous process of discussion, definition of the action focal point, measurement and communication.

For more information regarding Corporate Social Responsibility –CSR–, each company's full report is available in its Web page.

12. Evolution of the Stock

12.1 10 YEARS OF PUBLIC LISTING

The sound growth strategy that in past years has driven ISA permitting its expansion and venture into new sectors has always paid attention to the impact and value-adding that each new business means for the investor. Such fact, a distinctive feature of ISA's management, has facilitated its growth as well as the arrival to the Company of fresh funds from public listings.

In just ten years, ISA advanced significantly in its growth process, going from COP 3,200,000 million consolidated assets at the end of 1999 to COP 25,800,000 million at 2010 close. It currently competes in Latin America's major markets with a portfolio of five business units managed through 28 companies, 23 more than a decade ago.

In the four issuances of 2000, 2002, 2007 and 2009, ISA has placed close to 323 million shares representing COP 987,000 million. Citizen participation stands at 31.42%, something unheard of ten years ago.

From December 2000 until December 31, 2010, ISA's stock has appreciated by 1,558.82%, while its dividends have kept a growing trend with payments totaling COP 1,154,974 million.

APPRECIATION ISA STOCK – IGBC SINCE 2001



12. Evolution of the Stock

ISA was the first State company to be publicly listed, and it did it so through the "ISA, Shares for All" program, an initiative that crystallized in 2000 and 2002 with outstanding results as shown by 29% and 40% over-demand, respectively. The program opened doors to new investors and close to 90,000 individuals invested in it, of which 91% of were first-time purchasers.

In 2000, the Company committed itself to protect the interests of minority shareholders by subscribing the Statement of the State, and in 2001, it adopted a Code of Good Governance that was incorporated into the bylaws a year later.

In 2004, ISA officially listed its American Depositary Receipt –ADR– Level I with the United States Securities and Exchange Commission and can then trade part of its shares in the OTC market.

In 2007, the Company carried out its third issuance of common shares in the local market under a novel public offer process called "book building". This process was 3.3 times overbooked.

In 2009, ISA carried out its latest common shares issuance, again under the book building mechanism, this time 2.8 times overbooked.

12.2 PERFORMANCE OF THE STOCK

Last year was a challenging one for Colombia, considering the effects of the global economy along 2009. Under such scenario, and taking into account that variable income was volatile for several issuers, the market closed the year as one of the most dynamic, with 33.5% appreciation in the General Index of the Colombian Stock Exchange –IGBC, for its Spanish initials–, and a total traded in shares of COP 53,510,000 million.

ISA's share closed the period at COP 14,100 per share, 8.63% above 2009 (COP 12,980). Minimum, maximum and average quotes were COP 12,210 (May 21), COP 14,980 (October 13) and COP 13,142, respectively.

12. Evolution of the Stock



Average volume traded was COP 4,490 million, 41.82% up on 2009, bringing the share to the tenth place in the high market capitalization category. Purchases and sales involved close to 85 million shares, with foreign investment funds, legal institutions and insurers as main purchasers, and individuals, general funds and the ADRs program as main sellers.

12. Evolution of the Stock



12. Evolution of the Stock

Shareholding		
Shareholders	Shares	%
State investors	682,078,108	61.58
The State	569,472,561	51.41
Empresas Públicas de Medellín	112,605,547	10.17
State-and-private-capital companies	77,577,007	7.00
ECOPETROL	58,925,480	5.32
Empresa de Energía de Bogotá	18,448,050	1.67
Empresa de Energía del Pacífico	203,477	0.02
Private investors	348,022,779	31.42
Institutional investors	210,447,090	19.00
Individuals	93,621,269	8.45
Legal entities	21,699,213	1.96
Foreign investment funds	20,658,682	1.87
ISA ADR Program	1,596,525	0.14
Outstanding subscribed and paid capital	1,107,677,894	100.00

The Company's market capitalization as of December 31, 2010 stood at COP 15,618,258 million, with 1,107,677,894 outstanding shares.

12. Evolution of the Stock

Stock market indicators

	2008	2009	2010
Outstanding shares (No.)	1,075,661,374	1,107,677,894	1,107,677,894
Free-float (%)	29.70	31.44	31.42
Shareholders (No.)	56,539	53,215	51,204
Par value (COP)	32.8	32.8	32.8
Book value including appreciation (COP)	4,470.98	5,528.96	5,813.69
Closing quote (COP)	7,100	12,980	14,100
Market capitalization (USD million)	3,404	7,033	8,160
Market capitalization index (position No.)	6	6	10
IGBC (points)	7,560.68	11,602.14	15,496.77
Colcap (points)	851.35	1,366.85	1,823.70
Col20 (points)	701.23	1,115.43	1,452.68
ADR closing quote (USD)	78.94	158.84	183.59
ADR average quote (USD)	93.89	114.83	173.70

12. Evolution of the Stock

American Depositary Receipt –ADR– Level I

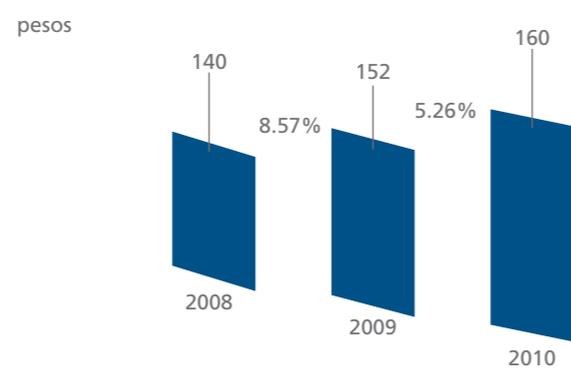
ISA's ADRs are traded in the OTC market and quoted in the OTCQX international electronic platform, a tool that provides investors with continuous information about issuers and their securities.

ISA's ADR appreciated by 15.58% with a quote of USD 158.84 at the beginning of the year, and of USD 183.59 at the end of the period.

Dividends

The Shareholders' Meeting held on March 29, 2010 approved distribution of COP 177,228 million earnings and reserves, materialized in a dividend of COP 160 per share. Payment was made in four quarterly installments of COP 40 each, on April 19th, July 19th and October 19th of 2010 and January 27th of 2011.

REGULAR DIVIDENDS PER SHARE



13. Financial and Economic Management

13.1 CONSOLIDATED FINANCIAL MANAGEMENT

Consolidated results for the period

COP million	2010	2009	Variation	% Variation
Income Statement				
Operating Revenues	3,513,617	3,307,063	206,554	6.2
Operating costs and expenses	(1,642,591)	(1,563,525)	(79,066)	5.1
EBITDA	2,526,445	2,406,907	119,538	5.0
Operating income	1,871,026	1,743,538	127,488	7.3
Non-operating results	(416,473)	(370,177)	(46,296)	12.5
Pre-tax income	1,454,553	1,373,361	81,192	5.9
Income tax provision	(424,462)	(483,980)	59,518	-12.3
Income before minority interests	1,030,091	889,381	140,710	15.8
Minority interests	686,195	574,503	111,692	19.4
Net income	343,896	314,878	29,018	9.2
Balance Sheet				
Assets	25,819,800	17,049,376	8,770,424	51.4
Liabilities	14,148,821	7,390,801	6,758,020	91.4
Equity	6,443,797	6,177,036	266,761	4.3
Minority interests	5,227,182	3,481,539	1,745,643	50.1
Indicators				
EBITDA margin (%)	71.9%	72.8%		
Operating margin (%)	53.3%	52.7%		
Net margin (%)	9.8%	9.5%		
Return on assets (%)	1.3%	1.8%		
Return on equity (%)	5.3%	5.1%		
Leverage (%)	54.8%	43.3%		
Net debt / EBITDA (times)	2.72	1.5		
EBITDA / Interest (times)	7.6	6.2		

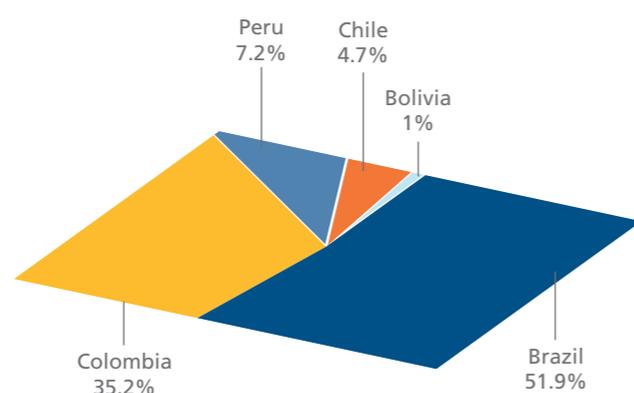
13. Financial and Economic Management

Consolidated income statement

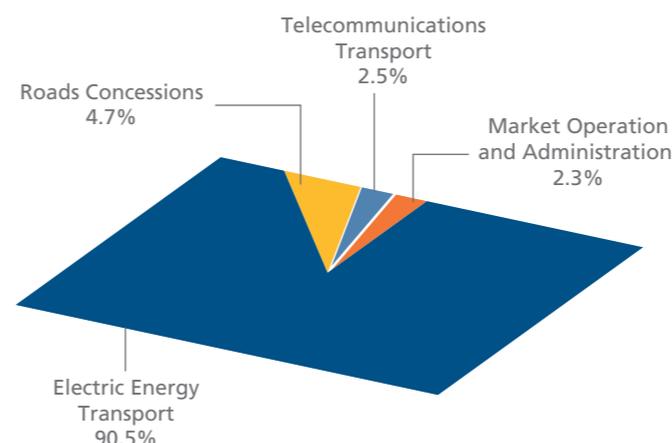
Operating revenues totaled COP 3,513,617 million, equivalent to 6.2% increase with respect to 2009 (COP 3,307,063 million). Such variation is explained mainly by:

- Cintra Chile and its concessionaires: Integration of revenues from commercial exploitation of highways by the five concessionaires of Cintra Chile, starting October 2010.
- CTEEP: Increase in revenues as effect of the Market Prices General Index –IGPM–, to which they are indexed.

CONSOLIDATED REVENUES BY COUNTRY



CONSOLIDATED REVENUES BY BUSINESS UNIT

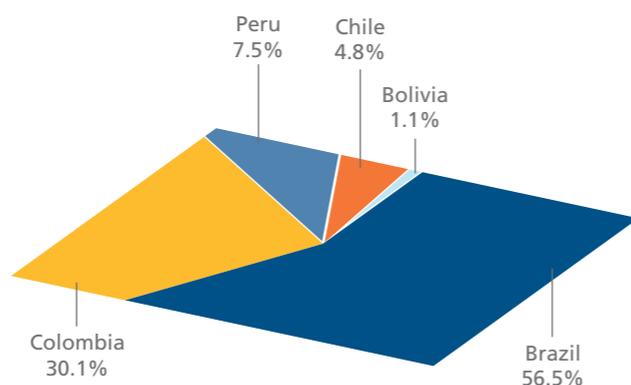


Operating costs and expenses in turn, totaled COP 1,642,591 million, 5.1% up on last year's figure (COP 1,563,525 million). This result is due principally to incorporation of Cintra Chile's and its concessionaires' costs and expenses, increased retirement pensions expenses in ISA, TRANSELCA and XM caused by higher life expectancy in Colombia, and increased amortization due to commissioning of projects that were formerly under construction.

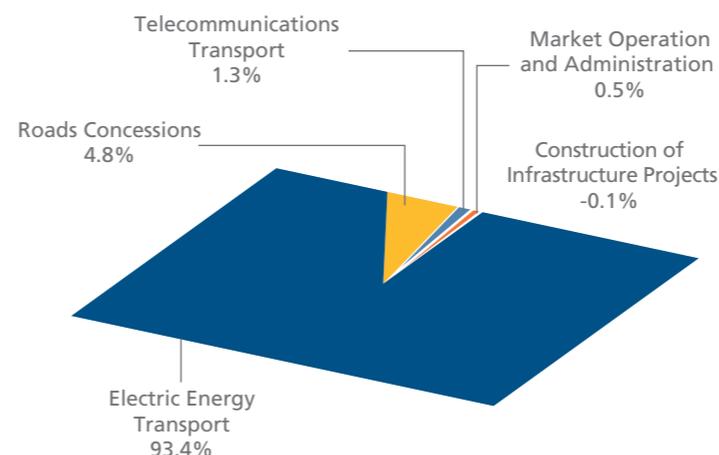
At COP 2,526,445 million, consolidated EBITDA increased COP 119,538 million or 5%, with respect to 2009 (COP 2,406,907 million). As a result, EBITDA margin at 71.9% is 90 percentage points above that for 2009 (72.8%).

13. Financial and Economic Management

CONSOLIDATED EBITDA BY COUNTRY



CONSOLIDATED EBITDA BY BUSINESS UNIT



Consolidated operating income was COP 1,871,026 million, 7.3% up on 2009 (COP 1,743,538 million), while operating margin at 53.3% is 6 percentage points above that for 2009 (52.7%).

Non-operating results went from COP –370,177 million in 2009 to COP –416,473 million in 2010 as a result of:

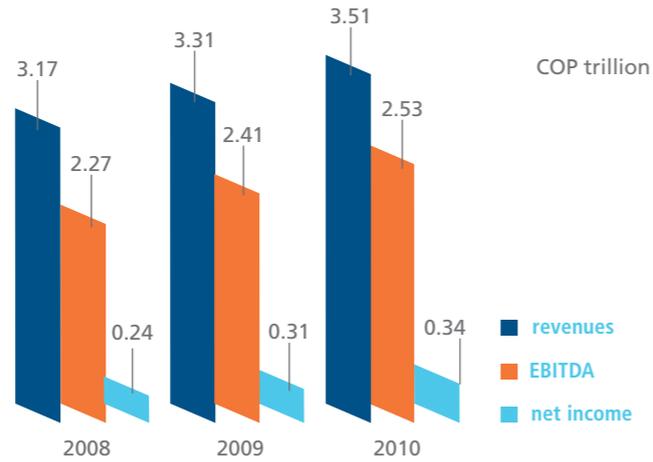
- Higher financial costs due to increased debt in CTEEP.
- Financial expenses derived from debt restructuring in ISA Capital do Brasil.
- Incorporation of financial expenses of Cintra Chile and its concessionaires.
- Lower revenues from exchange difference in ISA Capital do Brasil associated to its lower indebtedness.

Income tax expense dropped 12.3% from COP 483,980 million in 2009 to COP 424,462 million in 2010. Such variation is principally explained by lower fiscal income in CTEEP; and in ISA, by recognition of deferred tax for the effect of exchange difference on investments abroad.

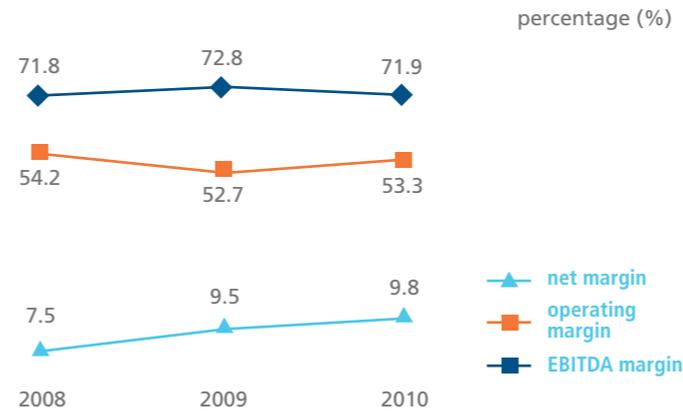
At COP 343,896 million, net income is 9.2% up on 2009 (COP 314,878 million), while net margin at 9.8%, is 30 percentage points above that for 2009 (9.5%).

13. Financial and Economic Management

CONSOLIDATED FINANCIAL FIGURES



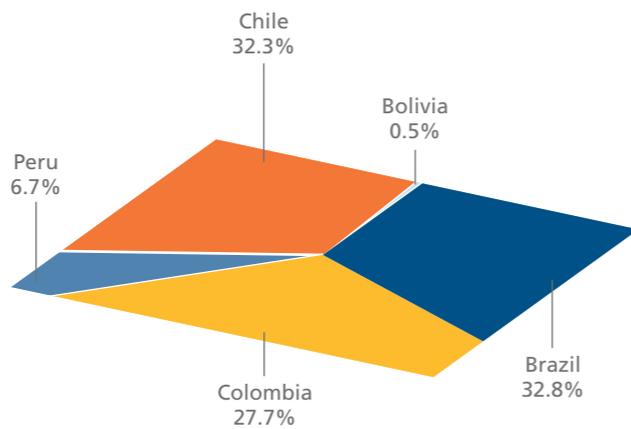
CONSOLIDATED FINANCIAL INDICATORS



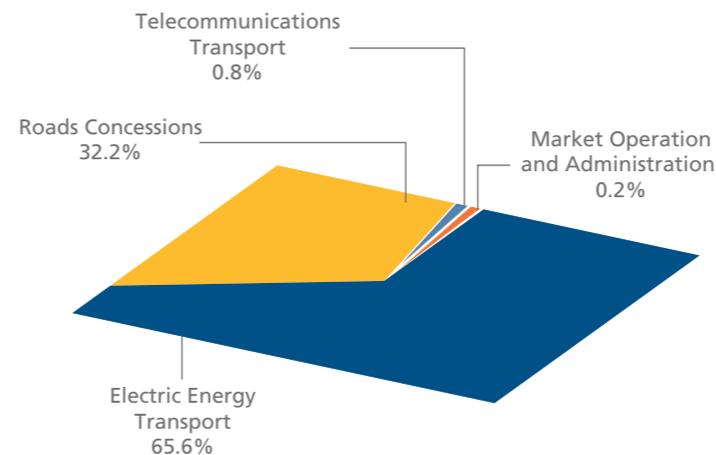
Consolidated balance sheet

The assets of ISA and its companies amounted to COP 25,819,800 million, which means 51.4% growth with respect to 2009 (COP 17,049,376 million). Such increase originated mainly in the incorporation of the assets of Cintra Chile and its concessionaires for COP 8,318,714 million; CTEEP's contributions for COP 248,070 million to the corporations where it has stakes; and increase in TransMantaro's assets for COP 275,257 million.

CONSOLIDATED ASSETS BY COUNTRY



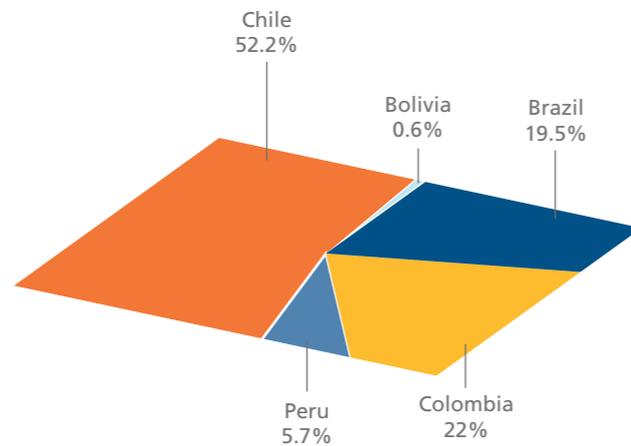
CONSOLIDATED ASSETS BY BUSINESS UNIT



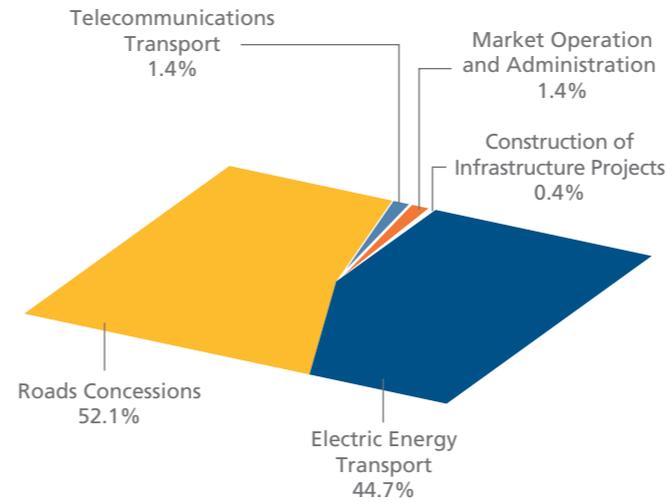
13. Financial and Economic Management

Liabilities increased by 91.4% from COP 7,390,801 million in 2009 to COP 14,148,821 million in 2010, the result, mainly, of the incorporation of liabilities of Cintra Chile and its concessionaires for COP 7,035,031 million.

CONSOLIDATED LIABILITIES BY COUNTRY

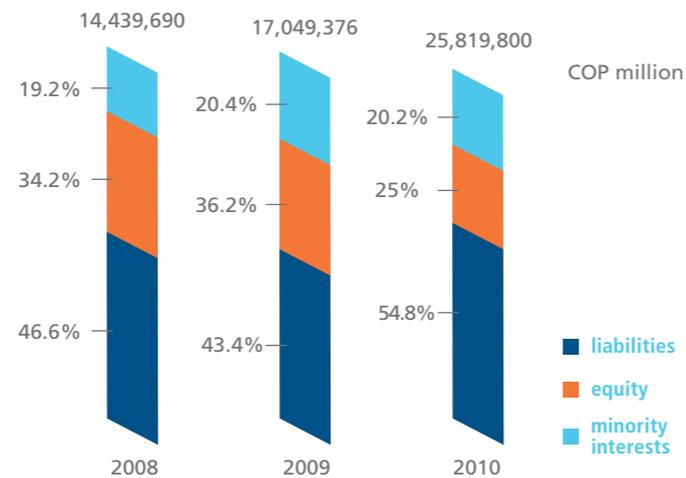


CONSOLIDATED LIABILITIES BY BUSINESS UNIT



Equity, in turn, totaled COP 6,443,797 million, representing 4.3% increase over 2009 (COP 6,177,036 million), due to revaluation of assets of the Colombian companies, net income of 2010, and increase in ISA's reserves approved by the Shareholders' Meeting.

CONSOLIDATED BALANCE SHEET STRUCTURE



13. Financial and Economic Management

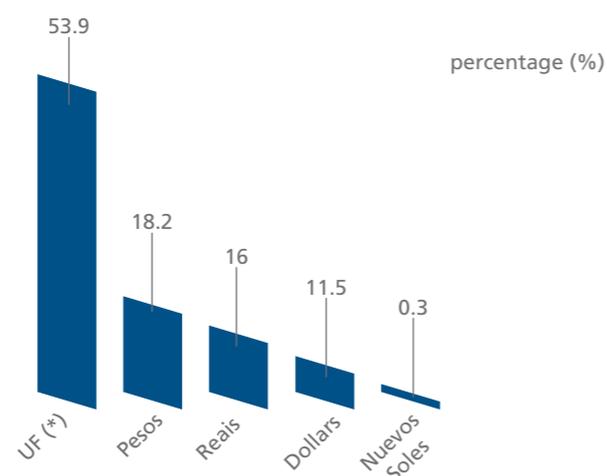
Financial liabilities

At year's end, consolidated financial liabilities amounted to COP 8,094,240 million, 76.7% increase with respect to former year (COP 4,580,106 million). Important facts during the period had effect on such result:

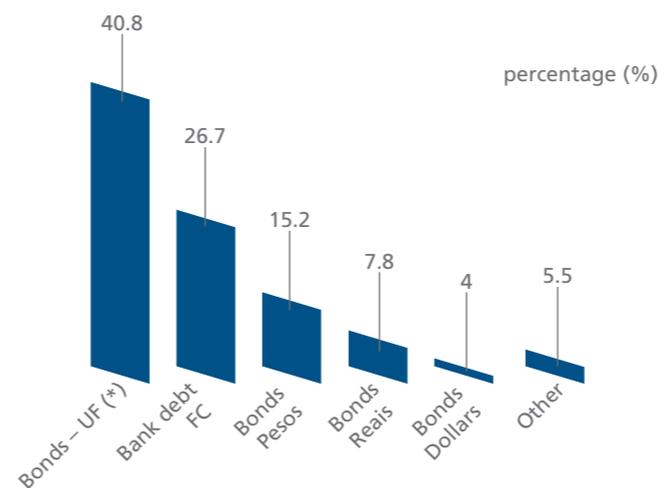
- In the first quarter, ISA Capital do Brasil restructured its debt, by redeeming bonds of 2012 and 2017 for USD 522 million. The transaction was effected with funds obtained in the issuance of preferred shares in Brazil. As a consequence, consolidated financial debt dropped by BRL 1,200 million.
- TransMantaro subscribed with Banco de Crédito del Perú a loan for USD 70 million at eight years and 6.68% fixed rate, of which, USD 36 million were disbursed during the year. This loan will finance its expansion plan.
- In December of 2009, CTEEP issued bonds in the local market for BRL 548.6 million; funds were received in January of 2010 and permitted investment financing of projects awarded by ANEEL. The two-series issue was indexed to Interbank Deposit Certificates –CDI, for its Portuguese initials–, and to Brazilian IPCA consumer price index, at terms of five and seven years, respectively.
- ISA received a loan from for COP 224.455 to partially finance the acquisition of Cintra Chile and its concessionaires.
- In the last quarter, ISA consolidated the debt of Cintra Chile's five concessionaires thereby incrementing consolidated debt balance by COP 4,359,594 million.

13. Financial and Economic Management

CONSOLIDATED DEBT BY CURRENCY



CONSOLIDATED DEBT BY SOURCE



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

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 prominent position as energy transporter in Colombia, Peru and the Brazilian State of São Paulo, and as new player in the Chilean road concession business.

FitchRatings Colombia ratified the AAA rating, stable outlook, for ISA's third bond issue 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).

In 2010, ISA was assigned the investment grade by Moody's Investor Service after receiving a Baa3 issuer rating with stable outlook for both domestic and foreign currency. Likewise, Fitch Ratings assigned it a BBB issuer rating with stable outlook for both local and domestic currency.

FitchRatings Colombia also ratified TRANSELCA's AAA rating, the highest ever for 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).

13. Financial and Economic Management

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

For ISA Capital do Brasil, Fitch Ratings raised from BB+ to BBB-, stable outlook, the risk rating for the remaining international bonds with maturity up to 2017.

Fitch Ratings raised from AA to AA+ the risk rating for CTEEP's local bonds.

The international bond issue of Autopista del Maipo, a concessionaire of Cintra Chile, received BBB- rating from Standard & Poor's and Baa3 from Moody's Investor Service, while Feller Rate rated A the local bond issues.

Fixed-rate securities issued by Ruta del Bosque, a concessionaire of Cintra Chile, were rated Baa3 by Moody's, while Standard & Poor's upheld their BB+ rating, stable outlook. And Fitch Ratings rated A-, stable outlook, its local bond issue.

Fixed-rate securities issued by Talca Chillán, a concessionaire of Cintra Chile, were rated Baa2 by Moody's, while Standard & Poor's upheld their BBB- rating, stable outlook. And Feller Rate rated A- stable outlook, its bond issue in local currency.

Investments

ISA and its companies carried out investments worth COP 2,174,525 million in line with their expansion plans.

Colombia: COP 874,287 million investment, of which COP 808,118 million were contributions to TransMantaro and ISA Inversiones Chile and for asset investments in ISA.

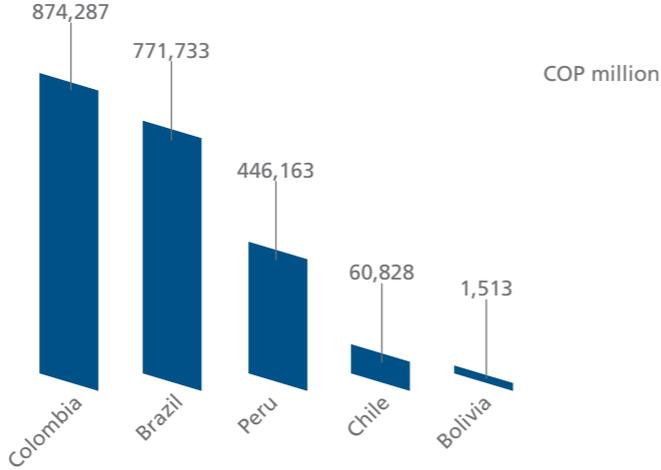
Brazil: COP 771,733 million investment, of which COP 612,457 million were invested by CTEEP in grid reinforcements and as capital contributions to the companies where it has stakes.

Peru: TransMantaro invested COP 361,392 million to execute projects awarded by Proinversión, while REP invested COP 100,090 million in expansion of its electric grid.

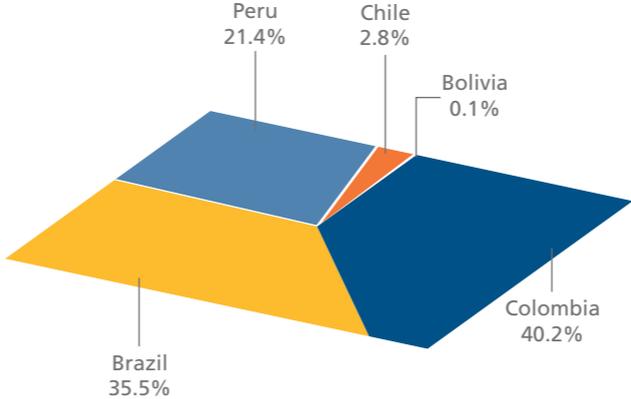
13. Financial and Economic Management

Figures include ISA's cash investments and those of the companies that are consolidated for accounting purposes.

INVESTMENT BY COUNTRY



INVESTMENT BY COUNTRY



13. Financial and Economic Management

13.2 ISA'S FINANCIAL MANAGEMENT

ISA's results during the period

COP Million	2010	2009	Variation	% Variation
Income Statement				
Operating Revenues	941,971	932,107	9,864	1.1
Operating costs and expenses	(469,363)	(460,174)	(9,189)	2.0
EBITDA	623,946	625,204	(1,258)	-0.2
Operating income	472,608	471,933	675	0.1
Non-operating results	(20,075)	(11,584)	(8,491)	73.3
Pretax income	452,533	460,349	(7,816)	-1.7
Income tax provision	(108,637)	(145,471)	36,834	-25.3
Net income	343,896	314,878	29,018	9.2
Balance Sheet				
Assets	9,033,380	8,521,132	512,248	6.0
Liabilities	2,593,684	2,401,248	192,436	8.0
Equity	6,439,696	6,119,884	319,812	5.2
Indicators				
EBITDA margin (%)	66.2%	67.1%		
Operating margin (%)	50.2%	50.6%		
Net margin (%)	36.5%	33.8%		
Return on assets (%)	3.8%	3.7%		
Return on equity (%)	5.3%	5.1%		
Leverage (%)	28.7%	28.2%		
Net debt / EBITDA (times)	2.3	1.4		
EBITDA / Interest (times)	5.4	3.4		

Income statement

ISA's revenues totaled COP 941,971 million, 1.1% growth with respect to 2009 (COP 932,107 million). Such results are explained by commissioning of Cira Infantas and Caricare connection projects.

13. Financial and Economic Management

Operating costs and expenses totaled COP 469,363 million, equivalent to 2% increase on 2009 (COP 460,174 million), due, mainly, to higher AOM expenses resulting from reclassification as operating expenses of expenses incurred because of terrorist attacks to towers, as well as from actuarial estimate due to higher life expectancy in Colombia.

As a consequence of the above, EBITDA decreased 0.2% to COP 623,946 million; EBITDA margin, in turn, fell from 67.1% to 66.2%.

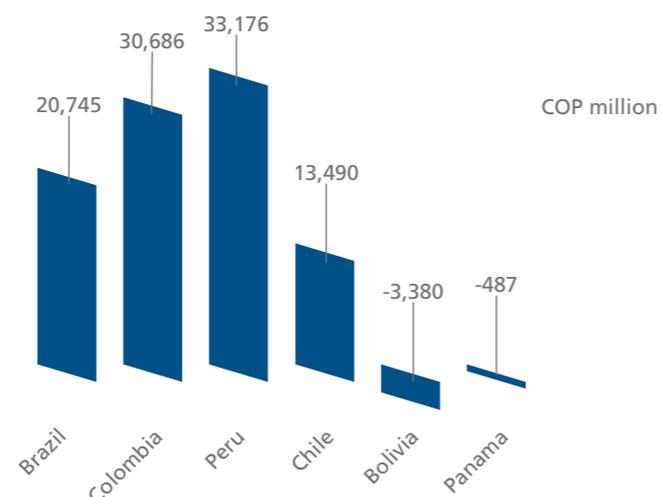
Operating income totaled COP 472,608 million, very similar to that of 2009 (COP 471,933 million).

Non-operating results went from COP –11,584 million in 2009 to COP –20,075 million in 2010, basically as a result of:

- Net financial results of COP –121,509 million, representing an improvement on a year earlier (COP –176,177 million) due to lower financial expenses because of lower debt, decreased interest because of lower interest rates, and increased yields because of cash availability.
- Net exchange difference of COP 3,578 million, lower than in 2009 (COP 20,178 million) due to smaller peso revaluation, 6.23% in 2010 vs. in 8.88% 2009.
- COP 94,229 million revenues from equity method vs. COP 140,487 million in 2009. Although, in general, income increased for the companies, the COP 46,258 million decrease obeyed to lower income in ISA Capital do Brasil (given that 2010 records debt-restructuring expenses and 2009 records increased income in CTEEP from extra revenues), and to a lesser extent, to losses incurred by INTERNEXA and ISA Bolivia.

13. Financial and Economic Management

REVENUE FROM EQUITY METHOD



Revenues from equity method by company COP Million

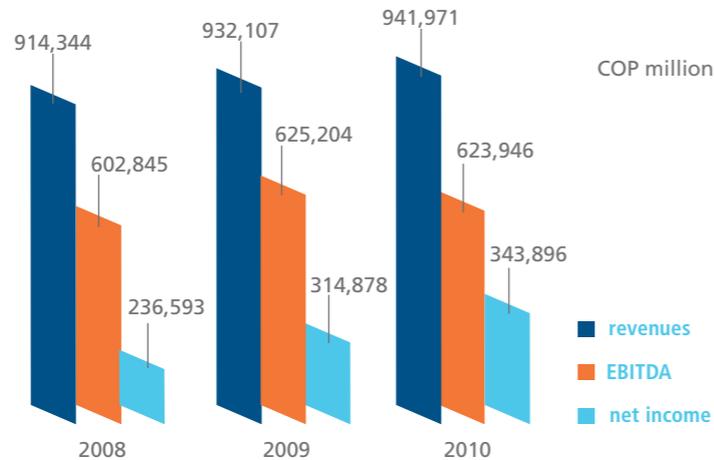
Company	2010	2009	Variation
Colombia			
TRANSELCA	41,880	40,269	1,611
XM	846	711	135
INTERNEXA	-12,040	-3,148	-8,893
Peru			
REP	11,153	3,171	7,982
TransMantaro	16,832	14,630	2,202
ISA Perú	2,497	2,670	-174
PDI	2,694	2,236	458
Brazil			
ISA Capital	20,745	76,417	-55,673
Bolivia			
ISA Bolivia	-3,380	3,530	-6,910
Panama			
ICP	-487		-487
Chile			
ISA Inversiones Chile	13,490		13,490
TOTAL	94,229	140,487	-46,258

13. Financial and Economic Management

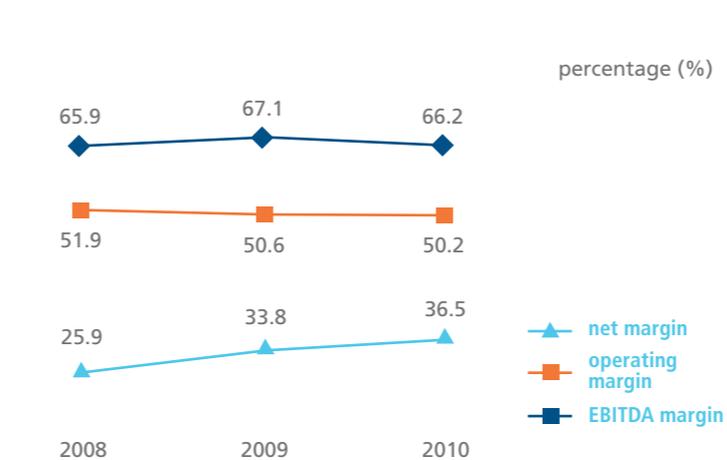
Income tax provision fell 25.3% from COP 145,471 million in 2009 to COP 108,637 million in 2010, as a result of recognition of deferred tax for the effect of exchange difference on investments abroad.

Lastly, as of the end of 2010, net income at COP 343,896 million, was 9.2% higher than in 2009 (COP 314,878 million), which shows in improved net margin growing from 33.8% in 2009 to 36.5% in 2010.

ISA'S FINANCIAL FIGURES



ISA'S FINANCIAL INDICATORS

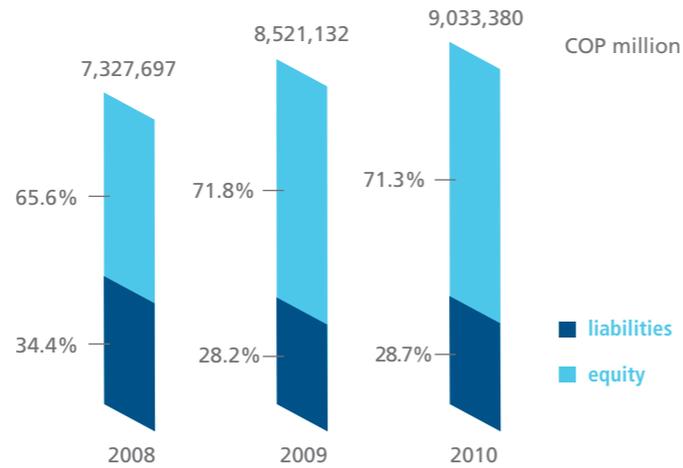


Balance sheet

The Company's assets at COP 9,033,380 million are 6% higher than in 2009 as a result of higher asset revaluation and the acquisition of Cintra Chile and its concessionaires. Liabilities totaled COP 2,593,684 million, 8% up on 2009, as a result of the higher indebtedness for such acquisition.

13. Financial and Economic Management

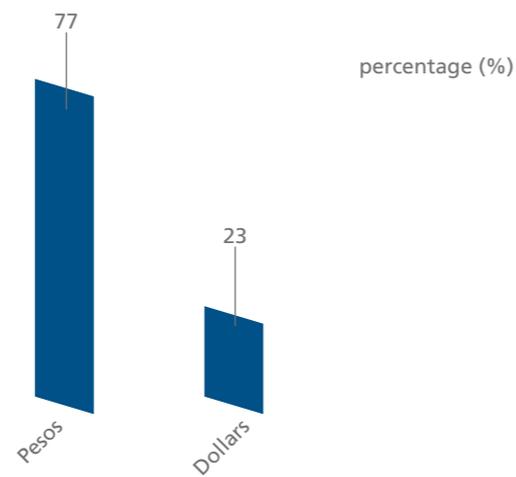
BALANCE SHEET STRUCTURE



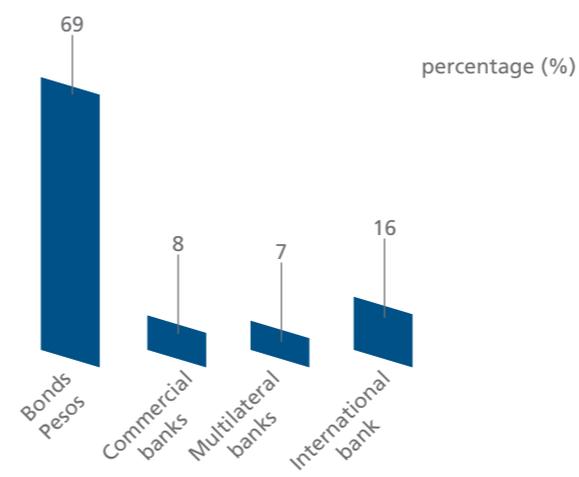
Financial liabilities

At period's close, financial debt stood at COP 1,494,515 million, 3.9% up on 2009 (COP 1,439,012 million). Such increase, due mainly to disbursement of BBVA loan for COP 224,455 million to partially finance purchase of Cintra Chile, was offset with debt amortization for COP 168,086 million.

ISA'S DEBT BY CURRENCY



ISA'S DEBT BY SOURCE



Consolidated Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 2010 - DECEMBER 2009
 (In millions of Colombian Pesos)

	Notes	2010	2009
Assets			
Current assets			
Cash	(5)	337,232	464,228
Marketable investments	(5)	873,859	552,594
Accounts receivable – net	(7)	1,188,951	1,086,065
Inventories – net	(8)	15,667	89,810
Deferred charges and other assets	(10)	323,639	146,183
Total current assets		2,739,348	2,338,880
Non-current assets			
Long-term investments – net	(6)	608,707	374,493
Accounts receivable – net	(7)	1,196,705	874,503
Inventories – net	(8)	55,853	55,542
Property, plant and equipment – net	(9)	3,024,146	3,064,246
Deferred charges and other assets	(10)	15,185,500	7,511,552
Reappraisals	(11)	3,009,541	2,830,160
Total non-current assets		23,080,452	14,710,496
Total assets		25,819,800	17,049,376
Memorandum accounts			
Debit	(19)	4,290,265	3,419,788
Credit	(19)	2,990,550	1,888,460

See accompanying notes to Financial Statements.

Consolidated Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 2010 - DECEMBER 2009
 (In millions of Colombian Pesos)

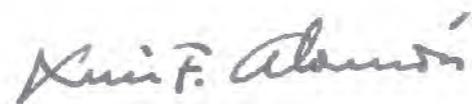
	Notes	2010	2009
Liabilities and shareholders' equity			
Current liabilities			
Outstanding bonds	(12)	476,725	85,660
Financial liabilities	(13)	304,980	805,837
Accounts payable	(14)	1,087,429	584,134
Labor liabilities	(15)	35,267	32,274
Accrued liabilities and estimated provisions	(16)	205,977	254,266
Other liabilities	(17)	1,887,617	344,004
Total current liabilities		3,997,995	2,106,175
Non-current liabilities			
Outstanding bonds	(12)	5,036,114	2,667,771
Financial liabilities	(13)	2,276,421	1,020,838
Accounts payable	(14)	416,940	398,608
Labor liabilities	(15)	1,341	1,740
Accrued liabilities and estimated provisions	(16)	995,175	806,364
Other liabilities	(17)	1,424,835	389,305
Total non-current liabilities		10,150,826	5,284,626
Total liabilities		14,148,821	7,390,801
Minority interests		5,227,182	3,481,539

Consolidated Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 2010 - DECEMBER 2009
 (In millions of Colombian Pesos)

	Notes	2010	2009
Shareholders' equity	(18)		
Subscribed and paid share capital		36,916	36,916
Capital surplus		1,445,509	1,445,509
Reserves		642,614	504,965
Net income		343,896	314,878
Cumulative translation adjustment		4,101	57,152
Equity revaluation		571,845	592,019
Revaluation surplus		2,583,387	2,405,688
Surplus from equity method		815,529	819,909
Total shareholders' equity		6,443,797	6,177,036
Total liabilities, minority interests and shareholders' equity		25,819,800	17,049,376
Memorandum accounts			
Credit	(19)	2,990,550	1,888,460
Debit	(19)	4,290,265	3,419,788

See accompanying notes to Financial Statements.



Luis Fernando Alarcón M.
 CEO



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



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

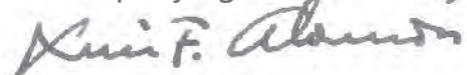
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Consolidated Financial Statements

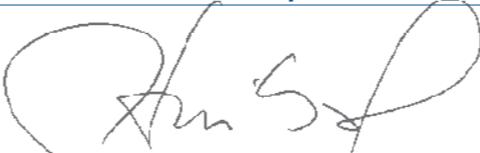
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED INCOME STATEMENTS
 DECEMBER 2010 - DECEMBER 2009
 (In millions of Colombian Pesos)

	Notes	2010	2009
Operating revenues	(20)		
Electric energy transmission services		2,821,636	2,807,710
Connection charges		323,054	292,056
Dispatch and CND-MEM coordination		38,592	39,852
MEM Services (STN, SIC, SDI)		38,915	27,988
Roads		164,696	–
Telecommunications		87,923	100,102
Other operating revenues		38,801	39,355
Total operating revenues		3,513,617	3,307,063
Operating costs and expenses			
Operating costs	(21)	1,114,814	1,042,258
Administration expenses	(22)	527,777	521,267
Total operating costs and expenses		1,642,591	1,563,525
Operating income		1,871,026	1,743,538
Non-operating revenues (expenses)	(23)		
Non-operating revenues		403,815	864,972
Non-operating expenses		(820,288)	(1,235,149)
		(416,473)	(370,177)
Income before taxes		1,454,553	1,373,361
Income tax provision	(16.2)	(424,462)	(483,980)
Income before minority interests		1,030,091	889,381
Minority interests		686,195	574,503
Net income		343,896	314,878

See accompanying notes to Financial Statements.


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Consolidated Financial Statements

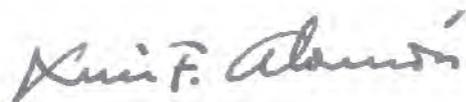
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 DECEMBER 2010 - DECEMBER 2009
 (In millions of Colombian Pesos)

	2010	2009
Cash flow from operating activities:		
Net income	343,896	314,878
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	686,195	574,503
Depreciation of property, plant and equipment	175,915	194,949
Amortization of deferred charges and other assets	391,531	365,031
Amortization of retirement pensions and fringe benefits	51,603	29,690
Allowance for doubtful accounts	3,037	5,020
Provision for inventory protection	–	6,860
Investment allowance	3,124	9,891
Income tax provision	424,462	483,980
Loss on sale and retirement of property, plant and equipment	3,184	15,885
Exchange difference revenue	(23,604)	(382,332)
Hedging operations valuation (revenue) expense	(24,057)	428,498
Recovery of provisions	(1,883)	(2,473)
Interest and commissions accrued	201,406	373,368
Changes in operating assets and liabilities:	2,234,809	2,417,748
Accounts receivable	(467,246)	(373,359)
Inventories	22,963	(33,898)
Deferred charges and other assets	(8,437,162)	(399,831)
Accounts payable	800,697	669,540
Labor liabilities	2,594	(2,747)
Accrued liabilities and estimated provisions	(289,962)	(456,089)
Collections for third parties	202,706	276,238
Minority interests	1,233,577	(416,142)
Other liabilities	2,385,161	(91,088)
Cash flow in other operations:		
Payment of retirement pensions	(28,344)	(21,976)
Payment of taxes	(442,699)	(387,345)
Net cash (used in) provided by operating activities	(2,782,906)	1,181,051

Consolidated Financial Statements

	2010	2009
Cash flow from investment activities:		
Increase (decrease) in long-term investments	(238,325)	106,706
Acquisition of property, plant and equipment	(106,235)	(173,559)
Net cash used in investment activities	(343,808)	(66,853)
Cash flow from financing activities:		
Interest received in cash	17,277	16,483
Interest paid in cash	(149,344)	(336,172)
Cash dividends paid	(173,796)	(160,274)
Increase in financial liabilities	1,387,710	571,381
Bond issues	3,935,583	278,001
Payment of financial liabilities	(1,001,177)	(974,590)
Bond payment/decrease	(693,588)	(353,499)
Share issues	-	384,198
Equity variations	(1,682)	(167,769)
Net cash provided by (used in) operating activities	3,320,983	(742,241)
Increase in cash and cash equivalents – Net	194,269	371,957
Cash and cash equivalents at the beginning of the year	1,016,822	644,865
Cash and cash equivalents at the end of the year	1,211,091	1,016,822

See accompanying notes to Financial Statements.


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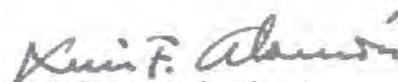

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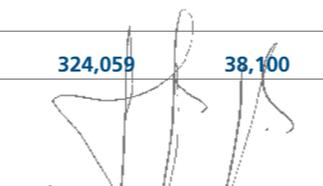
Consolidated Financial Statements

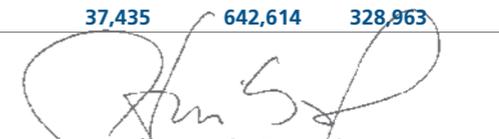
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 DECEMBER 2010 - DECEMBER 2009
 (In millions of Colombian pesos, except par value and dividend per share)

	Capital surplus				Reserves						Retained earnings	Equity revaluation	Surplus from revaluation and equity method	Total
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Total	Legal	For tax purposes mandatory	Reserve for repurchase of shares	For reinforcement of equity	Reserve for rehabilitation and replacement of STN assets	Total				
Balances at December 31, 2008	35,866	1,044,980	17,381	1,062,361	17,934	215,063	38,100	123,340	37,435	431,872	349,341	612,192	2,430,379	4,922,011
Transfers approved by the Shareholders' Meeting						25,487		47,606		73,093	(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)
Cumulative translation adjustment											(74,630)			(74,630)
Equity tax												(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
Balances at December 31, 2009	36,916	1,428,128	17,381	1,445,509	17,934	240,550	38,100	170,946	37,435	504,965	352,996	592,019	3,225,597	6,158,002
Transfers approved by the Shareholders' Meeting					525	83,509		53,615		137,649	(137,649)			-
Dividend payment at \$160 per share on 1,107,677,894 outstanding shares payable in four quarterly installments in April, July and October of 2010, and January of 2011											(177,229)			(177,229)
Cumulative translation adjustment											(53,051)			(53,051)
Equity tax												(20,174)		(20,174)
Increase in surplus from equity method													(4,380)	(4,380)
Increase in re-appraisals of the year													177,699	177,699
Net income year 2010											343,896			343,896
Balances at December 31, 2010	36,916	1,428,128	17,381	1,445,509	18,459	324,059	38,100	224,561	37,435	642,614	328,963	571,845	3,398,916	6,424,763

See accompanying notes to Financial Statements.


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I. GENERAL NOTES

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

Interconexión Eléctrica S.A. E.S.P. –ISA–, the parent company, was incorporated by public deed N° 3057 of the Notary Public Office N° 8 of Bogotá on September 14, 1967.

The Corporation was split off by Public Deed N° 230 of the Single Notary Public Office of Sabaneta, dated April 4, 1995.

On December 1, 1995, by public deed N° 808 of the Single Notary Public Office of Sabaneta, and according to the provisions of the Domiciliary Public Utilities Law (Law 142 of 1994) the Corporation changed its legal nature and became a State Public Utility Company constituted by state institutions, of national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994; it also changed its name to Interconexión Eléctrica S.A. E.S.P. being able to use the initials ISA S.A. E.S.P. as well.

On November 22, 1996, by Public Deed N° 746 of the Single Notary Public Office of Sabaneta, ISA changed its legal nature to a Mixed–Ownership Public Utility Corporation of the national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994. This process was completed on January 15, 1997, with the arrival of private investment.

As provided by the Constitutional Court in decision C–736 of September 19, 2007, ISA has a special legal nature and is defined as a Decentralized Mixed–Ownership Public Utility Company that is part of the executive branch under a special legal regime of private law.

ISA's main corporate purpose is:

1. The operation and maintenance of its own transmission network.
2. The expansion of the national interconnection grid.
3. The planning and operation coordination of the resources of the National Interconnected System.

Notes to the Consolidated Financial Statements

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

BRANCHES

Peru ISA Branch

On September 4, 2002, ISA established a branch in Peru to execute the operation and maintenance agreement for the 220 kV Carhuamayo–Paragsha–Vizcarra and 138 kV Aguaytía–Pucallpa transmission lines subscribed between ISA and ISA Perú S.A. The branch's term is indefinite; it has no legal personality and does not carry out any activities independently from ISA. It is an extension of the Company in Peru.

Argentina ISA Branch

ISA established a branch in Argentina on January 24, 2007. The proceedings were carried out at the General Justice Inspection, an official body in charge of Mercantile Register. Creation of this branch originated in the fact that corporations incorporated outside of Argentina willing to have a business presence in that country, must have a registered office there. This branch is not in commercial operation.

Notes to the Consolidated Financial Statements

ISA and its companies

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

ISA Capital do Brasil S.A., and its affiliate Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–; TRANSELCA, Interconexión Eléctrica ISA Perú S.A., Red de Energía del Perú S.A., Consorcio TransMantaro S.A., Interconexión Eléctrica ISA Bolivia S.A., XM, Compañía de Expertos en Mercados S.A. E.S.P., Proyectos de Infraestructura del Perú –PDI–, and INTERNEXA S.A. E.S.P. and its affiliates INTERNEXA in Peru and Chile and INTERNEXA Participações in Brasil, ISA Inversiones Chile Ltda., and its affiliate Cintra Chile S.A., that in turn has the concessionaire affiliates: Ruta de la Araucanía, Talca–Chillan, Ruta del Bosque, Autopista del Maipo and Ruta de los Ríos.

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

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS

ISA Capital do Brasil S.A.

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

Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

Located in the State of São Paulo, CTEEP is a public corporation authorized to work as a concessionaire of the electric energy service. The term of the corporation is indefinite; its main activities include planning, construction and operation of electric energy transmission systems, execution of research and development programs related to energy transport and other activities in connection with currently available technology.

Notes to the Consolidated Financial Statements

In August of 2009 and in April of 2010, CTEEP increased its capital by 1,169,404 shares of which, 574,927 and 594,477 corresponded to its controlling company ISA Capital do Brasil. As a result of such increase, ISA now owns 57,093,404 shares, or 37.60% of capital stock and 89.40% of voting shares

TRANSELCA

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

Interconexión Eléctrica ISA Perú S.A.

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

Red de Energía del Perú S.A. –REP–

REP was incorporated on July 3, 2002, with the participation of ISA, TRANSELCA and Empresa de Energía de Bogotá –EEB–. Its main corporate purpose is the transmission of electric power from generating companies and the provision of maintenance services for the electric infrastructure of the Peruvian Transmission Systems. Its legal domicile is in Lima, Peru. ISA owns 30%, and through TRANSELCA, 30%. The corporation's term is indefinite.

Consorcio TransMantaro S.A. –CTM–

Established in Peru in January of 1998. Its main activity is the transmission of electric energy from generating companies. It also provides operation and maintenance services to a mining enterprise. Its main domicile is located in the city of Lima, Peru. Since December 13 of 2006 ISA has 60% ownership. The Shareholders' Meetings held in October 2009 and March 2010, approved increasing the company's capital stock by USD 155 million, through cash contributions and issuance of 438,410,000 shares at a par value of one Nuevo Sol each. ISA's contribution equals USD 93 million. The corporation's term is indefinite.

Notes to the Consolidated Financial Statements

Interconexión Eléctrica ISA Bolivia S.A.

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

INVESTMENTS IN THE MARKET OPERATION AND ADMINISTRATION BUSINESS UNIT

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

XM is a Colombian mixed-ownership utility with main offices in Medellín. It was established on September 1, 2005 and operations began on October 1 of same year. The corporation's term is indefinite and its purpose is the operation planning and coordination of the resources of the National Interconnected System, the administration of the Commercial Settlement System in the wholesale energy market, as well as the settling and clearing of charges for use of the National Interconnected System's grids, the administration of financial derivative markets with electric energy and gas as underlying asset, including compensation systems, and ancillary and value added activities related thereto. ISA directly owns 99.73% of capital stock of XM.

INVESTMENTS IN THE CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

Proyectos de Infraestructura del Perú S.A.C. –PDI–

PDI is a Peruvian corporation with main offices in the city of Lima. It was established on November 15, 2007 with indefinite term. It has as its purpose the conduction of all kinds of activities related to the construction of transmission lines and electricity projects, and in general, any activity in the construction sector. It started operations in February 2008. ISA has control and owns directly 99.97%, plus 0.03% indirectly through TRANSELCA.

Notes to the Consolidated Financial Statements

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

INTERNEXA S.A. E.S.P.

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

INTERNEXA Perú S.A.

It is a Peruvian corporation with main offices in the city of Lima. It was established on October 12, 2006 and its term is indefinite. Its main corporate purpose is the organization, administration, commercialization and delivery of telecommunication services such as carrier, IP-based and value added services. The company started service delivery in the first semester of 2008. INTERNEXA S.A. E.S.P. in Colombia owns 99.99%.

INTERNEXA Chile S.A.

Chilean corporation with main offices in the city of Santiago de Chile. It was established under the name Comunicaciones Intermedias S.A. by public deed of July 28, 2009. The Special Shareholders' Meeting of January 7, 2010 approved changing the name to INTERNEXA Chile S.A. It started operations in October 2010 and its term is indefinite. Its corporate purpose is the installation, operation, exploitation, organization, administration, commercialization and delivery of every type of telecommunications services. INTERNEXA S.A. E.S.P. owns 90.00% stake at this corporation.

INTERNEXA PARTICIPAÇÕES S.A.

Corporation with main offices in the state of São Paulo, Brazil, established on July 21, 2008. Its corporate purpose includes: i) management of telecommunications assets in different forms and modalities; ii) study, development, implementation and administration of telecommunications initiatives in different forms and modalities; iii) assistance and consulting services for telecommunications initiatives; and iv) participation, as partner or shareholder, in other corporations, consortiums, and commercial initiatives of any kind. INTERNEXA S.A. E.S.P. in Colombia owns 99.99% stake at this corporation. Its term is indefinite.

INVESTMENTS IN THE ROADS CONCESSION OPERATION AND ADMINISTRATION BUSINESS UNIT

ISA Inversiones Chile Ltda.

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

Cintra Chile S.A.

The company was established under the name Ferrovial Chile Ltda. by public deed of November 9, 1994 and has as its purpose the conduction of for-profit activities such as investment in real estate and personal property, shares, bonds, joint ventures, rights in any type of corporation and the execution and construction of works corresponding to public infrastructure concessions. Its main offices are located in the city of Santiago de Chile.

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

Since 1996, Cintra Chile Ltda. has been the leading player in interurban road concessions, controlling, operating and administering 907 km. of Ruta 5 Sur through its concessionaires: Autopista del Maipo, Talca-Chillán, Ruta del Bosque, Ruta de la Araucanía and Ruta de los Ríos. On September 15, 2010, ISA Inversiones Chile acquired 60% of the shares held by Cintra Infraestructuras S.A. in Cintra Chile Ltda., and transformed it from a Limited Liability Company into a Corporation.

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

- Autopista del Maipo Sociedad Concesionaria S.A. Corporation established on October 30, 1998 with main offices in Santiago de Chile. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four-lane road. Concession ends in 2024; however,

Notes to the Consolidated Financial Statements

upon subscription of supplementary agreement N° 4 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. Cintra Chile S.A. owns 99.9999% shareholding in this corporation.

- Talca–Chillán Sociedad Concesionaria S.A. Chilean corporation established on April 10, 1996 with main offices in the city of Santiago de Chile. The purpose of the corporation is the design, construction, maintenance, exploitation and operation under concession of Ruta 5, Talca–Chillán Segment. Concession ends in 2015; however, upon subscription of supplementary agreement N° 5 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. Cintra Chile S.A. owns 99.9993% shareholding in this corporation.
- Ruta del Bosque Sociedad Concesionaria S.A. Chilean corporation established on November 26, 1997 with main offices in the city of Santiago de Chile. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four–lane road. Concession ends in 2022; however, upon subscription of supplementary agreement N° 3 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. Cintra Chile S.A. owns 99.9909% shareholding in this corporation.
- Ruta de la Araucanía Sociedad Concesionaria S.A. Corporation established on September 4, 1998 with main offices in the city of Santiago de Chile. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four–lane road. Cintra Chile S.A. owns 99.99994% shareholding in this corporation. Concession ends in 2024; however, upon subscription of supplementary agreement N° 4 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein.
- Ruta de los Ríos Sociedad Concesionaria S.A. Chilean corporation established on December 17, 1997 with main offices in the city of Santiago de Chile. Concession ends in 2023. Its main activity is the design, construction, maintenance, exploitation and operation under concession of a four–lane road. Cintra Chile S.A. owns 74.99% shareholding in this corporation.

Notes to the Consolidated Financial Statements

RELEVANT INFORMATION

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

Parent Company / Subsidiaries	Senior-level staff		2010 Other		Total	
	N° Associates	Value	N° Associates	Value	N° Associates*	Value
	Interconexión Eléctrica S.A. E.S.P. ISA	456	85,507	216	28,395	672
TRANSELCA S.A. E.S.P.	15	3	178	13	193	16
XM, Compañía de Expertos en Mercados S.A. E.S.P.	197	20,829	2	116	199	20,945
Interconexión Eléctrica ISA Bolivia S.A.	4	573	27	563	31	1,136
INTERNEXA S.A. E.S.P.	112	11,955	–	–	112	11,955
INTERNEXA Perú S.A.	6	418	–	–	6	418
INTERNEXA Participações S.A.	1	165	–	–	1	165
INTERNEXA Chile S.A.	10	1,269	–	–	10	1,269
ISA Capital do Brasil S.A.	2	1,797	1	82	3	1,879
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	19	7,440	1,514	206,850	1,533	214,290
Interconexión Eléctrica ISA Perú S.A.	2	159	4	96	6	255
Red de Energía del Perú S.A. –REP–	23	6,371	341	23,404	364	29,775
Consorcio TransMantaro S.A.	2	77	–	–	2	77
Proyectos de Infraestructura del Perú S.A.C. –PDI–	23	869	35	748	58	1,617
Cintra Chile S.A.	9	5,417	35	3,429	44	8,846
Talca–Chillán Sociedad Concesionaria S.A.	53	3,498	–	–	53	3,498
Ruta del Bosque Sociedad Concesionaria S.A.	1	418	–	–	1	418
Autopista del Maipo Sociedad Concesionaria S.A.	123	10,097	–	–	123	10,097
Ruta de los Ríos Sociedad Concesionaria S.A.	1	418	–	–	1	418
Ruta de la Araucanía Sociedad Concesionaria S.A.	2	836	–	–	2	836
TOTAL	1,061	158,116	2,353	263,696	3,414	421,812

Notes to the Consolidated Financial Statements

Parent Company / Subsidiaries	2009					
	Senior-level staff		Other		Total	
	N° Associates	Value	N° Associates	Value	N° Associates*	Value
Interconexión Eléctrica S.A. E.S.P. ISA	481	77,121	196	22,893	677	100,014
TRANSELCA S.A. E.S.P.	15	3	178	13	193	16
XM, Compañía de Expertos en Mercados S.A. E.S.P.	190	19,395	2	114	192	19,509
Interconexión Eléctrica ISA Bolivia S.A.	4	569	23	520	27	1,089
INTERNEXA S.A. E.S.P.	124	10,738	–	–	124	10,738
INTERNEXA Perú S.A.	2	401	3	101	5	502
ISA Capital do Brasil S.A.	2	1,560	1	70	3	1,630
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	20	8,619	1,348	121,437	1,368	130,056
Interconexión Eléctrica ISA Perú S.A.	2	203	3	47	5	250
Red de Energía del Perú –REP– S.A.	24	6,219	324	22,425	348	28,644
Consorcio TransMantaro S.A.	2	75	–	–	2	75
Proyectos de Infraestructura del Perú S.A.C. –PDI–	6	527	24	389	30	916
TOTAL	872	125,430	2,102	168,009	2,974	293,439

* The figure for 2010 and 2009 includes retired personnel who worked less than twelve months in the year.

NOTE 2: BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 CONSOLIDATION OF FINANCIAL STATEMENTS

2.1.1 Consolidation principles

The consolidated financial statements include the accounts of Interconexión Eléctrica S.A. E.S.P. (parent company), ISA Capital do Brasil S.A., Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–, TRANSELCA S.A. E.S.P., ISA Perú S.A., Red de Energía del Perú S.A. –REP–, Consorcio TransMantaro S.A., ISA Bolivia S.A., XM, Compañía de Expertos en Mercados S.A. E.S.P., Proyectos de Infraestructura del Perú S.A.C. –PDI–, INTERNEXA S.A. E.S.P., INTERNEXA Perú S.A., INTERNEXA Chile S.A., INTERNEXA Participações S.A., Cintra Chile S.A., Ruta de la Araucanía Sociedad Concesionaria S.A., Talca–Chillán Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., Autopista del Maipo Sociedad Concesionaria S.A., Ruta de los Ríos Concesionaria S.A., ISA Inversiones Chile Ltda., companies where the parent company has direct or indirect participation (hereinafter the subsidiaries).

All significant balances and operations between ISA and the subsidiaries were deleted during consolidation. Consolidation is made through the global integration method for companies over which the parent company has control; minority interests corresponding to equity and the period's results, are recognized and presented in the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

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

FINANCIAL INFORMATION 2010

Company	Assets	Liabilities	Equity	Income (Loss)
Interconexión Eléctrica S.A. E.S.P. ISA	9,033,380	2,583,684	6,439,696	343,896
TRANSELCA S.A. E.S.P.	1,237,039	503,914	733,125	41,882
XM, Compañía de Expertos en Mercados S.A. E.S.P.	216,394	193,130	23,264	848
Interconexión Eléctrica ISA Bolivia S.A.	127,664	88,267	39,397	(6,460)
INTERNEXA S.A. E.S.P.	290,326	175,671	114,655	(12,128)
INTERNEXA Perú S.A.	52,235	46,013	6,222	(2,208)
INTERNEXA Participações S.A.	19,745	9	19,736	(269)
INTERNEXA Chile S.A.	21,759	6,769	14,990	(2,639)
ISA Capital do Brasil S.A.	3,175,384	2,722,262	453,122	20,745
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	7,327,062	2,226,389	5,100,673	863,217
Interconexión Eléctrica ISA Perú S.A.	95,656	47,329	48,327	8,894
Red de Energía del Perú S.A. –REP–	830,115	442,089	388,026	37,178
Consorcio TransMantaro S.A.	764,250	309,999	454,251	28,053
Proyectos de Infraestructura del Perú S.A.C. –PDI–	58,681	52,014	6,667	2,695
ISA Inversiones Chile Ltda.	591,276	222	591,054	13,490
Cintra Chile S.A.	1,015,114	108,252	906,862	55,569
Talca–Chillán Sociedad Concesionaria S.A.	1,366,284	1,290,894	75,390	(14,933)
Ruta del Bosque Sociedad Concesionaria S.A.	1,024,411	919,413	104,998	19,685
Autopista del Maipo Sociedad Concesionaria S.A.	3,796,302	3,409,937	386,365	(22,415)
Ruta de los Ríos Sociedad Concesionaria S.A.	596,546	586,252	10,294	(3,820)
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,173,586	1,065,819	107,767	629

Notes to the Consolidated Financial Statements

FINANCIAL INFORMATION 2009

Company	Assets	Liabilities	Equity	Income (Loss)
Interconexión Eléctrica S.A. E.S.P. ISA	8,521,132	2,401,248	6,119,884	314,878
TRANSELCA S.A. E.S.P.	1,223,661	449,330	774,331	40,270
XM, Compañía de Expertos en Mercados S.A. E.S.P.	288,393	265,508	22,885	713
Interconexión Eléctrica ISA Bolivia S.A.	167,271	105,399	61,872	6,920
INTERNEXA S.A. E.S.P.	286,150	161,669	124,481	(3,171)
INTERNEXA Perú S.A.	45,120	36,096	9,024	(2,546)
ISA Capital do Brasil S.A.	2,832,357	1,619,174	1,213,183	76,417
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	7,272,006	1,926,579	5,345,427	893,350
Interconexión Eléctrica ISA Perú S.A.	105,404	52,442	52,962	9,514
Red de Energía del Perú S.A. –REP–	866,872	492,485	374,387	10,570
Consorcio TransMantaro S.A.	421,788	283,108	138,680	24,383
Proyectos de Infraestructura del Perú S.A.C. –PDI–	67,435	63,216	4,219	2,237

2.1.2 Consolidation effects on assets, liabilities, equity and results of ISA

	2010		2009	
	Figures before consolidation	Figures after consolidation	Figures before consolidation	Figures after consolidation
Assets	9,033,380	25,819,800	8,521,132	17,049,376
Liabilities	2,593,684	14,148,821	2,401,248	7,390,801
Equity	6,439,696	6,443,797	6,119,884	6,177,036
Minority interests – Equity	–	5,227,182	–	3,481,539
Income before minority interests	343,896	1,030,091	314,878	889,381
Minority interests – Results	–	686,195	–	574,503
Total year's results	343,896	343,896	314,878	314,878

Notes to the Consolidated Financial Statements

2.1.3 Reconciliation between ISA's net income and consolidated net income

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

	2010	2009
Parent company's net income	343,896	314,878
Subsidiaries' net results	1,069,460	1,058,657
Parent company's and subsidiaries' net income	1,413,356	1,373,535
Elimination of amounts affecting consolidated results		
Equity method	(383,265)	(484,154)
Minority interests	(686,195)	(574,503)
Consolidated net income	343,896	314,878

2.2 CLASSIFICATION OF ASSETS AND LIABILITIES

Assets and liabilities are classified according to their use or degree of realization, demand or liquidation, in terms of time and value.

Accordingly, current assets and liabilities (short-term) are understood as such amounts that will be realizable or demandable, respectively, within a term not longer than one year.

2.3 ADJUSTMENTS FOR INFLATION

Until December 31, 2000, non-monetary assets and liabilities and shareholders' equity, except for the surplus from revaluation of assets and income statement accounts, were monetarily updated on a prospective basis, using general consumer-price index (or Tax Year's Adjustment Percentages –PAAG, for its Spanish initials–). The respective adjustments were recorded in the income statement's monetary correction account. As of January 1, 2001 the Colombian General Accounting Office –CGN–, through Resolution N° 364 of November 29, 2001, suspended the system of integral inflation adjustments for accounting effects, without reverting the inflation adjustments accounted until December 31, 2000.

Notes to the Consolidated Financial Statements

According to Resolution N° 041 of 2004 and to External Circular Letter N° 056 of 2004, issued by the Colombian General Accounting Office, inflation adjustment accounts were eliminated from the General Plan of Public Accounting as part of the cost, thereby obligating to incorporate accumulated amounts for adjustments until 2000. In order to comply with regulations in force, since 2001, integral inflation adjustments continue to be applied for tax effects, giving rise to differences that are recorded in the tax memorandum accounts. Law 1111 of 2006 derogated integral inflation adjustments for tax effects beginning in fiscal year 2007. (See Note 16.2).

2.4 MATERIALITY

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

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

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

NOTE 3: SUMMARY OF MAIN ACCOUNTING POLICIES AND PRACTICES

For the preparation and presentation of its financial statements, the Company, as required by law, observes the Public Accounting General Plan defined by the Colombian General Accounting Office –CGN–, the accounting regulations issued by the Superintendency of Domiciliary Public Utilities –SSPD– and other applicable regulation.

For keeping, preservation and custody of the accounting books and supporting documents, the regulation applicable to support documents, vouchers, and accounting books, established by the Colombian General Accounting Office, is observed.

The Company's Consolidated Financial Statements are identified, classified, registered, valued, prepared and disclosed in accordance with the accounting principles of the CGN contained in Resolutions N° 354, 355 and 356 of September 5 of 2007, as amended, through which the Public Accounting Regime was implemented in order to harmonize its provisions with the criteria established by international accounting standards.

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

3.1 FOREIGN CURRENCY TRANSLATION AND BALANCES

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

3.2 CASH EQUIVALENTS

For purposes of preparing the statement of cash flows, marketable investments redeemable within the next 90 days are considered to be cash equivalents.

3.3 INVESTMENTS

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

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

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

Investments for liquidity management

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

Financial derivative instruments

In order to reduce exposure to exchange rate and interest rate fluctuations of financial liabilities with local and international commercial banks and multilateral agencies and of bond issues, among others, ISA's companies use derivative instruments such as swaps, forwards and options.

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

Notes to the Consolidated Financial Statements

Investments with policies purpose

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

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

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

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

Equity investments

a. Equity investment in controlled companies

Equity investments in controlled companies include investments made in order to exercise or share control, as well as those in which the Company has substantial influence, and long-term investments in which the public sector holds over 50% direct or indirect participation. These investments are accounted by the equity method, according to CGN Resolution N° 356 of 2001, amended by Resolution 145 of 2008. Under the equity method, long-term investments in subsidiaries are recorded at cost and subsequently adjusted as follows:

- Credit or charge to the investment's cost equal to the participation of the Company in profits and losses of the subsidiary, with a matching entry in the income statement.
- Credit or charge to the investment equal to the participation of the Company in the subsidiary's equity variation with a matching entry in the surplus from equity method account, in the event of an increase; in the event of a decrease, as surplus from equity method until its exhaustion, and the remaining difference in the income statement, except when originated in equity variations from translation effect.

Notes to the Consolidated Financial Statements

- Credit or charge to the investment equal to the amount of dividends received from the subsidiary that correspond to periods during which, ISA applied the equity method.

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

- Positive, re-appraisal of assets is increased with a credit to revaluation surplus included in the equity accounts.
- Negative, re-appraisal of assets is decreased with a charge to revaluation surplus until its exhaustion. Any additional deficit is recognized in the income statement as a loss. Investments in subordinated companies abroad are recorded on the basis of their financial statements at December 31 of each year, translated into Colombian pesos, using the United States dollar as functional currency, applying the provisions of International Accounting Standard 21. Translation of financial statements into Colombian pesos was conducted in compliance with the following principles: Balance sheet items are calculated using the closing exchange rate; income statement items are calculated using the accumulated average exchange rate for each month's closing; net effect with respect to closing rate is recognized as translation adjustment in equity, as provided by Resolution 193 of CGN of July of 2010.

b. Equity investments in non-controlled companies

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

3.4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

Notes to the Consolidated Financial Statements

3.5 INVENTORIES

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

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, which, where relevant, may include:

- a. Financing costs associated to acquisition and construction of assets not in operational conditions and,
- b. Until year 2000, includes inflation adjustments on costs, excluding capitalized exchange differences and the portion of capitalized interest corresponding to inflation.

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

In 2009, ISA and TRANSELCA concluded and implemented study of useful lives by components, in order to comply with attachment to Resolution 356 of 2007 of CGN, providing that depreciation and amortization shall be calculated for each asset, individually; however, when components or parts have different useful lives, or provide potential or economic service benefits at different rhythms, depreciation shall be applied to each component.

Definition of components of the Energy Transmission System:

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

Notes to the Consolidated Financial Statements

Materials with high inventory turnover shall not be classified as fixed assets.

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

According to evaluation of the Company's buildings, their useful life was determined to be 100 years (2009: 50 years); accordingly, depreciation during 2010 was lower, approximately \$750.

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

Notes to the Consolidated Financial Statements

Asset / Component	Useful Life
Transmission lines	63
Buildings	100
Fiber optics	25
Machinery and equipment	15
Telecommunications equipment	15
Furniture, office equipment, laboratory equipment	10
Communications equipment	10
Transport, traction and lifting equipment	10
Supervision and switching center's equipment	6
Computer equipment and accessories	5
Substation components	
Lines (Substations' grounding nets)	63
Power transformer	40
PT	38
Breaker	32
CT	30
Lightning arrester	30
Diesel plant	30
SVC reactors	30
Main breaker	30
Reactor	27
SubMóvil	25
FS	20
Battery Bank	15
Charger	15
SAS component	15
Condensers	15
SVC condensers	15
Series compensation control	15
SVC control	15
Converter	15
Inverter	15
Telephone exchange	15
PLC	15
Sequence of events recorder	15
Protection relays	15
RTU	15
LIS	15
Teleprotection	15
SVC thiristor valve	15
VQ	15

Notes to the Consolidated Financial Statements

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

Repairs required because of attacks to the electric infrastructure are recorded as expenses in the period when the attacks occur and do not increase the useful life originally assigned to the assets. Due to the difficulties to insure this type of risk, these damages are accrued in the financial statements as they occur and are not recorded on estimate basis. Management, in accordance with their historical experience of losses by attacks and the country's political and security circumstances, includes in the annual budget the resources considered enough to cover these losses.

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

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

3.7 DEFERRED CHARGES AND OTHER ASSETS

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

Deferred charges and other assets include goodwill from acquisition of long-term investments, cost of acquisition of software, easements, tax to preserve democratic security, bond underwriting commissions, legal stability agreement premium, licenses and rights, from which future and quantifiable economic benefits are expected to be obtained. It also includes deferred taxes resulting from temporary differences between net income and tax income.

Software is amortized on a straight-line basis over a maximum of three years. Goodwill, bond underwriting commissions, legal stability agreement premium, licenses and rights are amortized on a straight-line basis during the periods over which their benefits are expected to be received, according to the feasibility studies for their recovery.

Notes to the Consolidated Financial Statements

Charges for studies and research of projects in pre-operational stage will be treated as expenses and are not capitalized even when a subsequent decision is made as to execute the project and when the project is intended for internal purposes, except when contractually, the Company has guaranteed their economic benefit.

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

3.8 RE-APPRAISALS

Re-appraisals that are part of equity include:

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

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

3.9 CURRENT INCOME TAX AND DEFERRED TAX

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

The credit deferred tax is the lesser current tax calculated during the period, resulting from the excess of tax depreciation and amortization over per-books depreciation and amortization, when useful life, depreciation and amortization methods for tax purposes differ from accounting ones, for which differences are expected to be reverted in the future.

Notes to the Consolidated Financial Statements

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

According to Opinion N° 20061-57086 of CGN of January 31, 2006, the Company has autonomy in defining the accounting principles regarding deferred tax. Accordingly, ISA has considered as temporary differences that result in the accrual of deferred tax, among others, the one resulting from inflation adjustments recognized only for tax effects on depreciable fixed assets, since these generated a greater fiscal revenue from monetary correction in the period of adjustment, increasing the payable income tax recoverable during the following years as the fixed assets are depreciated (See Note 10).

Starting 2010, the Company records deferred tax on exchange difference of investments abroad; such tax totaled \$17,014.

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

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

3.10 LABOR LIABILITIES

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

With respect to amortization of retirement pension liabilities for Colombian subsidiaries, it must correspond to the value resulting from dividing the total actuarial estimate pending amortization by the number of

Notes to the Consolidated Financial Statements

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

Benefits and aids are 100% amortized.

3.11 SENIORITY COMPENSATION

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

3.12 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the consolidated financial statements at December 31, 2009 were reclassified to conform to the presentation of the consolidated financial statements for 2010.

3.13 MEMORANDUM ACCOUNTS

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

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

3.14 RECOGNITION OF REVENUE, COSTS AND EXPENSES

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

Notes to the Consolidated Financial Statements

At ISA, amounts received to remunerate recovery of investments in UPMES, as well as usage rights not accrued because their respective costs have not been yet incurred or because the commitments related to such revenue have not been complied with, are recognized as deferred revenue. This deferred revenue is amortized over the periods along which it accrues.

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

For 2010 and 2009, CREG Resolution 048 of 2008 establishes remuneration for the regulated services of XM S.A. E.S.P. for the next five years, between June 2008 and May 2013, defining, for each month, the Regulated Maximum Revenue as equal to the total of the following monthly items: operating expenses, investments, adjustment due to regulatory changes or to deviation in investment execution, and equity's return margin.

Resolution 071 of 2009 is applicable for 2009; it approves recognition of adjustment to maximum regulated income defined in Resolution 048 for higher expenses and investments coming from regulatory changes, legal fees expenses, and the effect on income tax of working capital recognized in the previous fiscal period.

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

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

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

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

Notes to the Consolidated Financial Statements

3.15 USE OF ESTIMATES

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

3.16 OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2010 and 2009, no operating or administrative limitations or deficiencies were found that would significantly affect the normal accounting processes, or the consistency and reliability of the accounting figures.

3.17 CONTINGENCIES

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

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

II. SPECIFIC NOTES

NOTE 4: VALUATION OF ACCOUNTING INFORMATION

FOREIGN-CURRENCY OPERATIONS

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

Operations and balances in foreign currency are translated at the exchange rates in force, as certified by Banco de la Republica de Colombia or by the State banks in the countries where the Company carries out transactions. The exchange rates used for the preparation of the financial statements at December 31, 2010 and 2009, expressed in Colombian pesos, were:

Currency	Code	2010	2009
US Dollar	USD	1,913.98	2,044.23
Euro	EUR	2,567.99	2,933.27
Nuevo sol	PEN	681.62	707.35
Boliviano	BS	274.59	289.14
Brazilian Real	BRL	1,148.71	1,174.04
Chilean peso	CLP	4.09	4.03

Notes to the Consolidated Financial Statements

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

	December 2010	December 2009
Revenues	210,603	529,605
Expenses	(140,259)	(121,344)
Total net exchange difference generated	70,344	408,261

Notes to the Consolidated Financial Statements

NOTE 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

		December 2010	December 2009
CASH			
Cash and deposits in banks, savings and loan assoc. and trusts	(1)	337,232	464,228
MARKETABLE INVESTMENTS			
Fixed-income investments	(2)	862,424	493,124
Variable yield investments		11,435	59,470
Total marketable investments		873,859	552,594
Total cash and investments		1,211,091	1,016,822

(1) Includes mainly \$143,337 (2009: \$226,807) from agents for administration of the Wholesale Energy Market. These amounts are managed by XM Compañía de Expertos en Mercados S.A. E.S.P. and their use is restricted to transactions in the Energy Pool, according to regulations in force.

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

(2) Fixed term deposits for: \$430,485 of Chilean companies, \$295,438 of ISA Capital do Brasil, and \$81,343 of ISA (2009: \$423,550).

NOTE 6: LONG-TERM INVESTMENTS – NET

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS

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

Interconexión Eléctrica Colombia – Panamá S.A. –ICP–

ICP is a corporation with main offices in Panama City. It was established on May 14, 2007 and its term is indefinite. Its main activities are electric power transmission, operation and maintenance of electricity lines and grids and infrastructure for associated voltage transformation, telecommunications services, data transmission services, technical services, and consulting services in such areas and in general engineering matters. ISA owns 50,00% stake at this corporation and exercises shared control. This corporation is not in commercial operation yet.

Interligação Elétrica Pinheiros S.A. –IEPinheiros–

IEPinheiros is a Brazilian corporation with main offices in the city of São Paulo. It was established on July 22, 2008 and its main activity is the exploitation of concessions of the electric power transmission service, delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, lines, substations, control centers and corresponding infrastructure; in particular for transmission lines and substations of groups E, H and K of ANEEL's public bidding N° 004–2008, Interlagos–Piratininga II transmission line, and Piratininga II, Mirassol II, Getulina, Araras and Atibada II substations. Araras substation was commissioned on September 5, 2010. CTEEP owns 99.99%. Its term is indefinite.

Interligação Elétrica Serra do Japi S.A.

Serra do Japi is a Brazilian corporation with main offices in the city of São Paulo. It was established on June 1st of 2009 and its main activity is the exploitation of concessions of transmission services delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, lines, substations, control centers and respective infrastructure; in particular, the construction of Jandira and Salto substations. CTEEP owns 99.99%. This corporation is not in commercial operation and its term is indefinite.

Notes to the Consolidated Financial Statements

Interligação Elétrica Norte e Nordeste S.A. –IENNE–

IENNE is a Brazilian corporation with main offices in the city of São Paulo that was established on December 3, 2007 to exploit concession of the electric power transmission service, particularly the transmission lines Colinas (Tocantins) – Riveiro Gonzalves (Piauí) and Riveiro Gonzalves – São João do Piauí (Piauí). CTEEP owns 25,00% participation in this company and exercises shared control. This corporation is not in commercial operation and its term is indefinite.

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

IEMG is a Brazilian corporation with main offices in São Paulo, incorporated on December 13 of 2006 to exploit concession of the electric energy transmission service, delivered through implementation, construction, operation, and maintenance of electric power transmission facilities, including support and management services, supply of equipment and reserve materials, programming, metering, and other supplementary services necessary for energy transmission; in particular, the Neves 1–Mesquita transmission line. In compliance with the shareholders' agreement subscribed with CYMI Holding S.A., in 2008, ISA transferred to it 40% of its participation, and to CTEEP, ISA's affiliate, the remaining 60%; it has shared control. The project started commercial operation in December 2008. Its term is indefinite.

Interligação Elétrica Sul S.A. –IESUL–

IESUL is a Brazilian corporation with main offices in the city of São Paulo that was established on July 23, 2008 to exploit concession of the electric power transmission service, particularly the transmission lines Nova Santa Rita–Scharlau and Scharlau substation, transmission lines Joinville Norte–Curitiba, Jorge Lacerda B–Siderópolis and Forquilha substation. Under a shareholders agreement entered with CYMI Holding S.A, in 2009, CTEEP transferred to this company 49.9% of its participation, the remaining 50.1% belonging to CTEEP; it has shared control. This corporation is not in commercial operation and its term is indefinite.

Interligação Elétrica Madeira S.A. –IEMADEIRA–

IEMadeira, Brazilian corporation with main offices in Rio de Janeiro, was established on December 18, 2008 to execute the electric power transmission projects Porto Velho (Rondônia) – Araraquara 2 (São Paulo) HVDC transmission line awarded in November 2008. CTEEP has 51.00% shareholding and shared control. This corporation is not in commercial operation and its term is indefinite.

Notes to the Consolidated Financial Statements

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

Transnexa S.A. E.M.A.

Transnexa is an Ecuadorian corporation with main offices in Quito. It was established on November 29, 2002. This corporation has as its corporate purpose the organization, administration, commercialization and delivery of telecommunication services and activities, such as carrier, IP-based and value added services, as well as ancillary activities, and in general, any service or activity in the telecommunications sector. INTERNEXA S.A. E.S.P. has 50.00% participation and shared control. Its term is 99 years.

OTHER INVESTMENTS

Financiera Energética Nacional –FEN–

FEN is a financial institution of national order established by Law 11 of 1982 as a State-owned corporation ascribed to the Ministry of Mines and Energy with the purpose of acting as financial and credit organism for the Colombian power sector. Until April 2008, ISA had 33.160 shares of FEN equivalent to 0.7884% participation. As of December 31, 2009 and 2008, the investment is represented by nine shares equivalent to 0.00069% participation.

Empresa Propietaria de la Red –EPR–

EPR is a Panamanian corporation with main offices in San Jose de Costa Rica. Established in 1998, it is a company ruled by private law that has the endorsement of the "Parent Treaty of Central America's Power Market" and its protocol, through which, each government grants the corresponding permission, authorization or concession, as fits construction and exploitation of the first regional electric interconnection system that will link Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and Panama. ISA owns 5,625 common shares equivalent to 11.11% participation. During 2008, it carried out USD 625,000 capitalization. It is in pre-operational stage.

Notes to the Consolidated Financial Statements

Electrificadora del Caribe S.A. E.S.P. –ELECTRICARIBE–

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

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

CRCC is a Colombian corporation with main offices in Bogotá. Established in October 3, 2007, Its main purpose is to administer the Operations Settling and Clearing System, that is the organized array of activities, agreements, counterparties, agents, third parties, accounts, rules, procedures, mechanisms and technological components for accepting, settling and clearing operations with assets, either as a counterparty or not. XM owns 5.9722% of this corporation's capital stock.

Derivex S.A.

It was established on June 2, 2010 and its purpose is administration of a system for negotiation of operations with financial derivatives that meet the definition of security included in paragraphs 3 and 4 of Article 2 of Law 964 of 2005 and have electric energy, fuel gas, and other energy commodities as underlying assets, all as authorized by the Colombian Financial Superintendency in Resolutions Nos. 2001 of December 23, 2009 and 1069 of May 27, 2010. XM owns 49,995% participation and has joint control over it. Its term is 50 years.

Notes to the Consolidated Financial Statements

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

		2010	2009
Investments in shares			
FEN S.A.		3	3
Empresa Propietaria de la Red S.A. –EPR–		14,693	13,017
Transnexa S.A. E.M.A.		269	236
Cámara de Riesgos Central de Contraparte de Colombia S.A.	(1)	2,070	1,735
Derivex S.A.		600	–
ELECTRICARIBE S.A. E.S.P.	(2)	12,114	12,114
Interconexión Eléctrica Colombia – Panamá S.A. –ICP–		2,676	1,012
Interligação Elétrica de Minas Gerais S.A. –IEMG–	(3)	54,004	55,237
Interligação Elétrica Norte Nordeste S.A. –IENNE–	(3)	93,136	55,063
Interligação Elétrica Pinheiros S.A. –IEPINHEIROS–	(3)	227,970	149,303
Interligação Elétrica Sul S.A. –IESUL–	(3)	50,654	8,026
Interligação Elétrica Madeira S.A. –IEMadeira–	(3)	141,480	61,791
Interligação Elétrica Serra do Japi S.A.	(3)	22,225	11,979
INTERNEXA Chile S.A.	(4)	–	15,270
Other investments		(17)	342
Long-term investment allowance	(5)	(13,170)	(12,700)
Total investments in shares		608,707	372,428
Other long-term investments			
In trust rights	(6)	–	2,065
Total long-term investments		608,707	374,493

1) Capital contributions made by XM to Cámara de Riesgo Central de Contraparte de Colombia S.A.

2) Shares received by ISA (Parent Company) as payment.

3) Balance corresponds to capital contributions by CTEEP.

Notes to the Consolidated Financial Statements

4) In 2009, INTERNEXA S.A. E.S.P. in Colombia, made capital contributions to INTERNEXA Chile S.A. This company started consolidation in November 2010.

5) Corresponds, mainly, to the following provisions: In ISA (parent company) – EPR \$2,493, ELECTRICARIBE \$2,066 (2009: \$2,489), ISA Bolivia S.A., \$2,045 (2009: \$2,045), Consorcio TransMantaro S.A., \$5,459 (2009: \$5,459).

Starting 2010, as provided by Resolution 193 of July of 2010 of the CGN, the Company records under equity the exchange difference of equity entries resulting from translation of investments abroad.

6) Corresponds in ISA (parent company) to trust estate established to guarantee payment of independent engineering of the UPME 02 of 2008 – El Bosque and UPME 01 of 2007 – Porce projects.

Notes to the Consolidated Financial Statements

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

		December 2010	December 2009
Customers			
Energy services	(1)	511,059	658,473
Telecommunications		25,868	43,517
Market Administration		8,316	9,427
Constructions	(2)	171	7,371
Other technical services		7,277	4,106
Total customers		552,691	722,894
Interest receivable			
From customers		290	121
Other interest receivable		2,428	967
Total interest receivable		2,718	1,088
Loans extended		659	578
Prepayments and advances			
Taxes and contributions	(3)	359,061	330,194
To suppliers		770	2,195
For purchase of goods and services	(4)	47,477	25,581
Advances and prepayments of per–diem and travel expenses		540	525
Other		1,299	2,637
Total prepayments and advances		409,147	361,132

Notes to the Consolidated Financial Statements

		December 2010	December 2009
Other accounts receivable			
Loans to employees		22,947	21,748
Deposits made	(5)	137,922	52,268
Accounts receivable from Brazilian Gov. – Law 4819	(6)	812,809	676,791
Accounts receivable VAT – MOP–	(7)	257,055	–
Other accounts receivable	(8)	209,450	142,657
Total other accounts receivable		1,440,183	893,464
TOTAL ACCOUNTS RECEIVABLE		2,405,398	1,979,156
Less – Allowance for doubtful accounts		(19,742)	(18,588)
TOTAL ACCOUNTS RECEIVABLE		2,385,656	1,960,568
LONG-TERM ACCOUNTS RECEIVABLE			
Customers		3,538	94,310
Loans to employees		16,889	16,481
Loans extended		(186)	84
Pre-payments		578	238
Accounts receivable from Brazilian Gov. – Law 4819	(6)	784,968	653,969
Accounts receivable VAT – MOP–	(7)	204,407	–
Deposits made	(5)	48,531	51,595
Other accounts receivable	(8)	137,980	57,826
TOTAL LONG-TERM ACCOUNTS RECEIVABLE		1,196,705	874,503
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE		1,188,951	1,086,065

(1) Worth noting among balance of accounts receivable for energy services along the year 2009 is the payment agreement subscribed by CTEEP with distributors with past due accounts, stipulating their payment in 36 installments. All the \$131,690 installments corresponding to 2010 were paid as agreed.

(2) Includes, in 2009, accounts related to construction of infrastructures for sale of Proyectos de Infraestructura del Perú for \$5,544 and ISA for \$1,807 legalized in 2010.

(3) Includes, mainly: balance in favor of taxes of CTEEP for \$11,233 (2009: \$249,732) corresponding to application of Law N° 11941 of May 27 of 2009, reviewing payments of contributions to PIS and COFINS of the years 2004 to 2007; prepaid income tax of ISA Capital do Brasil for 15% withholding on interests of own capital in CTEEP for \$42,280 (2009:\$37,743);

Notes to the Consolidated Financial Statements

fiscal credit from general sales tax of TransMantaro for \$54,746 (2009: \$10,136) and credit balances for taxes of the concessionaires of Cintra in Chile for \$205,240.

- (4) Includes prepayments from Proyectos de Infraestructura del Perú –PDI– for \$27,903 (2009: \$16,749), TransMantaro for \$9,706 (2009: \$2,862) and REP for \$4,295 (2009: \$ 5,518).
- (5) Includes in 2010 \$88,657 from ISA for reclassification of temporary investments of funds under administration corresponding as delegated management trusts in compliance with Resolution 585 of December 22 of 2009 of Colombia’s General Accounting Office. These funds can only be earmarked for delegated management of projects IPSE, FAER, FAZNI, DISPAC, and \$48,531 (2009: \$51,595) from CTEEP for court deposits given as collateral for payment of fines imposed by ANEEL.
- (6) CTEEP’s accounts receivable from the Brazilian Government for labor benefits (Law 4819 of 1958). No monetary updating whatsoever is applicable to this balance and no return is recorded until approved by the Government of the São Paulo State for payment to the company.
- (7) Corresponds to accounts receivable from the Ministry of Public works –MOP– of the Cintra’s concessionaires for recognition of increased costs incurred for recovery of roads damaged by the earthquake of 2010.
- (8) Includes energy transmission contracts signed between TransMantaro and third parties for \$68,661 (2009: \$48,889), considered, according to NIC 37, as financial leasing rentals; \$65,022 in CTEEP for services rendered with new associated companies Pinheiros and Serra do Japi, not deleted in the consolidated because these companies were not integrated in 2010, and \$30,432 (2009: \$11,176) for sale of assets, upon authorization from ANEEL; \$ 2,732 (2009: \$47,167) of ISA Capital do Brasil for deposits in the Bank of New York, to guarantee interest payment on the bonds of ISA Capital do Brasil; and the balances of other accounts receivable of the concessionaires of Cintra in Chile for \$20,749 incorporated in the consolidated for 2010.

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

	2010	2009
Shareholders		
Empresas Públicas de Medellín –EPM–	11,743	11,634
Empresa de Energía de Bogotá –EEB–	34	34
Empresa Colombiana de Petróleos –ECOPETROL–	76	–
Total shareholders	11,853	11,668
Other customers	540,838	711,226
Total accounts receivable from customers	552,691	722,894

Notes to the Consolidated Financial Statements

Classification of accounts receivable from customers according to maturity date:

	2010	2009
Current	518,942	690,325
Overdue		
Between 1 and 90 days	8,087	20,649
Between 91 and 180 days	16,306	2,770
Between 181 and 360 days	2,343	2,823
More than 360 days	7,013	6,327
Total overdue	33,749	32,569
Total	552,691	722,894

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

In Colombia, power sector companies, Electribolívar, Caucaasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities –SSPD–, owed ISA as of December 31, 2010 and 2009, \$3,728; these overdue accounts receivable are 100% provisioned.

Notes to the Consolidated Financial Statements

NOTE 8: INVENTORIES – NET

Inventories at December 31 included:

		December 2010	December 2009
Short-term inventories			
Materials to render services	(1)	15,856	68,532
Inventories in transit	(2)	17	22,048
Provision		(206)	(770)
Total inventories – net Short-term		15,667	89,810
Long-term inventories			
Materials to render services		61,312	61,392
Provision		(5,459)	(5,850)
Total long- term inventories		55,853	55,542
TOTAL INVENTORIES		71,520	145,352

(1) Variation is generated mainly in CTEEP for reclassification of inventory as the largest value of the concession for \$51,278.

(2) In the year 2009, company Proyectos de Infraestructura del Perú S.A., owned inventory in transit that was used in 2010 for construction of the Central Electric Infrastructure Project for \$22,031.

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

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

Notes to the Consolidated Financial Statements

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	December 2010	December 2009
Property, plant and equipment		
Networks, lines and cables	2,455,818	2,398,001
Plants and ducts	2,161,022	2,072,619
Buildings	107,219	77,885
Land	25,500	26,670
Machinery and equipment	90,126	81,336
Computer and communications equipment	48,381	44,814
Transport, traction and lifting equipment	16,113	11,498
Furniture, fixtures and office equipment	17,254	16,151
Roads	–	265
Subtotal property, plant and equipment	4,921,433	4,729,239
Less – accumulated depreciation	(1,967,831)	(1,797,977)
Less – provisions	(10,726)	(11,118)
Total property, plant and equipment in operation	2,942,876	2,920,144
Constructions in progress	28,234	100,546
Machinery, plant and equipment in assembly	41,135	31,235
Machinery and equipment in transit	11,901	12,321
Total property, plant and equipment – net	3,024,146	3,064,246

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

At close of 2010, ISA and its companies have insurance policies hired for safeguarding of their assets.

Notes to the Consolidated Financial Statements

NOTA 10: DEFERRED CHARGES AND OTHER ASSETS

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

Deferred charges and other short-term assets		December 2010	December 2009
Prepaid expenses		25,167	31,840
Deferred taxes	(1)	131,994	114,295
Actuarial financial reserve	(7)	2,594	–
Other deferred charges MOP	(2)	163,884	48
Deferred charges and other long-term assets		323,639	146,183
Deferred charges and other long-term assets			
Deferred charges			
Deferred taxes	(1)	907,239	104,685
Debt issuance and restructuring costs	(3)	1,879,939	13,616
Studies and research		3,961	278
Deferred charges MOP	(2)	1,527,691	31,082
Total deferred charges		4,318,830	149,661
Intangibles			
Software		66,346	68,618
Licenses		64,577	60,073
Easements	(4)	84,325	71,656
Rights	(5)	14,986,851	10,254,025
Goodwill and trademarks	(6)	1,191,978	1,211,779
Less – Amortization of intangible assets		(5,554,108)	(4,334,338)
Total intangible assets		10,839,969	7,331,813
Actuarial financial reserve	(7)	12,193	480
Miscellaneous		14,508	29,598
Total deferred charges and other long-term assets		15,185,500	7,511,552

Notes to the Consolidated Financial Statements

- (1) Includes, mainly \$94,556 (2009: \$77,060) of ISA, \$108,834 (2009: \$115,707) of CTEEP and \$811,595 of the Chilean companies.
- (2) Payments to the Ministry of Public Works of Chile for use of pre-existing infrastructure during the concession life.
- (3) Includes debt issuance expenses of Cintra and its concessionaries for \$1,601,483 inherited in the integration of their financial statements into the consolidated, and debt restructuring expenses of ISA Capital do Brasil for \$265,675 amortizable until April of 2016.
- (4) Rights of way acquired by ISA for its operation assets, mostly transmission lines. These assets are acquired perpetually, i.e., no expiration date or time limit exists, and the right remains along time.
- (5) Variation corresponds basically to integration of the rights of the road concessions of Cintra and its concessionaries in Chile for \$4,300,233.
- (6) Includes mainly reduction of goodwill of ISA Capital do Brasil and CTEEP for \$49,732 and \$36,866 respectively, generated by exchange rate effect, and recognition of goodwill in the investment vehicle in Chile –ISA Inversiones Chile– resulting from the acquisition of Cintra and its concessionaries for \$67,362. Earmarked as reserve to cover long-term pension liabilities in XM, these resources guarantee pension liabilities.
- (7) Assets have no restrictions, or pledges or guarantees for obligations other than those indicated in Notes 12, 19.2 and 19.3.

Notes to the Consolidated Financial Statements

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

	December 2010	December 2009
Investments	–	269
Property, plant and equipment (1)	3,009,541	2,829,891
Total re-appraisals	3,009,541	2,830,160

(1) In 2008, ISA and TRANSELCA conducted economic appraisal for main components of property, plant and equipment, in compliance with the provisions of the Public Accounting Regime – Resolution 354 of September 5 of 2010.

Technical appraisals of operational assets for Colombian subsidiaries were made by using the technically recognized Straight-line Depreciated Replacement Cost method approved by the Colombian General Accounting Office as stated in number 18 of accounting procedure for recognition and disclosure of facts related to property, plant and equipment, issued by Resolution 356 of September 5, 2007. The methodology consists of determining the present value of operational equipment, based on the actual cost of an asset with the same characteristics that provides the same service (the as-new replacement value –VRN¹), proportionally affected by the remaining time of service (remaining useful life) with respect to the useful life initially established. This criterion is applied to every specialized asset² that ISA has in operation for energy transmission (use and connection). Market value is used for non-specialized assets³ such as vehicles.

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1. Amounts determined in accordance with applicable regulation.
 2. Assets not frequently offered or demanded in the market.
 3. Assets frequently offered and demanded in the market.

Notes to the Consolidated Financial Statements

NOTE 12: OUTSTANDING BONDS

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

Issue	Series	Currency	Term (years)	Interest rate %	Maturity	2010	2009
First	A	USD	8	8.13	2009	–	–
First	B	USD	9	8.34	2010	–	30,663
Second	A	USD	8	6.00	2011	19,140	20,442
Second	B	USD	9	6.25	2012	19,140	20,442
Third	Single	COP	10	IPC + 8.10	2011	130,000	130,000
First	C	COP	10	IPC + 7.50	2012	35,000	35,000
First	C	COP	10	IPC + 7.50	2012	62,000	62,000
First	A	COP	7	IPC + 6.14	2011	50,000	50,000
First	D	COP	12	IPC + 6.95	2016	50,000	50,000
First	A	USD	10	5.75	2013	24,534	32,894
Second	Single	PEN	10	VAC + 5.13	2013	26,166	32,949
Third	A	USD	12	7.75	2016	17,802	21,390
Third	B	USD	12	7.63	2017	7,271	8,774
Fifth	A	USD	10	Libor + 2.56	2014	22,968	30,663
Third	A	USD	12	5.88	2019	12,202	14,612
Third	B	USD	12	6.19	2019	46,980	55,752
Fourth	A	USD	12	Libor + 0.75	2019	30,863	36,959
Eleventh	A	USD	3	4.50	2012	22,968	24,531
Fifteenth	A	USD	7	6.50	2016	38,280	40,885
Program Tranche 1		COP	7	IPC + 7.00	2011	100,000	100,000
Program Tranche 2		COP	10	IPC + 7.30	2016	150,000	150,000
Program Tranche 3		COP	15	IPC + 7.19	2019	108,865	108,865
Program Tranche 4 Batch 1		COP	20	IPC + 4.58	2026	118,500	118,500
Program Tranche 5		COP	7	IPC + 4.84	2013	110,000	110,000
Program Tranche 4 Batch 2		COP	18	IPC + 4.58	2026	104,500	104,500
Program Tranche 6	A	COP	6	IPC + 4.99	2015	150,000	150,000
Program Tranche 6	B	COP	9	IPC + 5.90	2018	59,500	59,500

Notes to the Consolidated Financial Statements

Issue	Series	Currency	Term (years)	Interest rate %	Maturity	2010	2009
Program Tranche 1		USD	5	7.88	2012	–	408,846
Program Tranche 2		USD	10	8.80	2017	60,579	723,657
Debenture	A	BRL	5	CDI + 1.30	2014	567,353	–
Debenture	B	BRL	7	IPCA + 8.10	2016	66,557	–
Tachi Bonds	B1–B2	UF	15	2.75	2019	330,555	–
Tachi Bonds	C1–C2	UF	15	3.50	2021	88,062	–
Maipo 144 A Bonds		USD	21	7.37	2022	696,865	–
Maipo Bonds	A1–A2	UF	21	4.85	2025	413,393	–
Maipo Bonds	B1–B2	UF	24	3.20	2030	468,610	–
Bosque Bonds	A	UF	21	7.98	2021	565,586	–
Bosque Bonds	B	UF	18	5.69	2024	113,896	–
Capitalized interest						100,214	–
Maipo bonds coverage						524,490	21,607
Total						5,512,839	2,753,431
Less current portion						476,725	85,660
Total long-term						5,036,114	2,667,771

Bonds accrued interests during 2010 for \$165,869 (2009: \$264,671), which were recorded as financial expenses.

Below is the detail of maturities for outstanding bonds:

Year	Capital	Coverage	Total
2011	476,725		476,725
2012	251,640		251,640
2013	235,278		235,278
2014	696,099		696,099
2015 onwards	3,328,607	524,490	3,853,097
Total	4,988,349	524,490	5,512,839

Notes to the Consolidated Financial Statements

ISA's bonds issues were earmarked as follows:

The third bond issue, for a value of \$130,000, was earmarked for substitution of domestic and foreign currency loans to reduce exchange risk exposure and expand the portfolio's average maturity.

The bond program for \$450,000 whose initial issuance took place in February 2004, was expanded to \$850,000 in 2006, to \$1,200,000 in 2009 and to \$1,700,000 in 2010.

Tranche 4 was offered in 2006, at 26-year term for \$380,000, of which, \$104,500 were placed in 2008, maturing in April of 2026. Tranche 6 of Series A for \$150,000 maturing in April 2015 and Tranche 6 of Series B for \$59,500 were underwritten in 2009 upon second expansion. 50% will be earmarked for debt management operations and the remaining 50% for financing cash flow and investments.

TRANSELCA bond issues

Affiliate TRANSELCA S.A. E.S.P., duly authorized by the Shareholders' Meeting and by the Colombian Financial Superintendency, issued bonds during 2002 and 2004 for \$113,000 and \$100,000, respectively; funds were earmarked for financing expansion projects, working capital and corporate cash flows. Balance at December 2010 was \$197.000 million.

CTEEP

In December of 2009, CTEEP issued 54,860 bonds for a total value of BRL 548.6 million. Series 1 shall have amortization payments on the following dates: December 15 of the years 2012, 2013 and 2014; and returns shall be paid biannually on June 15 and December 15 of each year, with the first one paid on June 15 of 2010. Series 2 shall have amortization payments on the following dates: June 15 of 2014, December 15 of the years 2015, 2016, and 2017; and returns shall be paid on the following dates: June 15 of the years 2011, 2012, 2013, 2014, and December 15 of the years 2015, 2016, and 2017.

Notes to the Consolidated Financial Statements

Funds from this offer shall go mainly to:

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

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

First corporate bond issue program:

The first issue of 30,000 Series–A corporate bonds with USD1,000 unit par value and 10–year redemption term was placed in the financial market in July 2003 at 5.75% yearly nominal rate.

The second issue of 20,000 Single Series bonds with PEN 3,477 unit par value and 10–year redemption term was placed in the financial market in November 2003 at 5.125% yearly nominal rate. Balance pending amortization is adjusted with the constant actual value.

The third issue of 14,200 Series–A and 5,800 Series–B corporate bonds with USD1,000 unit par value and 12–year redemption term was placed in the financial market in July and August 2004 at 7.75% and 7.625% yearly nominal rate, respectively.

The fourth bond issue was de–listed.

The fifth issue of 30,000 series–A bonds with USD1,000 unit par value and 12–year redemption term was placed in the financial market in December 2004 at 3–month Libor + 2.5625%.

Notes to the Consolidated Financial Statements

Second Bond Program:

The third issue of 8,500 series-A bonds and 30,000 series-B bonds had a par value of USD 1,000 and 12-year redemption term. These bonds were placed in the financial market in February and October 2007, at 5.875% and 6.1875% annual nominal interest, respectively.

The fourth issue of 21,500 Series-A bonds had a par value of USD 1,000 and 12-year redemption term. These bonds were placed in the financial market in February 2007, at 3-month Libor + 0.75% interest.

On May 15 of 2009, REP carried out its eleventh and fifteenth bond issues for USD12,000 and USD20,000 million, each maturing in 37 years, accruing interest at 4.50% and 6.50% fixed-rate, respectively, to be paid quarterly in arrears with 100% amortization on expiration of the issuance term.

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

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

January 29, 2007 issue, for USD 554 million. The issue was carried out in two tranches: a first one for USD200 million, at 5-year term and 7.88% yearly interest rate with Call option in the years 2010 and 2011; the second for USD 354 million at 10-year term and 8.80% yearly interest rate with Call option during the bonds' term. Of total bonds issued, 60% were placed in the USA, 36% in Europe, 2% in Latin America, and 2% in Asia.

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

In March 2010, ISA Capital do Brasil launched a Tender Offer with Exit Consent for the 2017 Bonds and exercised the purchase option of the 2012 Bonds. The final result is the payment of 95% of bonds, with a balance remaining for 2017 Bonds of USD 32 million.

Notes to the Consolidated Financial Statements

TransMantaro's bond issue had the following characteristics:

First Corporate Bond Program:

First series-A and Series-B issue for USD 15 each, placed in November 2001, with 8.13% and 8.34% interest rate and maturity in November 2009 and 2010, respectively. Second series-A and Series-B issue for USD 10 each, placed in November 2003, with 6.00% and 6.25% interest rate and maturity in November 2011 and 2012, respectively.

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

The bond issues of Cintra Chile S.A. had the following characteristics:

Autopista del Maipo

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

- USD 144A Bonds

The first bonds, for USD 421 million, were issued in the United States in August of 2001, under the 144A mechanism and they are guaranteed by MBIA under the mono-liner reinsurer modality. These bonds have a swap hedge in UF (corresponding to UF 14,103,034) with Instituto de Crédito Oficial -ICO-. Given the hedge provided by this instrument, the corporation terminated the Covenant "Exchange Rate Hedging Mechanism", subscribed with the MOP in 2001.

- Bond issue in UF Series A and Series B

Autopista del Maipo filed on September 22 of 2004 a bond program for a maximum amount of UF 15,000,000, guaranteed by MBA, with maturity on December 31 of 2034. Of the total program, UF 11,801,000 has been used so far.

Series A was issued in Chile in December of 2004 for UF 5,800,500, with maturity in June of 2025 and coupon rate of 4.85%.

Series B was issued in Chile in December of 2006 for UF 6,000,500, with maturity in December of 2030 and coupon rate of 3.20%.

Notes to the Consolidated Financial Statements

Hedging instrument

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

At closing of 2010, liabilities related to this hedging total \$524,490.

Autopista Talca–Chillán–Tachi

- UF Bonds Series B and Series C

So as to repay a syndicated credit line of UF 3.5 million granted to Tachi in 2002 and to carry out required works of the complementary covenant, the company filed a bond program worth UF 6,755,000 maturing on December 12 of 2026.

Series B was issued in June of 2005 for UF 5,650,500, with maturity in December of 2019 and rate of UF + 2.75%.

In September of 2006, Tachi issued bonds for the third time, the second of the program. These funds were earmarked for payment of a debt with a construction firm for UF 907,000 as well as other shareholders (including Cintra). Series C was issued in June of 2021 for UF 1,124,500, with maturity in December of 2021 and rate of UF + 3.50%.

Autopista del Bosque

This concessionaire has carried out two bond issues.

- UF Bonds Series A

The first issue was placed in March of 2001 for UF 7,801,000. The bond's rate is 6.3% with redemption in March of 2021.

- UF Bonds Series B

The second bond was held in November of 2006 for UF1,500,000. The main characteristics are: interest rate of 3.4%, 18-year term, and optional early redemption as of March of 2012.

Notes to the Consolidated Financial Statements

CTEEP

In December of 2009, CTEEP issued 54,860 bonds for BRL 548.6 million, paid in January of 2010. Series 1 shall be amortized on the following dates: December 15 of the years 2012, 2013 and 2014; and returns shall be paid biannually on June 15 and December 15 of each year, with the first one paid on June 15 of 2010. Series 2 shall have amortization payments on the following dates: June 15 of 2014, December 15 of the years 2015, 2016, and 2017; and returns shall be paid on the following dates: June 15 of the years 2011, 2012, 2013, 2014, and December 15 of the years 2015, 2016, and 2017.

Funds from this offer shall go mainly to:

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

Notes to the Consolidated Financial Statements

NOTE 13: FINANCIAL LIABILITIES

The balance of financial liabilities at December 31 included:

Credit line	Currency	Interest rate	2010	2009
Domestic financial liabilities				
BBVA	COP	DTF + 3.40%	–	66,668
Bancolombia	COP	DTF + 2.60%	–	70,000
Davivienda	COP	DTF + 3.88%	25,000	25,000
BBVA	COP	DTF + 3.89%	75,000	75,000
Banagrario	COP	DTF + 4.50%	21,000	21,000
Davivienda	COP	DTF + 3.00%	3,333	7,000
BBVA	COP	DTF + 2.50%	5,000	10,000
Bancolombia	COP	DTF + 1.93%	12,317	27,596
Banco de Crédito	COP	DTF + 4.50%–5.00%	42,665	43,993
Banco de Bogotá	COP	DTF + 2.25%–2.90%	52,640	20,000
Banco de Occidente	COP	DTF + 4.75%	6,000	6,000
BBVA	COP	DTF + 4.25%	–	837
Occidente	COP	DTF + 4.00%	–	727
Total domestic financial liabilities			242,955	373,821

Notes to the Consolidated Financial Statements

Credit line	Currency	Interest rate	2010	2009
Foreign financial liabilities				
BNDES	BRL	TJLP + 1.80% – 2.30%	666,599	588,200
BIRF-3955-CO.	USD	Libor + 0.28%	57,620	89,701
Banco de Crédito del Perú BCP	USD	Libor + 2.13%	39,045	48,653
BID	USD	Libor + 4.00%	38,796	53,675
BID	USD	7.16%	6,170	–
CAF	USD	Libor + 5.00%	28,783	40,029
CAF	USD	5.99%	4,750	–
IFC	USD	6.10%	19,412	23,470
BIRF-3954-CO.	USD	6.32%	29	374
Mediocrédito – Artigiancassa	EUR	1.75%	–	1,779
BBVA Banco Continental	USD	Libor + 1.45%	20,530	24,308
BNP Paribas	USD	Libor + 0.35%	47,167	58,127
HSBC	BRL	106.50% – 119.50% CDI	–	212,150
ITAU	BRL	106.50% – 119.50% CDI	–	212,150
Banco Real	BRL	CDI + 6.50%	–	–
BCP	USD	6.61% – 6.68%	102,012	40,802
UBS	BRL	106.5% CDI	–	59,436
BBVA	USD	Libor + 3.80%	237,335	–
Helm Bank Panamá	USD	3.36%	6,423	–
BBVA Continental	USD	3.40%	1,616	–
BBVA	UF	5.20% – 5.40%	2,155	–
BCI	CLP	TAB + 0,17%	3,058	–
Banco Chile	UF	4.49%	326,412	–
Corpbanca	UF	4.49%	157,270	–
Banco Estado	UF	4.49%	157,270	–
Banco Chile	UF	4.70%	187,627	–
Corpbanca	UF	4.70%	21,891	–
Banco Estado	UF	4.70%	187,627	–
Banco Security	UF	4.70%	18,855	–
Total foreign financial liabilities			2,338,452	1,452,854
Hedging operations			(6)	–
Total financial liabilities			2,581,401	1,826,675
(Less) current portion			304,980	805,837
Total long-term			2,276,421	1,020,838

Notes to the Consolidated Financial Statements

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

Currency	Balance in original currency (1)		Balance in local currency	
	2010	2009	2010	2009
US Dollar	318,544	185,467	609,688	379,138
Euro	–	608	–	1,779
Brazilian Real	582,157	913,036	666,599	1,071,937
Colombian Pesos	242,949	373,821	242,949	373,821
Unidades de Fomento Chile	12,116	–	1,062,165	–
Total financial liabilities			2,581,401	1,826,675

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

Maturity of financial liabilities at December 31, 2010:

Year	Total
2011	304,980
2012	363,529
2013	385,151
2014	440,717
2015 onwards	1,087,024
Total	2,581,401

Notes to the Consolidated Financial Statements

COMMITMENTS RELATED TO LOANS

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

BBVA

ISA agreed financial commitments for the USD 124 million loan with BBVA bank, including net debt balance/EBITDA ratio lower than or equal to 4.0. This information is to be reported to the bank biannually in the interest payment period.

As of December 31 of 2010, the Company had satisfactorily met the above commitments.

Notes to the Consolidated Financial Statements

NOTE 14: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

		December 2010	December 2009
Suppliers		147,860	115,070
Financial expenses	(1)	241,427	101,435
Creditors		83,272	165,942
Dividends	(2)	194,072	50,457
Contract withholding	(3)	4,120	–
Other accounts payable	(4)	250,738	168,673
Taxes	(5)	582,880	381,165
Total accounts payable		1,504,369	982,742
Less long-term accounts payable			
Creditors		30,128	57,057
Financial expenses	(1)	5,315	–
Other accounts payable	(4)	143,853	114,036
Taxes	(5)	237,644	227,515
Total long-term accounts payable		416,940	398,608
Total short-term accounts payable		1,087,429	584,134

(1) Variation is basically accounted for by incorporation of the financial expenses of Cintra and its concessionaries for \$192,263, and by reduction of interest on debt from restructuring in ISA Capital do Brasil and CTEEP for \$38,619 and \$16,648, respectively.

(2) Corresponds to dividends payable to third parties outside the group declared on results of 2009 and represented basically in: CTEEP \$147,009 (2009: \$7,873) and ISA \$44,308 (2009: \$40,876).

Notes to the Consolidated Financial Statements

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| <p>(3) Corresponds to withholding payable on contracts with third parties of Cintra and its concessionaries, inherited in the incorporation of their financial statements into ISA's consolidated financial statements.</p> <p>(4) Includes in INTERNEXA the prepayments on sales received from third parties as indefeasible rights and installed capacity services for \$136,316 (2009: \$118,569), in ISA, deposits received for implementation of projects FAZNI and FAER for \$73,270 (2009: \$27,165) and prepayments on sales of construction services for \$17,224 (2009: \$8,987).</p> <p>(5) Corresponds to withholding tax, payable sales and income tax of ISA and its companies, and whose increase is accounted for by incorporation of the balances of Cintra and its concessionaries into the consolidated for \$201,832.</p> | |
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Notes to the Consolidated Financial Statements

NOTA 15: LABOR LIABILITIES

Labor liabilities at December 31 included:

Labor liabilities	December 2010	December 2009
Severance payments and interest	4,926	5,327
Vacations	19,649	17,169
Agreed fringe benefits	9,726	9,878
Early retirement plan provision	18	212
Other	2,289	1,428
Total labor liabilities	36,608	34,014
Less – long-term portion	1,341	1,740
Short-term labor liabilities	35,267	32,274

Notes to the Consolidated Financial Statements

NOTE 16: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

		December 2010	December 2009
Retirement pensions	(1)	162,895	142,394
Provision for income tax and surtax		52,458	88,842
Provision for contingencies	(2)	878,658	683,949
Actuarial estimate of fringe benefits for pensioners	(3)	104,999	87,935
Other estimated liabilities and provisions		2,142	57,510
Total estimated liabilities and provisions		1,201,152	1,060,630
Retirement pensions	(1)	154,378	134,824
Provision for contingencies	(2)	840,797	671,540
Less – long-term portion		995,175	806,364
Total short-term estimated liabilities and provisions		205,977	254,266

(1) Corresponds to the amortized present value of pension liabilities at December 31 of 2010 and 2009 of ISA, TRANSELCA and XM, according to actuarial studies.

(2) Includes \$403,144 (2009: \$415,298), values to be paid by ISA Capital Do Brasil to Secretaria de Fazenda, Gobierno de Brasil, as payment commitment for the difference between the purchase price of the shares of CTEEP and retirement pensions payments established in Law 4819 of 1958, and \$117,277 for provision for preferred dividends with HSBC on preferred shares issued in March 2010. Also includes, in CTEEP, \$185,726 (2009:\$197,052) of provisions for liability in labor suits in partial assignment of Companhia Energética de São Paulo –CESP– and Empresa Paulista de Transmissão de Energia Elétrica S.A. –EPE–.

(3) Estimated liabilities of ISA and TRANSELCA, to show present value of future health, education and aging benefits recognized to pensioners.

Notes to the Consolidated Financial Statements

16.1 RETIREMENT PENSIONS AND AGREED LABOR BENEFITS

Retirement pensions

Under collective bargaining agreements and labor contracts, ISA, TRANSELCA S.A. E.S.P. and XM, Compañía de Expertos en Mercados S.A. E.S.P. are required to pay pensions to employees who satisfy certain conditions of age and length of service. However, the Social Security Institute –ISS– and the pension management funds have assumed the greater part of this obligation upon compliance with certain legal requirements.

On December 31, 2010, the Company had 627 (2009: 619) active employees, of whom nine (2009: 31) are covered by the pension plan provided in the collective and individual agreements, while the remaining 618 (2009: 588) are covered by Law 100 of 1993. The actuarial estimate covers active personnel (9), retired personnel (362), surviving spouse pension benefit substitutions (48), pension portion for which ISA is accountable (12) and contingent personnel: retired personnel with more than 20 years of service (4).

As of December 31, 2010, ISA had amortized 69.52%) of the pension liability projected to cover monthly pension payments; amortization is calculated with methodology set forth in Resolution N° 356 of September 5 of 2007 issued by CGN.

In the years 2000 and 2001, TRANSELCA offered early retirement plans to those workers received as a result of the company's capitalization process, and as a result of such, the company has pending liabilities as of December 31 of 2010 for \$3,842, to be amortized on a 3-year average, according to the time remaining for each worker's retirement pension payment to be assumed by the Instituto de Seguro Social.

In XM at December 31 of 2010, pension liability of 18 out of the 19 retirees was guaranteed by funding the trust in charge of their pension payments; the pension of remaining retiree is guaranteed by investment and cash.

The present value for pension liability as of December 31, 2010 and 2009 was determined using actuarial calculations that comply with the law and specifically with labor contracts and collective bargaining agreements. To determine pension liability for 2010, provisions of Resolution N° 1555 of July 30 of 2010 of Colombia's Financial Superintendency were included, to update mortality rates for male and female pensioners.

Notes to the Consolidated Financial Statements

With respect to amortization, it corresponds to the value resulting from dividing the total actuarial estimate pending amortization by the number of years remaining to complete the term set, counted from the actuarial estimate closing date.

The main estimates used in the actuarial calculation in ISA, TRANSELCA and XM were as follows:

	2010	2009
Actual interest rate	4.80%	4.80%
Future increase of pensions and salaries	4.51%	6.48%
Number of people covered by the plan	645	642

Notes to the Consolidated Financial Statements

The movements in the actuarial estimate and the deferred liability at December 31, 2010 are as follows:

	Projected liability	Deferred cost	Commuted Pension Liability	Net liability
Balance at December 31, 2008	178,057	(31,361)	(8,042)	138,654
Increase in actuarial estimate	15,685	(9,532)		6,153
Pension payment expense during the year				19,563
Total pension expenses in Income Statement				25,716
Pension payment				(19,563)
Increase in partially commuted pension liability			(2,413)	(2,413)
Balance at December 31, 2009	193,742	(40,893)	(10,455)	142,394
Increase in actuarial estimate	16,138	(6,111)		10,027
Pension payment expense during the year				23,286
Total pension expenses in Income Statement				33,313
Pension payment				(23,286)
Reclassification partially commuted pension liability			10,455	10,455
Balance at December 31, 2010	209,880	(47,004)		162,876

Agreed Fringe Benefits

The calculation of pension liabilities for ISA, XM and TRANSELCA included agreed fringe benefits received by pensioners in addition to those required by legal regulations. This practice was adopted in 2005 as a prudent policy seeking alignment with International Financial Reporting Standards –IFRS–.

The calculation included fringe benefits agreed in individual and collective labor agreements to which present and future pensioners are entitled, such as: education and health (supplementary plans and aid for health expenses) and pension contributions.

Notes to the Consolidated Financial Statements

16.2 INCOME TAX

Income tax and surtaxes

Liabilities for taxes, liens and duties are made up mainly of income tax, calculated according regulations applicable in the domicile of the parent company and its subsidiaries.

Tax regulations applicable to the Colombian companies provide:

- a. Taxable income is subject to 33% rate.
- b. The basis to determine income tax for the year shall not be lower than 3% of net fiscal equity on the last day of the preceding taxable year, refined with the items duly authorized by tax regulations in force.
- c. Law 863 of 2003 established that income tax payers could deduct 30% of the effective investments made only in productive real fixed assets. According to changes made in Law 1111 of 2006, starting 2007, the percentage is 40% and its application does not result in income taxable for shareholders.
- d. As of 2004, income tax payers performing transactions with foreign related or associated parties and/or with residents of countries considered as tax haven, are required, for income tax purposes, to determine their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, taking into consideration for these transactions the prices and profit margins of the market. At this time, the Company's management and its counsels have not concluded the updating study for 2010; however, based on the satisfactory results of the study conducted for 2009, their opinion is that no significant additional income tax provisions shall be required as a result of the study.
- e. As a result of application of CGN Resolution N° 356 of September 5 of 2007 (to be applied retroactively as of January 1 of 2007), change arises in accounting treatment of equity investments of controlled entities on which the corporation has important influence, particularly for recording of updating through equity method, according to which, all exchange difference variations are considered equity variations until disposal of investment, therefore affecting equity instead of fiscal year's results. Pursuant to the provisions of fiscal regulation of investment in foreign currency, application of the above accounting rule generates a conciliatory entry between accounting and fiscal results, arising from the exchange difference from investments in foreign currency in controlled entities.

Notes to the Consolidated Financial Statements

f. In 2005, Decision 578 of the Andean Community of Nations –CAN– entered into force. This decision seeks to avoid double taxation of the income earned in any of the member countries using an exoneration mechanism. Based on this decision and on the opinions of tax advisors, the income earned in CAN member countries are considered to be tax exempt.

g. On June 27, 2008, ISA and the State –Ministry of Mines and Energy– subscribed the legal stability agreement for the activity of electric energy transmission during 20 years. The agreement provides for legal stability regarding income tax regulations, among which: income tax rate, deduction of inflation component of financial expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in import of machinery for energy transport, presumptive income equal to 3% of net fiscal equity, and transitoriness of equity tax.

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

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

Regarding the action with the Administrative Tribunal of Atlantico, related to income tax return for 2002, the Company's management and its fiscal counsels consider that the arguments set forth reasonably support deductibility of the expenses denied by DIAN in such income tax return, which is the subject of discussion therein.

On June 8 of 2010, the Tax and Customs Direction –DIAN– issued a Special Requisition for the income tax return for fiscal 2007, where it disavows tax exemption for the dividends received from the company ISA Perú. TRANSELCA submitted a reply to the Special Requisition on September 8 of 2010. The company's tax consultants, together with the management, consider that the assertions presented support the requested exemption on those dividends rejected by DIAN.

Notes to the Consolidated Financial Statements

INTERNEXA

As of December 31, 2007, the Company has \$38,001 in fiscal losses to be offset originated in 2003 and 2010. According to fiscal regulations in force, losses incurred since 2003 and until 2006, may be fiscally readjusted and offset with ordinary net taxable income, not exceeding yearly 25% of the loss, without affecting presumptive income of the fiscal year. Losses incurred as of 2007, may be fiscally readjusted and offset without any restriction as to percentage and time, with ordinary net taxable income, without affecting presumptive income of the fiscal year. The losses of the corporations cannot be transferred to their shareholders. Fiscal losses from revenues that do not constitute income or incidental income and from costs and deductions not originating taxable income cannot be offset with ordinary net taxable income of the taxpayer, except those originated in the deduction for investment in real productive fixed assets.

Additionally, at December 31, 2010, INTERNEXA shows excess presumptive income over taxable income for \$19,996 corresponding to years 2006 to 2010. According to tax regulations in force, any excess of presumptive income over taxable income earned as of 2003 can be offset with taxable income during the following five years and/or readjusted for tax purposes.

Equity tax

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

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

During the first semester of 2009, the Management, based on Article 25 of Law 1111 of 2006, and with approval of the Shareholders' Meeting of March 30 of 2007, authorized recording the equity tax of year 2010 for \$20,174 against the equity revaluation account.

Law 1370 of December 30 of 2009, amended by Law 1430 of 2010, sets equity tax for the year 2011 as follows:

Notes to the Consolidated Financial Statements

- a. The equity tax for the year 2011 is payable by individuals, legal entities and unincorporated associations who pay income tax. For matters of this tax, wealth is equivalent to the obligor's total net fiscal equity as on January 1, 2011 that is equal to or exceeds \$3,000 million. The tax rate is 2.4% for net fiscal equity ranging between \$3,000 and \$5,000 million, and 4.8% when it exceeds five thousand million pesos (\$5,000). The tax is to be paid in eight equal installments in the years 2011, 2012, 2013 and 2014, within the terms established by the National Government.
- b. Decree 4825 of December of 2010, passed under the powers of Decree 4580 of 2010, declared economic and social emergency, and created 25% equity tax surcharge, ruled by Law 1370 of 2009.

Tax Law Amendment of 2010

Law 1430, enacted on December 29 of 2010, stipulates not only the abovementioned equity tax provisions, but also the following issues of economic relevance for the company:

- a. Special 30% deduction on investment in real productive fixed assets: As of fiscal 2011, no tax payer can claim that deduction. Regarding ISA, in compliance with the Legal Stability Contract signed between ISA and the State (Ministry of Mines and Energy) for the activity of energy transmission, application of such deduction shall continue while the contract is in force.
- b. Levy on financial transactions –GMF, for its Spanish initials– (4/1000): gradual reduction of this tax rate was approved, as follows: for years 2014 and 2015, the rate shall be 2/1000; for years 2016 and 2017, the rate shall be 1/1000, and for 2018 onwards, it shall be 0/1000. New tax-generating facts were established, related to investments whose liquidation is paid to persons other than the initial investor, and related also, to loans not directly disbursed to the debtor. Starting 2013, deductions applicable to this tax will be 50%. However, changes introduced to Article 115, Number 2 of the Tax Law, leave without juridical ground 25% deduction on GMF for the years 2011 and 2012.
- c. Fiscal discounts on taxes paid abroad: Article 254 of the Tax Law was amended, stipulating that in the case of dividends received from investment in corporations abroad, paid tax is discounted from the earnings of the corporation that pays the dividends, as is payment by the corporations from which this latter receives the dividends, regardless of jurisdiction.

Additionally, application of this discount is allowed either in the fiscal year when dividends are received, or in the next four years.

Notes to the Consolidated Financial Statements

NOTE 17: OTHER LIABILITIES

Balance of other liabilities at December 31:

Other short-term liabilities		December 2010	December 2009
Collections for third parties	(1)	202,706	276,238
Deferred credits	(2)	1,632,788	–
Deferred income	(3)	38,729	67,638
Other		13,394	128
Total other short-term liabilities		1,887,617	344,004
Other long-term liabilities			
Deferred taxes	(4)	1,200,226	218,219
Deferred income	(3)	187,083	111,400
Other		37,526	59,686
Total other long-term liabilities		1,424,835	389,305

(1) Includes \$142,944 (2009: \$226,944) in XM for collections in favor of energy market agents, and 59,558 (2009: \$46,658) in CTEEP for regulatory trust.

(2) Corresponds to deferred loans from the Ministry of Public Works –MOP– of Chile of Cintra’s concessionaries for operation of road infrastructure.⁴

(3) Corresponds to prepayments from the customers of Proyectos de Infraestructura del Perú for the year 2010 for \$23,644, and in ISA, to deferred revenues of the National Transmission System STN for \$120,366 (2009: \$80,341), for bid assets and infrastructure usage rights for \$22,819 (2009: \$28,722), and in INTERNEXA in Peru, \$16,811 for usufruct of two fiber optics pairs in the digital network in the country’s Central–Southern region for a 20–year term.

(4) For 2010, it also included deferred taxes of Cintra and its concessionaries for \$942,982.

Notes to the Consolidated Financial Statements

NOTE 18: SHAREHOLDERS' EQUITY

SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital of ISA (parent company) at December 31 was distributed as follows:

SHAREHOLDER	Number of Shares	2010	
		Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P. –EPM–	112,605,547	3,693	10.166
Subtotal	682,078,108	22,372	61.577
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.320
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.665
Empresa de Energía del Pacífico –EPSA–	203,477	7	0.018
Subtotal	77,577,007	2,545	7.004
Subtotal	759,655,115	24,917	68.581
Private capital investors			
Fondo de Pensiones Obligatorias Porvenir Moderado	52,708,743	1,729	4.758
Fondo de Pensiones Obligatorias Protección Moderado	46,844,076	1,536	4.229
Fondo de Pensiones Horizonte	34,217,343	1,122	3.089
Fondo de Pensiones Obligatorias Colfondos	28,116,687	922	2.538
ING Fondo de Pensiones	19,648,431	644	1.774
Fondo de Pensiones Obligatorias Skandia S.A.	10,108,774	332	0.913
Abu Dhabi Investment Authority	3,569,406	117	0.322
Fondo de Pensiones Protección–Diversificado	2,340,580	77	0.211
Blackrock Institutional Trust Company N.A.	1,932,582	63	0.174
Fondo de Cesantías Porvenir	1,669,417	55	0.151
Other shareholders	146,866,740	4,818	13.259
Subtotal	348,022,779	11,415	31.419
Total outstanding subscribed capital	1,107,677,894	36,332	100.000
Repurchased own shares (2)	17,820,122	584	
TTotal subscribed and paid-in capital	1,125,498,016	36,916	

Notes to the Consolidated Financial Statements

SHAREHOLDER	Number of Shares	2009	
		Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P. –EPM–	112,605,547	3,693	10.166
Subtotal	682,078,108	22,372	61.577
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.320
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.665
Subtotal	77,373,530	2,538	6.985
Subtotal	759,451,638	24,910	68.562
Private capital investors			
Fondo de Pensiones Obligatorias Protección	54,621,241	1,792	4.931
Fondo de Pensiones Obligatorias Porvenir	51,130,021	1,677	4.616
Fondo de Pensiones Horizonte	35,629,587	1,169	3.217
Fondo de Pensiones Obligatorias Colfondos	28,248,455	927	2.550
ING Fondo de Pensiones	20,022,106	657	1.808
Fondo de Pensiones Obligatorias Skandia S.A.	9,207,793	302	0.831
Abu Dhabi Investment Authority	2,635,195	86	0.238
Fondo de Pensiones Protección	2,604,383	85	0.235
Fiducolombia –ISA ADR Program–	1,924,700	63	0.174
Fondo de Cesantías Porvenir	1,669,417	55	0.151
Other shareholders	140,533,358	4,609	12.687
Subtotal	348,226,256	11,422	31.438
Total outstanding subscribed capital	1,107,677,894	36,332	100.000
Repurchased shares	(2) 17,820,122	584	
Total subscribed and paid-in capital	1,125,498,016	36,916	

(1) Participation percentage on outstanding shares.

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

Notes to the Consolidated Financial Statements

ISA can issue common and preferred shares, and shares with preferred dividend but without voting rights. All shares are registered and circulate either in a materialized or dematerialized manner, as decided by the Board of Directors in the corresponding ruling.

Outstanding shares are common, registered and dematerialized.

Depósito Centralizado de Valores de Colombia –DECEVAL S.A.– is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

CAPITAL SURPLUS

- **Additional paid-in capital**

The additional paid-in capital is the excess of the sales price over the par value of the subscribed shares. In 2009 it increased by \$383,148, corresponding to share issuance held on December 9, 2009.

- **Received for works**

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

RESERVES

- **Legal reserve**

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

Notes to the Consolidated Financial Statements

- **Mandatory reserve for tax purposes**

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

- **Reserve for repurchase of shares**

Includes special reserve for the repurchase of shares held by EPM for \$38,100.

- **Reserve for reinforcement of equity**

In compliance with Article 47 of the bylaws, the Shareholders' Meeting approved an occasional reserve, so that the Company could retain its solid financial position and maintain the financial ratios required by the rating agencies, in order to obtain the investment degree and comply with contractual commitments to financial entities.

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

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

EQUITY REVALUATION

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

Notes to the Consolidated Financial Statements

As of year 2007, and according to regulations in force, the tax on equity is accrued by decreasing this account.

SURPLUS FROM EQUITY METHOD

Contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method (See Note 3.3).

Notes to the Consolidated Financial Statements

NOTE 19: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

		December 2010	December 2009
Debit			
Fiscal-over-accounting excess		472,926	57,880
Other contingent rights		98,898	88,477
Other debit control accounts	(1)	428,977	466,937
Effect application of Resolution N° 364/2000	(2)	3,289,464	2,806,494
Total debit memorandum accounts		4,290,265	3,419,788
Credit			
Claims and lawsuits (See Note 19.1)	(3)	69,963	441,786
Guarantees granted		1,019,606	491,488
Fiscal		294,326	615,454
Other credit control accounts	(4)	1,606,655	339,732
Total credit memorandum accounts		2,990,550	1,888,460

(1) Includes, mainly, collections for third parties by XM, Compañía de Expertos en Mercados S.A. E.S.P., in compliance with Decree 848 of March 28, 2005, date when it assumed the duties of Administrator of the Commercial Settlement System –ASIC–. As of December 31, 2010, totals were \$407,643 (2009: \$412,243).

(2) Represents differences with accounting, resulting from application of inflation adjustment system for tax effects and differences in accounting and tax deductions to determine ordinary net taxable income.

(3) ISA and its subsidiaries currently appear as party, as a defendant, plaintiff or as an intervening third party, of judicial processes of administrative, civil and labor nature. None of the processes in which they appear as a defendant or as an intervening third party could affect the stability of ISA's companies. The companies' management and their legal counsels consider remote any loss as a result of such claims and lawsuits.

Notes to the Consolidated Financial Statements

Likewise, ISA's companies, in their own name, brought the legal actions necessary to carry out their corporate purpose and to defend their interests (See Note 19.1).

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

19.1 CLAIMS AND LAWSUITS

ISA

ISA currently appears as party, as a defendant, plaintiff or as an intervening third party, of judicial processes of administrative, civil and labor nature. None of the processes in which the Company appears as a defendant or as an intervening third party could affect its stability. In its own name, it has taken the necessary judicial measures to carry out its corporate purpose and the defense of its interests.

Below is the information regarding the main judicial processes which the Company is a party to, their amounts expressed in millions:

- a. At December 31, 2010, ISA has filed administrative claims against: Electrificadora del Atlántico, Electrificadora de Bolívar and Empresa de Energía de Magangué for default interest on accounts for the use of STN and Energy Pool, for \$14,854.
- b. It has filed a civil claim against Sistep Ltda. and Aseguradora de Fianzas S.A. –Confianza–, at the Circuit Civil Court N° 10 of Medellín, for USD 1,936,618 plus \$1,175, as a result of the delay in the delivery of equipment to the Yumbo and La Esmeralda substations and resulting damages. Additionally, ISA is claiming payment of the performance policy by Confianza.
- c. Cundinamarca Administrative Tribunal, first Section. ISA has sued the Superintendency of Public Utilities for \$1,425 as a result of issuing administrative acts that prevent ISA (ASIC) from exercising its rights to limit power supplies and the collection of billings to Empresas Públicas de Cauca.
- d. Administrative Tribunal of Antioquia. ISA has filed a nullity and redress lawsuit against the tax authorities (Tax and Customs Authority –DIAN, for its Spanish initials–), for \$4,780, related to default interest in favor of ISA, resulting from the non-timely reimbursing excess income tax paid in 1995.

Notes to the Consolidated Financial Statements

- e. Administrative Tribunal of Antioquia. ISA challenged Resolution 1233 of 2001, by which the Municipality of San Carlos requested payment of taxes for public space occupation for \$1,839 for the year 2000.
- f. Nullity and redress process N° 064. Flores III LTDA & CIA. S.C.A. E.S.P. has sued the State – Ministry of Mines and Energy, CREG, ISA and Electrificadora del Caribe S.A. E.S.P.–. Claims: Declaration of nullity of CREG Resolution 031 of July 22, 1999, by which the appeal presented by ELECTRICARIBE S.A. was accepted, releasing the Company from paying amounts invoiced by ISA for the restriction of the 220–110 kV autotransformer. Declaration of nullity of alleged administrative act resulting from failure to answer within the legal term a request for direct repeal of the foregoing resolution and award payment of \$2,343.
- g. Administrative Tribunal of Antioquia. Termocandelaria has filed a nullity and redress lawsuit against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of \$24,866 regarding CREG Resolutions 034, 038 and 094 of 2001.
- h. Administrative Tribunal of Antioquia. Central Hidroeléctrica de Betania S.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$90,400 for capacity charges – CREG Resolutions 077 and 111 of 2000.
- i. Administrative Court of Antioquia. Emgesa S.A. E.S.P. has filed nullity and redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of \$275,364 and USD 113 million regarding application of CREG Resolutions 077 and 111 of 2000.
- j. Administrative Court of Antioquia. Chivor S.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$181,900 and USD 49.4 million for capacity charges – CREG Resolutions 077 and 111 of 2000.
- k. Administrative Court of Antioquia. Proelectrica & Cia S.C.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$9,207 regarding application of CREG Resolutions 034 and 038 of 2001. Claims were dropped in all these suits; decision from the corresponding tribunal is pending.

Notes to the Consolidated Financial Statements

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

- l. Gómez Cajiao y Asociados has filed a contractual lawsuit in the amount of \$2,000 requesting the nullity of act awarding Public Bid C002, the nullity of BL98 contract, and redress of its right as proponent.
- m. Empresas Públicas de Medellín has filed a direct reparation action for the ownership of some assets and a nullity and redress lawsuit against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$3,637 for recording of customer metering points.
- n. Ninth Circuit Civil Court, Barranquilla. Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim against ISA and others for \$4,000 for the accident of a family member during the performance of a contract.
- o. Administrative Court of Antioquia. UTE APS has filed a tort claim against ISA for breach of contract in the amount of \$32,018. In this process the parties, by mutual agreement, requested conciliation procedures, not yet scheduled.
- p. Administrative Court of Cundinamarca. KENZO JEANS S.A. and DIKAR S.A. have filed a \$7,000 claim against ISA for damages related to easement.

Notes to the Consolidated Financial Statements

- q. Cundinamarca Administrative Tribunal, first section. ISA has sued the Superintendency of Public Utilities for \$923 for resolutions SSPD-20082400007415 of March 26 of 2008 and SSPD-20082400018105 of June 18 of 2008, which imposed and confirmed a fine against ISA for the event happened on April 26, 2007.
- r. State Court, Fifth Delegated Prosecutor's Office. ISA has filed a request to be accepted as civil claimant in the criminal case against Orlando Antonio Salas Villa for \$7,418, corresponding to amount payable for easement.
- s. Court of Pivijay, Magdalena. Ganadería Caballero Pérez and Luis Fernando Zambrano C. have filed enforcement proceedings against ISA for payment of \$8,094 for easements.
- t. Cundinamarca Administrative Tribunal. Consorcio SOT filed contractual liability claim against ISA for \$898.
- u. Administrative Court of Antioquia. Fiduciaria La Previsora has filed a tort claim against ISA and XM for \$911 for alleged incorrectly charged interest.
- v. Cundinamarca Administrative Tribunal. Ms. Gloria Amparo Valencia filed claim for \$400 against ISA, CODENSA, the Ministry of Mines and Energy, the State and the SSPD.
- w. Santa Marta Administrative Tribunal. UTE Areva-Sadeven filed contractual liability claim against ISA for \$17,256.
- x. Third Administrative Court of Valledupar. Mr. Elbert Araujo Daza filed group action against ISA for damages caused to people near the transmission lines; damages claimed total \$12,400.

As of December 31, 2010, there are other labor, civil and administrative claims pending decision for a total amount close to \$4,800 that are related to the normal course of operations of ISA.

The Company's management and its legal counsels consider remote the possibility of material loss as a result of such claims.

Notes to the Consolidated Financial Statements

CTEEP

In 1989, Centrais Elétricas Brasileñas S.A. –ELECTROBRÁS– filed declaratory action for collection of the outstanding balance in a financing contract owed by Eletropaulo Metropolitana Eletricidad de São Paulo S.A. –Eletropaulo–. Eletropaulo had objected the criterion used for monetary updating and made the payments related to the contract through deposits in court only for the amounts it considered really owed. Judgment entered in 1999 ordered Eletropaulo to pay the balance claimed by ELECTROBRÁS.

Based on the legal documents supporting the partial spin-off of Eletropaulo, CTEEP's management and its legal counsels consider that CTEEP is only liable for paying the updated amount of the court deposit it had made in 1988, which is currently included in its assets, and that the company must carry on with the legal process.

The company did not establish any provision for the remaining contingency, currently estimated at BRL 949,696,000, which it understands is Eletropaulo's liability, and as such is being demanded by ELECTROBRÁS.

Along the process, on December 4, 2006, Eletropaulo filed clarification request which was rejected according to agreement published on April 16, 2007; it also filed special and extraordinary remedies that upheld decision by the Superior Court entered on October 30, 2008.

From such decisions, it can be inferred that the defenses of prior execution filed by Eletropaulo are not acceptable, and that the enforcement proceeding filed by ELECTROBRÁS will continue as initially filed. In order to make viable the postponement of taking of evidence aimed at clarifying the liability alleged in the partial spin-off protocol, CTEEP filed for a declaratory action for the benefit of both parties in connection with the enforcement proceedings. Based on the legal documents supporting the partial spin-off of Eletropaulo, CTEEP's management and its legal counsels consider that CTEEP is holder only of the court deposit transferred to it as an asset in 1988, and that the company must carry on with the legal process. Additionally, the company did not establish any provision for the contingency, which it understands is Eletropaulo's liability, and as such is being demanded by ELECTROBRÁS.

Notes to the Consolidated Financial Statements

Supplementary retirement plan ruled by Law 4819/58

On July 19, 2005, CTEEP, as required by Instruction CVM 358/02, clarified issues regarding supplementary pension plan ruled by Province Law 4819/58. Such plan applies to employees hired until May 13, 1974.

Funds needed for payment of liens assumed under this plan are the responsibility of the competent Government bodies of São Paulo State, and implementation occurred according to agreement signed between the Revenue Department of São Paulo State and the company on December 10 of 1999, valid until December 31 of 2003. Such procedure was carried out regularly until December of 2003 by Fundación CESP, with funds from the State Revenue Department, transferred through CTEEP. As of January of 2004, the State Revenue Department started processing those payments directly, without the intervention of either CTEEP or Fundación CESP

In the course of the facts mentioned in CTEEP reports, and pursuant to the mentioned São Paulo decision and the decision of the Superior Court, CTEEP submitted to Fundación CESP, along the September 2005 – September 2010 period, the sum of BRL 1,453,292 as payment of Province Law 4819/58 benefits, receiving from the State Revenue Department the sum of BRL 973,260 for such purpose. There is an administrative requisition regarding the BRL 480,032 difference between the sum submitted to Fundación CESP and reimbursed by the State Revenue Department is being contested by the company (See Note 7 Accounts Receivable).

On the other hand, on October 20 of 2005, CTEEP received from the State Attorney General –PGE, for its Spanish initials–, a copy of the pronouncement of that organ dated October 6 of 2005, regarding consultation by the State Revenue Department as to the scope of the referred decisions. PGE's conclusion is that "in the current scenario, the Revenue Secretary Office must reimburse the totality of the sum spent by CTEEP in compliance with the judicial decision contained in ongoing labor claim N° 1145/2005–6 filed with Labor office 49 of the Capital City". The same pronouncement of PGE adds that the decision made by the Regional Labor Tribunal, whose effects are suspended, does not integrally reach the State Revenue Department, which was excluded from the request effort of the claimant, namely the Revenue Secretary Office; in this case the State Revenue Department should, according to PGE, reimburse CTEEP in observance of the strict limits of provincial Law 4.819/58, excluding ulterior benefits instituted by the respective ruling that extrapolate or are concomitant with the specific legislation

In October of 2008, the Superior Court again decided for the jurisdiction of the Civil Courts in Public Civil Action involving the same parties and subject matter, whose agreement was the subject of the denied clarification request. Unless this decision is modified by other proceedings or new measures, something

Notes to the Consolidated Financial Statements

considered unlikely by the management, public action shall again proceed and be defined by the Provincial Justice.

In January of 2009, given the the decision of the labor office, 583 pensioners were transferred for direct payment by the State Revenue Department, resulting in lower cash expenditures by the company, at BRL 1.9 million/month.

In accordance with the statements along this process, CTEEP reiterates that it is intent on obtaining annulment of the decision of the labor office, so as to allow return to proceedings of direct payment of the benefits of Provincial Law 4819/58 by the State Revenue Department. CTEEP's legal counsel office and advisors also reiterate that expenses generated by Law 4819/58 and its respective regulation are the integral responsibility of the São Paulo State Revenue Department, and it goes on adopting additional measures to safeguard the company's interests. Consequently, the Company records these observations as accounts receivable from the State Revenue Departments (See Note 7 Accounts Receivable).

TRANSELCA

As of October 31, 2010, the following lawsuits and claims had been filed against the company:

Type of process	N° of claims	Claim
Civil	2	280,000
Replevying Actions	6	620,000
Abbreviated	10	567,829
Labor	27	5,070,000

The Management and its legal counsels provisioned as contingent liability as of December 31, 2010 those processes with high probability of judgment unfavorable to TRANSELCA (See Note 16 – Estimated Liabilities).

Notes to the Consolidated Financial Statements

XM

The lawsuits for application by XM S.A. E.S.P., as the Administrator of the Commercial Settlement System –ASIC–, of CREG Resolutions 077 and 111 of 2000, capacity charges, correspond to CREG's change in calculation methodology, which according to the plaintiff companies, caused them damages. In such transactions, given that XM S.A. E.S.P. acts as the agent of third parties, its own equity would not be at stake in said processes. According to legal and technical analysis, XM S.A. E.S.P. has enough grounds to consider that it will be released in these processes, given that, as Administrator of the Commercial Settlement System, it should have applied CREG regulations, duties from which it could not be released. Invoices billed and resolutions issued by XM S.A. E.S.P. to answer the appeals, strictly comply with the abovementioned resolutions; therefore, they cannot be the cause of alleged damages claimed by the plaintiffs.

Eventually, in case of negative results, XM S.A. E.S.P. could request compensation or account settling between the market agents taking part in these transactions, which would permit the Company's equity to remain unharmed, a situation that would be under the provisions of CREG Resolution 084 of 2007. The details of such claims are:

1. Administrative Court of Antioquia. Emgesa S.A. E.S.P., has filed nullity and redress lawsuits against XM S.A. E.S.P., the State, the Ministry of Mines and Energy, and CREG, in the amount of \$131,292.
2. Administrative Court of Antioquia. Central Hidroeléctrica de Betania has filed nullity and redress lawsuits against XM S.A. E.S.P., the State, the Ministry of Mines and Energy, and CREG, in the amount of \$42,095.
3. Administrative Court of Antioquia. AES Chivor Cía. S.C.A. E.S.P. has filed nullity and redress lawsuits against XM S.A. E.S.P., the State, the Ministry of Mines and Energy, and CREG, in the amount of \$50,832.
4. Administrative Court of Antioquia. Fiduciaria La Previsora has filed nullity and redress lawsuits against XM S.A. E.S.P., the State, the Ministry of Mines and Energy, and CREG, in the amount of \$4,057.

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TRANSMANTARO

In May of 2004, the company submitted to arbitration two disputes with the Peruvian State regarding the BOOT contract of the Mantaro–Socabaya Concession. The final arbitration award of December 7, 2004, contains among others the following conclusions:

- It accepted the company's position that the BOOT contract does not empower the Peruvian State to apply a discount rate on the monthly remuneration perceived by the company.
- It accepted the company's position regarding the amount that must be restored by the Peruvian State, setting it at USD 7,145,626, which includes interest accrued as of March 1st of 2005.

On May 20 of 2005, addendum N° 5 was subscribed with the Peruvian State, agreeing with the company's position regarding the amount to be restored by the Peruvian State; a 26–year payment schedule was set, where payments shall be included in the monthly invoice, at a 12% annual interest rate.

19.2 GUARANTEES IN FORCE

ISA

At 2010 year's end the following guarantees and commitments were in force:

- a. Leasing payment liability; infrastructure leasing granted in 2004 by Leasing de Crédito to Flycom Comunicaciones S.A. E.S.P., and subsequently transferred in 2007 by this latter company to INTERNEXA S.A. E.S.P. upon merging of the two companies. The balance as of December of 2010 is \$683 and is in force until September 17, 2016.
- b. Performance bank guarantee for liabilities incurred according to UPME 02–2008 El Bosque Project public bid, in force until August 20, 2011.
- c. Standby letter of credit to guarantee semi–annual debt service of loans granted by BID and CAF to ISA Bolivia. Guaranteed amount totaled USD 2 million. Loans were earmarked for execution of 30–year licenses for Santivañez–Sucre, Punutuma and Carrasco–Urubó transmission lines and the license for Arboleda Substation.

Notes to the Consolidated Financial Statements

- d. Pledge by ISA for 100% value of current and future shares in subsidiaries Red de Energía de Perú and ISA Perú, and to ISA Bolivia, granting of power, as loan payment guarantee in favor of lenders. The pledge will be in force during the term of loans hired.
- e. Joint and several guarantee signed on June 29 of 2007 between ISA as guarantor and Banco Centroamericano de Integración Económica –BCIE– as beneficiary; according to which, ISA guarantees the obligations of EPR under loan agreement signed with BCIE, for USD 40 million, related to financing of the SIEPAC project. Balance as of December 31 of 2010, corresponding to disbursements of loan authorized by BCIE amounts to USD 22 million. The guarantee must be valid until total principal is paid off (June 29 of 2027).
- f. Interconexión Eléctrica S.A. granted guarantee of works culmination (definitive bringing into service of Southern Maipo Access) and MAIPO bonds debt service payment up to USD 856.4 million; balance as of December 31 is USD 365 million.

CHILEAN CONCESSIONAIRES

AUTOPISTA DEL MAIPO

I. Guarantees granted to MOP in relation to the concession contract:

1. Exploitation guarantees:

In favor of:	Director General of Public Works
Issue date:	April 7, 2010
Expiration date:	April 16, 2013
Guarantee type:	Bank Guarantee:
Guarantees:	Contract – exploitation stage
Guarantee total:	UF 535,000.

Notes to the Consolidated Financial Statements

2. Other exploitation guarantees related to reconstruction of works earthquake 27/02/2010:

In favor of:	Director General of Public Works
Issue date:	August 27, 2010
Expiration date:	August 25, 2012
Guarantee type:	Bank Guarantee:
Guarantees:	To guarantee compliance with execution deadlines of reconstruction works and correct use and application of advance for final calculation of loss N° 1034043
Guarantee total:	UF 111,220

2. Construction guarantees:

In favor of:	Director General of Public Works
Issue date:	November 11, 2010
Expiration date:	January 28, 2011
Guarantee type:	Bank Guarantee
Guarantees:	Construction of works Sector III Southern Santiago Access Sub-segment C2 of Segment C. Alto-Americo Vespucio Bridge.
Guarantee total:	UF 60,430

II. Guarantees granted in relation to the financing of the concession:

The concessionaire hired with MBIA Insurance Corporation (the "Insurer") capital and interest insurance policies that irrevocably and unconditionally guarantee the payments corresponding to Holders of US Bonds, Series A and Series B according to bond issues carried out by the concessionaire under the terms of the respective bond issue contracts and their amendments, and to RBS Entities, formerly, ABN Entities (The Royal Bank of Scotland N.V., former ABN Amro Bank N.V., The Royal Bank of Scotland (Chile), former, ABN Amro Bank (Chile), RBS Inversiones Chile, former ABN Amro Inversiones (Chile) S.A., RBS Finance Chile S.A., former ABN Amro Finance (Chile) S.A., and RBS Holding Negocios S.A., former ABN Amro Holding de Negocios S.A.), under the terms of the Credit Facility Agreement. By public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, the referred Credit Facility Agreement was assigned to Banco Itaú BBA S.A., Nassau Branco and Banco Itaú Chile (hereinafter, jointly, the "Itaú Entities").

Notes to the Consolidated Financial Statements

By public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, the Corporation, the RBS Entities, the Itaú Entities and the Insurer subscribed a contract under which the RBS Entities assigned the guarantee contracts granted under the abovementioned Credit Facility Agreement to the Itaú Entities.

Additionally, on November 29 of 2010, the Insurer endorsed the abovementioned insurance policy in favor of Banco Itaú Chile, as the Agent Bank and in representation of the Itaú Entities. As a consequence of the above, Itaú Entities became the beneficiaries of the insurance policy.

1. Special concession pledge:

- a. By public deed dated August 22 of 2001, amended by public deeds dated October 4 of 2004, May 19 of 2005, September 28 of 2005, December 13 of 2006, and December 19 of 2006, all of them of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, and by public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raul Undurraga Laso, a special first pledge on public work concession was established in favor of MBIA Insurance Corporation, and a special second pledge on public work concession was established in favor of the Holders of the US-Dollars-denominated Bonds, issued by Autopista del Maipo, dated August 22 of 2001 (the "US Bond Holders"), the Holders of the UF series A Bonds issued by Autopista del Maipo dated October 14 of 2004, the Itaú Entities, and the Holders of the UF Series B Bonds issued by Autopista Maipo dated December 20 of 2006.
- b. Such pledge applies to: i) the concession right on public works of which Autopista del Maipo is the holder; ii) every payment promised for any legal reason under the concession contract by the Public Treasury to Autopista del Maipo; iii) all revenues of Autopista del Maipo.
- c. Also, by the same public deed of pledge, Autopista del Maipo is bound not to encumber, transfer, dispose of or sign any act or contract that may affect the assets pledged while such pledge is in force, unless so authorized by MBIA, and also to execute such act or contract in accordance with the provisions of Clauses Ninth and Eighteenth of the Contract of Issuance of Bonds executed by public deed dated July 14 of 2004, modified through public deed dated September 10 of 2004, both of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo.

Notes to the Consolidated Financial Statements

2. Commercial pledge:

- a. The terms of the Second Amended and Restated Common Agreement, subscribed through private document dated December 18 of 2006, bind Autopista del Maipo to establish pledges in favor of MBIA, the Holders of US Bonds, the Holders of Series A Bonds, the Itaú Entities and the Holders of Series B Bonds, on funds deposited in certain bank accounts of the project.
- b. By public deed dated August 22 of 2001, amended by public deeds dated October 4 of 2004, May 19 of 2005, September 28 of 2005 and December 21 of 2006, all of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, and through public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, Autopista del Maipo established a commercial pledge on its rights from the Construction Contract for the Works of Carretera Ruta 5 Sur, Santiago–Talca Segment and Santiago South Access, subscribed through private document dated August 22 of 2001 between Autopista del Maipo and Ferrovial Agromán Chile S.A. Such pledge was established in favor of MBIA and Itaú Entities. Additionally, the terms of the same public deed of pledge bind Autopista del Maipo not to encumber, transfer, dispose of or execute any act or contract that may affect the pledged rights while such pledge is in force.
- c. By public deed dated August 29 of 2001, amended by public deeds dated October 4 of 2004, May 19 of 2005, September 28 of 2005, December 21 of 2006 and June 20 of 2007, all of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, and through public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, Autopista del Maipo established a commercial pledge on the rights arising from the Construction Guarantee established by private document dated August 29 of 2001, by Ferrovial Agromán Chile S.A. in favor of Autopista del Maipo and Citibank N.A. Chile Branch, as Representative of Garantías Común. Such pledge was established in favor of MBIA and Itaú Entities. Additionally, the terms of the same public deed of pledge bind Autopista del Maipo not to encumber, transfer, dispose of or execute any act or contract that may affect the pledged rights while such pledge is in force.
- d. By public deed dated October 4 of 2004, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, amended through public deeds dated May 19 of 2005, September 28 of 2005 and December 21 of 2006, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, and by public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, Autopista del Maipo established a commercial pledge on its rights arising from Contracts "Contrato de Construcción a Suma Alzada de Colector Interceptor de Aguas Lluvias

Notes to the Consolidated Financial Statements

Puente Alto” and “Contrato de Construcción a Suma Alzada de Colector Interceptor de Aguas Lluvias Avenida La Serena–Las Industrias”, subscribed between Autopista del Maipo and Ferrovial Agromán Chile S.A., through private documents dated July 30 of 2004. Such pledge was established in favor of MBIA, the Holders of US Bonds, and the Itaú Entities. Additionally, the terms of the same public deed of guarantee bind Autopista del Maipo not to encumber, transfer, dispose of, or sign any act or contract that may affect the pledged rights while such pledge is in force.

- e. By public deed dated September 28, 2005, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, amended through public deed dated December 21, 2006 of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, and by public deed dated September 15, 2010, of the Santiago de Chile Notary Public Office of Eduardo Avello Concha, Autopista del Maipo established a commercial pledge on its rights arising from “Second Amended and Restated Investor Support and Guaranty Agreement” executed by private document in English, dated September 28, 2005. Such pledge was established in favor of MBIA, the Holders of US Bonds, and the Itaú Entities. Additionally, the terms of the same public deed of pledge bind Autopista del Maipo not to encumber, transfer, dispose of, or sign any act or contract that may affect the pledged rights while such pledge is in force.
- f. By public deed of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, dated May 19 of 2005 and amended on September 28 and December 21 of 2006, Autopista del Maipo established commercial pledge in favor of MBA on the former’s rights arising from the SWAP contracts.
- g. By public deed of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, dated July 28 of 2006 and amended on December 21 of 2006, Autopista del Maipo established commercial pledge in favor of MBA, the US Bondholders and the Itaú Entities on the former’s rights arising from undefined–sum construction contract for additional works of Supplementary Agreement N° 4 between the corporation and Ferrovial Agromán Chile S.A., dated June 23 of 2006.

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III. Other:

1. Cash flow facility:

- a. By public deed dated October 4 of 2004, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, amended by public deed dated September 28 of 2005, of the same Notary Public, Autopista del Maipo and ABN Entities subscribed a Credit Facility Agreement for an original amount of UF 2,100,000. Loans granted under said Agreement accrue interest for each period at a compound reference interest rate equal to the bank rate for re-adjustable operations at 90 or 180 days, or for non-re-adjustable operations at 30, 60, 90, or 180 days published by the Chile A.G. Association of Financial Banks and Institutions, plus the margin or spread indicated in the abovementioned contract. On November 29, such contract was assigned to Banco Itaú BBA S.A., Nassau Branch and Banco Itaú Chile.
- b. To this date, this credit facility has not been used, and according to a lower rating of insurer MBIA by S&P's and Moody's, expiration date is October 4 of 2014.

RUTA DE LA ARAUCANÍA

I. Guarantees granted to MOP in relation to the concession contract:

Exploitation guarantees:

In favor of:	Director General of Public Works
Issue date:	May 25, 2009
Expiration date:	August 23, 2012
Guarantee type:	Guarantee Contract
Guarantees:	Compliance with liabilities derived from concession contract in exploitation stage
Guarantee total:	UF 200,000

Notes to the Consolidated Financial Statements

II. Guarantees granted in relation to the financing of the concession:

The concessionaire hired with XL Insurance (Bermuda) Ltd. (hereinafter "XL") capital and interest Insurance Policies to irrevocably and unconditionally guarantee the payments that corresponded to Holders of Series A Bonds issued by the concessionaire under the bonds issuance agreement and its amendments, Banco de Crédito and Inversiones –BCI–, according to subscribed Credit Facility Agreement, until August 11 of 2008, and Corpbanca, according to credit facility agreement of July 31 of 2008. This issue was pre-paid starting in August of 2010, and the contract with XL was terminated.

By public deed dated July 29 of 2010, of Santiago de Chile Notary Public Office of Humberto Santelices Narducci, Ruta de la Araucanía Sociedad Concesionaria subscribed a financing contract under which Banco de Chile, Banco del Estado de Chile and Corpbanca granted Ruta de la Araucanía a financing facility for UF 8,100,000, earmarked to finance pre-payment of Series A Bonds, and working capital for the concession.

1. Special concession pledge:

- a. By public deed dated July 20 of 2000, of Santiago de Chile Notary Public Office of René Benavente Cash, amended on November 29 of 2005 and August 11 of 2008 through deed of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, Ruta de la Araucanía established a special first pledge on public work, in favor of XL Insurance Ltd., current XL Insurance (Bermuda) Ltd. (XL), as well as a special second pledge on public work, in favor of Holders of Series A Bonds issued by Ruta de la Araucanía, regarding: i) the concession right on public works of which Ruta de la Araucanía is the holder; ii) every payment promised for any legal reason under the concession contract by the Public Treasury to Ruta de la Araucanía; and iii) all revenues of Ruta de la Araucanía.
- a.1. The special first degree pledge referred to above expired as a result of its termination by debtor XL Insurance (Bermuda) Ltd., through public deed dated August 5 of 2010, of Santiago de Chile Notary Public Office of Humberto Santelices Narducci. By this deed, all guarantees granted up to that moment in favor of the Insurer by Ruta de la Araucanía Sociedad Concesionaria expired, and the insurance policies were restored to the Insurer.

Notes to the Consolidated Financial Statements

- a.2. The second pledges and restrictions referred to in this section (a) were terminated by Banco de Chile, in its capacity as the representative of the Bondholders and as the guarantee agent under the corresponding Series A bonds Issuance contract, due to early repayment of the totality of securities, as stated in public deed dated August 5 of 2010, of Santiago de Chile Notary Public Office of Humberto Santelices Narducci. Such termination of guarantees was more comprehensive, given that all the guarantees Ruta de la Araucanía had established in favor of the group of bondholders under the bonds issuance contract were integrally and irrevocably cancelled, making an expressed reference, without limitation, to an industrial pledge granted by Ruta de la Araucanía in favor of the Bond Holders on July 20 of 2000.
- b. Additionally, the terms of the same public deed of pledge bind Ruta de la Araucanía not to encumber, transfer, dispose of or execute any act or contract that may affect the pledged assets while such pledge is in force, without authorization of XL.
- b.1. Such restriction was terminated together with the pledge, by the public deed referred to in a.1. above.
- c. Public deed of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo of November 29 of 2005 states for the record the expansion of the abovementioned first pledge, so as to guarantee new liabilities in favor of XL.
- c.1. As said before, such guarantees were terminated by the public deed referred to in a.1. above.
- d. By public deed dated August 5 of 2010, of Santiago de Chile Notary Public Office of Humberto Santelices Narducci, Ruta de la Araucanía granted special first pledge on public work concession in favor of Banco de Chile, Banco del Estado, Corpbanca and Banco Security, on concession held by Ruta de la Araucanía; such pledge shall be in force until extinction of the liabilities guaranteed under financing of 2010.

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2. Industrial pledge:

- a. By public deed dated July 20 of 2000, of Santiago de Chile Notary Public Office of René Benavente Cash, amended on November 29 of 2005 and August 11 of 2008 before the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, Ruta de la Araucanía subscribed industrial pledge agreement establishing first industrial pledge in favor of XL and second industrial pledge in favor of Holders of Series A Bonds, on a series of personal property listed in that deed.
- b. Additionally, the terms of said public deed of pledge bind Ruta de la Araucanía not to encumber, transfer, dispose of or execute any act or contract that may affect the pledged assets while such pledge is in force, without authorization of XL.

3. Commercial pledge:

- a. By public deed dated July 20 of 2000, of Santiago de Chile Notary Public Office of René Benavente Cash, amended through public deeds dated May 23 of 2001 of Santiago de Chile Notary Public Office of Humberto Santelices Narducci and November 21 of 2005 of Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, Ruta de la Araucanía established pledge and restriction in favor of XL on the rights it holds in the construction contract subscribed with Ferrovial Agromán Chile S.A., dated June 7 of 2000.
- b. By public deed dated July 20 of 2000, of Santiago de Chile Notary Public Office of René Benavente Cash, amended through public deeds dated November 29 of 2005 and August 11 of 2008 of Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, Ruta de la Araucanía established pledge and restriction in favor of XL on the rights it holds in the Second Amended and Restated Shareholders Support Agreement subscribed with Ferrovial Agromán Chile S.A., dated November 29 of 2005 and August 11 of 2008.
- c. By public deed dated July 28 of 2000, of Santiago de Chile Notary Public Office of René Benavente Cash, amended on November 29 of 2005 and August 11 of 2008 through deed of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, Ruta de la Araucanía established pledge and restriction in favor of XL, on: i) the rights held in the construction guarantee granted by Grupo

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Ferrovial S.A., on July 27 of 2000 in favor of Ruta de la Araucanía; and ii) the rights held in the guarantee granted by Cintra Concesiones de Infraestructuras de Transporte S.A., in favor of Ruta de la Araucanía on July 27 of 2000.

- d. Every so often, as funds are deposited in accounts of the Ruta de la Araucanía project, this latter establishes in favor of XL and the holders of Series A bonds a commercial pledge on the funds deposited.

4. Pledge on shares and restrictions:

By public deed of August 5 of 2010, of Santiago de Chile Notary Public Office of Humberto Santelices Narducci, Cintra Concesiones de Infraestructuras de Transporte de Chile S.A., former Cintra Concesiones de Infraestructuras de Chile Ltda., and Cintra Inversiones y Asesorías (Chile) Ltda., pledged their shares in Ruta de la Araucanía to guarantee compliance with the liabilities assumed by Ruta de la Araucanía under Financing of 2010.

5. Mandate to collect:

By public deed dated July 29 of 2010, Ruta de la Araucanía granted mandate to collect empowering Banco de Chile, in its capacity as guarantee agent under the Financing of 2010, to represent the former before the MOP in order to collect, receive and withhold payments promised by the Public Treasury to Ruta de la Araucanía under the concession.

6. Credit facility agreement – guarantees:

Private document subscribed between Ruta de la Araucanía and Banco de Chile dated July 29 of 2010 bind Ruta de la Araucanía to grant one or several guarantees in favor of the Ministry of Public Works, to guarantee the liabilities arising from the concession contracts for up to CPL 7,005 Chilean pesos.

III. Other:

1. 1. Liquidity and credit facilities:

By public deed dated July 27 of 2005, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, amended by public deed dated September 28 of 2005, of the same Notary Public, Ruta de la Araucanía and Banco de Crédito e Inversiones subscribed a credit facility agreement for an original amount of UF

Notes to the Consolidated Financial Statements

1,150,000. Loans granted under said agreement accrue interest for each period at a compound interest rate equal to the bank rate for re-adjustable operations at 90 or 180 days, or for non-re-adjustable operations at 30, 60, 90, or 180 days published by the Chile A.G. Association of Financial Banks and Institutions, plus the margin or spread indicated in the abovementioned contract. This facility had an insurance policy granted by XL Insurance and XLFA that guarantees payment of principal and interest to the bank. As a consequence of the lower risk rating of insurer XLFA, it will not be usable for new drawdowns. On August 24 of 2007 UF 100,000 was withdrawn under the BCI cash flow facility.

By public deed of July 31 of 2008 of the Santiago de Chile Notary Public Office of José Musalem Saffie, the corporation and Corpbanca subscribed a credit facility agreement for the amount of UF 760,000. Loans extended accrue interest according to N° 7 of the clause one of said document.

By public deed of August 11 of 2008, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, BCI and Corpbanca executed a loan assignment, where BCI sold, assigned and transferred to Corpbanca the loan with the corporation, including all its rights, shares, privileges, and preferences for the total amount of UF 100,000. In this way, they declared and agreed to ascribe the loan disbursed under BCI facility to the facility granted by Corpbanca. By public deed dated August 11 of 2008, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, the corporation and BCI terminated the credit facility agreement and they declared mutually terminated all the liabilities arising from such agreement. Finally, the corporation, BCI and XL Insurance (Bermuda) Ltd., mutually discharged each other in the most extensive, total and complete way.

On August 24 of 2007 UF 130,000 was withdrawn under the Corpbanca cash flow facility, in addition to UF 100,000 corresponding to the assignment of the BCI loan. On August 5 of 2010, Corpbanca cash flow facility was prepaid in whole.

On July 29 of 2010, the corporation signed a loan agreement with Banco de Chile, Banco Estado and Corpbanca. On August 5 of 2010, the UF 8.1 million loan with 19-year term was disbursed. Funds received allowed exercise of option of total prepayment of the bonds issued in 2000 as well as total repayment of the CorpBanca loan, both of them secured by XL Insurance (Bermuda) Ltd., and as a result, no outstanding liabilities remain insured by this insurer.

Notes to the Consolidated Financial Statements

2. Pending lawsuits:

Certain suits filed against the corporation remain pending which, according to the legal counsels' opinion, do not merit provisioning to cover eventual liabilities, given that were they decided against, they would not be significant.

IV. Restrictions:

At December 31 of 2010, the corporation has met all the requirements and restrictions provided for in the financing contracts.

RUTA DEL BOSQUE

I. Guarantees granted to MOP in relation to the concession contract:

1. Exploitation guarantees:

In favor of:	Director General of Public Works
Issue date:	September 11, 22, 25 and 29 of 2009
Expiration date:	September 30, 2014
Guarantee type:	Bank Guarantee
Guarantee total:	UF 300,000 (4 guarantees of UF 75,000 each)
Guarantees:	Compliance, during exploitation phase, with concession contract awarded by MOP Decree N° 576 of June 30, 1997, published in the Colombian Official Gazette N° 35.890 of October 14, 1997

2. Guarantees for additional works:

In favor of:	Director General of Public Works
Issue date:	November 29, 2010
Expiration date:	February 28, 2011
Guarantee type:	Bank Guarantee
Guarantee total:	UF 11,400
Guarantees:	Full compliance with the Definitive Engineering Study and the correct execution of the replacement works of bridges: Relbún Poniente, Itata Oriente, and Bureo Oriente, Ruta 5 Segment Chillán–Collipulli, Eighth Region, according to DGOP (E) Resolution 2016 of 2009

Notes to the Consolidated Financial Statements

II. Guarantees granted in relation to the financing of the concession:

The concessionaire hired with Capital Assurance Inc., currently Syncora Guarantee Inc., (the "Insurer") capital and interest insurance policies that irrevocably and unconditionally guarantee the payments corresponding to Holders of Bonds, Series A and Series B according to bond issues carried out by the concessionaire under the terms of the respective bond issue contracts and their amendments, and to RBS Entities, formerly, ABN Entities (The Royal Bank of Scotland N.V., former ABN Amro Bank N.V., The Royal Bank of Scotland (Chile), former, ABN Amro Bank (Chile), RBS Inversiones Chile, former ABN Amro Inversiones (Chile) S.A., RBS Finance Chile S.A., former ABN Amro Finance (Chile) S.A., and RBS Holding Negocios S.A., former ABN Amro Holding de Negocios S.A.), under the terms of the Credit Facility Agreement. By public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, the referred Credit Facility Agreement was assigned to Banco Itaú BBA S.A., Nassau Branco and Banco Itaú Chile (hereinafter, jointly, the "Itaú Entities").

By public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, the Corporation, the RBS Entities, the Itaú Entities and the Insurer subscribed a contract under which the RBS Entities assigned the guarantee contracts granted under the abovementioned credit facility agreement to the Itaú Entities.

Additionally, on November 29 of 2010, the RBS Entities restored to the Insurer the abovementioned insurance policy and the Insurer issued a new policy in favor of Banco Itaú Chile, as the Agent Bank and in representation of the Itaú Entities.

1. Special concession pledge:

- a. By public deed dated March 16 of 2001, of Santiago de Chile Notary Public Office of René Benavente Cash, amended on November 30 of 2004, October 19 of 2006 and November 9 of 2006, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, and by public deed dated November 29 of 2010, of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, special first pledge on public work concession was established in favor of Syncora Guarantee Inc., (former XL Capital Assurance Inc.), and in favor of the Holders of Bonds Series A and Series B and to the Itaú Entities, special second pledge.

Notes to the Consolidated Financial Statements

- b. Such special pledges on public work concession apply to: i) the concession right on public works arising from the concession contract; ii) every payment promised for any legal reason under the concession contract by the Public Treasury to the concessionaire; and iii) all revenues of the concessionaire.

2. Industrial pledge:

First industrial pledge established by the concessionaire in favor of Syncora Guarantee Inc., (former XL Capital Assurance Inc.) and second pledge in favor of the Holders of Bonds Series A, on certain assets, as stated in public deed dated March 16 of 2001, of Santiago de Chile Notary Public Office of René Benavente Cash, amended by public deeds dated November 30 of 2004 and October 19 of 2006 of Santiago de Chile Notary Public Office of Iván Torrealba.

3. Commercial pledge:

- a. Commercial pledge on monies established by the concessionaire in favor of Syncora Guarantee Inc., (former XL Capital Assurance Inc.), the Holders of Bonds Series A, and the Itaú Entities, every so often, as funds are deposited in accounts of the project.
- b. Commercial pledge, and restriction to encumber and transfer, established by the concessionaire in favor of Syncora Guarantee Inc., (former XL Capital Assurance Inc.) on rights arising from Contract of Supervision of Operation and Routine Maintenance of Public Works: International Concession Ruta 5 Chillán Collipulli Segment”, as attested by public deed dated October 30 of 2006 of the Santiago de Chile Notary Public Office of Eduardo Avello Concha.
- c. Commercial pledge, and restriction to encumber and transfer, established by the concessionaire in favor of Syncora Guarantee Inc., (former XL Capital Assurance Inc.) on rights arising from Shareholders Support Agreement, as stated in public deed of October 30 of 2006, amended by public deed of September 15 of 2010, both of the Santiago de Chile Notary Public Office of Eduardo Avello Concha.
- d. Commercial pledge, and restriction to encumber and transfer, established by the concessionaire in favor of Syncora Guarantee Inc., (former XL Capital Assurance Inc.) on rights arising from Shareholders Support Agreement, as stated in public deed of October 30 of 2006, amended by public deed of September 15 of 2010, both of the Santiago de Chile Notary Public Office of Eduardo Avello Concha.

Notes to the Consolidated Financial Statements

III. Other:

1. Cash flow facility:

- a. Credit facility agreement granted by ABN Amro Bank N.V., ABN Amro Bank (Chile), ABN Amro Inversiones (Chile) S.A., ABN Amro Finance (Chile) S.A., ABN Amro Holding de Negocios S.A., and XL Capital Assurance Inc., (currently Syncora Guarantee Inc.) by public deed of October 30 of 2006, of the Santiago de Chile Notary Public Office of Eduardo Avello Concha, by which a revolving facility for up to UF 1,500,000 was granted to the concessionaire; this loan was assigned to the Itaú Entities on November 29 of 2010, through public deed of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso.
- b. To this date, this credit facility has not been used, and according to a lower rating of insurer XL Capital Assurance Inc., (currently Syncora Guarantee Inc.) by S&P's and Moody's, expiration date is October 30 of 2014.

2. Acknowledgement of debt:

- a. Acknowledgement of debt by the concessionaire in favor of XL Capital Assurance Inc., (currently Syncora Guarantee Inc.) as stated in public deed of October 30 of 2006, of the Santiago de Chile Notary Public Office of Eduardo Avello Concha, for the USD equivalent of UF 137,735 for insurance premiums.
- b. Blank irrevocable promissory note as to amount and maturity date signed by the concessionaire, in the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, with instructions to be completed and in favor of XL Capital Assurance Inc., (currently Syncora Guarantee Inc.).

3. Pending lawsuits:

Certain suits filed in favor and against the corporation remain pending which, according to the legal counsels' opinion, do not merit provisioning to cover eventual liabilities, given that were they decided against, they would not be significant.

Notes to the Consolidated Financial Statements

IV. Restrictions:

According to the financial contracts subscribed between the concessionaire and XL Capital Assurance Ltd., (currently Syncora Guarantee Inc.), the guarantee policies hired, establish the obligation to comply with certain covenants and restrictions as to shareholding composition, transfer of assets, additional financing, placement of funds, and distribution of dividends.

At December 31 of 2010, the corporation has met all the requirements and restrictions provided for in the financing contracts.

TALCA-CHILLÁN

I. Guarantees granted to MOP in relation to the concession contract:

1. Exploitation guarantees:

In favor of:	Director General of Public Works
Issue date:	July 8, 2009
Expiration date:	July 14, 2014
Guarantee type:	Bank Guarantee
Guarantees:	Concession contract – exploitation stage
Guarantee total:	UF 150,000

2. Guarantees for 27/02/2010 earthquake reconstruction works; five guarantees for a total amount of UF356.007:

In favor of:	Director General of Public Works
Issue date:	July 22, 2010
Expiration date:	January 31, 2012
Guarantee type:	Bank Guarantee
Guarantees:	To guarantee compliance with execution deadlines of reconstruction works and correct use and application of advance for final calculation of loss N° 1034049
Guarantee total:	UF 117,126.75

Notes to the Consolidated Financial Statements

In favor of: Director General of Public Works
 Issue date: July 22, 2010
 Expiration date: January 31, 2012
 Guarantee type: Bank Guarantee
 Guarantees: To guarantee compliance with execution deadlines of reconstruction works and correct use and application of advance for final calculation of loss N° 1034049
 Guarantee total: UF 117,126.75

In favor of: Director General of Public Works
 Issue date: July 22, 2010
 Expiration date: January 31, 2012
 Guarantee type: Bank Guarantee
 Guarantees: To guarantee compliance with execution deadlines of reconstruction works and correct use and application of advance for final calculation of loss N° 1034049
 Guarantee total: UF 89,001.75

In favor of: Director General of Public Works
 Issue date: July 22, 2010
 Expiration date: January 31, 2012
 Guarantee type: Bank Guarantee
 Guarantees: To guarantee compliance with execution deadlines of reconstruction works and correct use and application of advance for final calculation of loss N° 1034049
 Guarantee total: UF 28,125

In favor of: Director General of Public Works
 Issue date: July 22, 2010
 Expiration date: January 31, 2012
 Guarantee type: Bank Guarantee
 Guarantees: To guarantee compliance with execution deadlines of reconstruction works and correct use and application of advance for final calculation of loss N° 1034049
 Guarantee total: UF 4,626.75

Notes to the Consolidated Financial Statements

3. Construction guarantees

In favor of:	Director General of Public Works
Issue date:	September 21, 2009
Expiration date:	June 27, 2011
Guarantee type:	Bank Guarantee: Guarantees: To guarantee the Definitive Engineering Study and correct execution of the replacement works of Achibueno Oriente Bridge
Guarantee total:	UF 11,000

II. Guarantees granted in relation to the financing of the concession:

The concessionaire hired with MBIA Insurance Corporation capital and interest insurance policies that irrevocably and unconditionally guarantee the payments corresponding to Holders of US Bonds, Series A, Series B and Series C according to corresponding bond issues carried out by the concessionaire under the terms of the respective bond issue contracts and their amendments, and to the creditors ABN (ABN Amro Bank N.V., ABN Amro Bank (Chile), ABN Amro Inversiones (Chile) S.A., ABN Amro Finance (Chile) S.A. and ABN Amro Holding de Negocios S.A.), under the terms of the credit facility agreement subscribed.

For the record, the Series A Bonds guaranteed by the pledges on assets herein referred have expired, and they are therefore currently terminated as indicated for each of them.

1. Special concession pledge:

- a. By public deed dated November 6 of 1998, of the Santiago de Chile Notary Public Office of Maria Gloria Acharán Toledo, amended on June 21 of 2005, October 18 of 2006, February 22 of 2008 and March 19 of 2008 (through which the Series A Bonds expired) before Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, Talca-Chillán established special first pledge on public work concession and restriction to encumber and transfer, on the concession held by it in favor of MBIA Insurance Corporation, and second pledge in favor of ABN creditors, and the Holders of Bonds Series B and Series C issued by Talca-Chillán on June 29 of 2005 and October 27 of 2006, under the bonds issue contract executed through public deed of May 5 of 2005, and its subsequent amendments, all of them of the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo.

Notes to the Consolidated Financial Statements

- b. Such special pledges on public work concession apply to: i) the public works concession right arising in favor of the issuer from the concession contract; ii) every payment promised for any legal reason under the concession contract by the Public Treasury to the concessionaire; iii) all revenues in favor of the issuer arising from the concession; and iv) payments for expropriation to which the issuer is entitled, according to the provisions of Article 20 of Law Decree 2186 of 1978.

2. Industrial pledge:

By public deed dated November 6 of 1998 of Santiago de Chile Notary Public Office of María Gloria Acharán Toledo, amended on February 22 of 2008 (through which the Series A Bonds expired) before the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, Talca–Chillán established first industrial pledge and restriction to encumber and transfer, on a series of personal property listed in that deed, in favor of MBIA.

3. Commercial pledge:

- a. By public deed dated November 13 of 1998 of Santiago de Chile Notary Public Office of María Gloria Acharán Toledo, amended on February 22 of 2008 (through which Series A Bonds expired) before the Santiago de Chile Notary Public Office of Ivan Torrealba Acevedo, Talca–Chillán established commercial pledge in favor of MBIA on its right to receive any payment according to: i) the guarantee granted by Grupo Ferrovial S.A., in favor of MBIA and Talca–Chillán dated November 13 of 1998; and ii) the contract executed through public deed of November 13 of 1998 of Santiago de Chile Notary Public Office of María Gloria Acharán Toledo, by MBIA, Talca–Chillán and Empresa Constructora Delta S.A., through which Empresa Constructora Delta S.A., and Grupo Ferrovial S.A., guaranteed the liabilities arising from the construction contract subscribed between Talca–Chillán and Constructora Delta–Ferrovial Ltda., of September 10 of 1998. Although the two guarantees referred to in i) and ii) above and the construction contract have expired according to the provisions of those agreements, the two parties have not yet formally.
- b. By public deed of November 13 of 1998 of the Santiago de Chile Notary Public Office of María Gloria Acharán Toledo, amended through public deeds of December 13 of 2002 and February 22 of 2008, (through which Series A Bonds expired), all of them of the Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, Talca–Chillán established a commercial pledge in favor of MBIA, on the rights arising from the “Amended and Restated Shareholder Support Agreement”, executed on November 13 of 1998 and amended by private document of December 13 of 2002.

Notes to the Consolidated Financial Statements

Although this agreement is terminated, to this date the parties have not formally subscribed a deed of termination of this commercial pledge.

- c. As provided in the "Second Amended and Restated Collateral Agency and Security Agreement", every so often, as funds are deposited in certain bank accounts of the Talca– Chillán contract, this latter must establish a commercial pledge on such funds in favor of MBIA, the Holders of Bonds Series B and C and the ABN creditors.
- d. By public deeds of June 21 of 2005, of the Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, Talca–Chillán established in favor of MBIA a commercial pledge on the rights arising from four contracts in force on that date.

III. Other:

1. Cash flow facility:

- a. By public deed of June 21 of 2005, of the Santiago de Chile Notary Public Office of Raúl Undurraga Laso, amended by public deed of September 28 of 2005, of the same Notary Public Office, Talca–Chillán and ABN Amro Bank N.V., ABN Amro Bank (Chile), ABN Amro Inversiones (Chile) S.A., ABN Amro Finance (Chile) S.A. and ABN Amro Holding de Negocios S.A. subscribed a Credit Facility Agreement for the amount of UF 2,100,000.
- b. Loans granted accrue interest for each period at a compound interest reference rate, that is, the bank rate for re-adjustable operations at 90 or 180 days or for non-re-adjustable operations at 30, 60, 90, or 180 days, published by the Asociación de Bancos e Instituciones Financieras de Chile A.G., Association of Banks and Financial Institutions of Chile A.G. plus the margin or spread indicated in that contract.
- c. To this date, this credit facility has not been used, and according to a lower rating of insurer MBIA by S&P's and Moody's, expiration date is June 21 of 2013.

Notes to the Consolidated Financial Statements

2. Recognition of debt:

By public deed of recognition of debt dated June 30 of 2005 of the Santiago de Chile Notary Public Office of Iván Torrealba Acevedo, Talca–Chillán is bound to pay MBIA, upon its request and at any time, the amount of UF 141,750 for the premiums of insurance policies issued or to be issued by MBIA in favor of Talca–Chillán.

IV. Restrictions:

According to the financial contracts subscribed between the concessionaire and MBIA Insurance Corporation, the guarantee policies hired, establish the obligation to comply with certain covenants and restrictions as to shareholding composition, transfer of assets, additional financing, placement of funds, and distribution of dividends.

At December 31 of 2010, the corporation has met all the requirements and restrictions provided for in the financing contracts.

RUTA DE LOS RÍOS

The financing agreement between Ruta de los Ríos Sociedad Concesionaria S.A., and a bank syndicate led by Banco de Chile (initially made up of Banco de Chile, Banco Estado, Banco BBVA, Corpbanca and Banco Security) was subscribed on December 18 of 1998. This contract considers a long-term loan for a maximum amount of UF 5,800,000 (Portion A) and a credit facility to finance VAT amounting to UF 390,000 (Portion B).

The first amendment to the financing agreement including Supplementary Agreement N° 1 took place on February 15 of 2001.

In accordance with the financing agreement, interest on the long-term loan was capitalized semiannually on March 15 and September 15 of each year until September 30 of 2001.

As of October 1 of 2001, interest accrued on the long-term loan is paid on March 15, and September 15 of each year, as provided for in the financing agreement.

Notes to the Consolidated Financial Statements

An amendment to the financing agreement between the concessionaire and the banks was signed on September 4 of 2002, which, among other things, reduced the ceiling of the long-term credit to UF 5,750,000.

New amendments were made on November 9 of 2004 and July 7 of 2005, concerning operation and definitive service start-up.

The financing agreement for Supplementary Agreement N° 3 was amended on March 14 of 2006, an additional loan was provided (Portion C) for UF 1,030,665.39, and loan conditions were changed:

- Rate change TAB 90 for TAB 180.
- Reduction of interest rate margin.
- New amortization schedule.

Also, BBVA's participation in the debt was absorbed by Banco Estado and Banco de Chile, upon which the bank syndicate is made up of Banco de Chile, Banco Estado, Security and Corpbanca.

I. Guarantees granted to MOP in relation to the concession contract:

Exploitation guarantees:

In favor of:	Director General of Public Works
Issue date:	July 2, 2009
Expiration date:	July 6, 2012
Guarantee type:	Bank Guarantee:
Guarantees:	Full compliance with the obligations derived from the concession contract Ruta 5 Temuco-Río Bueno, approved by DS N° 758 of August 14 of 1997
Guarantee total:	UF 200,000

Notes to the Consolidated Financial Statements

II. Guarantees granted in relation to the financing of the concession:

Under amendment of March 14 of 2006 to the financing contract subscribed by the corporation with the bank syndicate (initially made up of Banco de Chile, Banco Estado, Banco BNIF, Corpbanca and Banco Security) dated December 18 of 1998 and its amendments of February 15 of 2001, September 4 of 2002, November 9 of 2004 and July 7 of 2005, where, among other matters, loans were granted for the pesos equivalent of UF 1,030,665.39, joint and several guarantee and obligation granted by Cintra Chile Ltda. as guarantee of the liabilities incurred by Ruta de los Ríos under the financing contract were terminated, and the guarantees granted by Grupo Ferrovial S.A. were left without effect, including the obligations to pay contribution as well as the stand-by letters of credit established, because of project termination.

1. Special concession pledge:

- a. In order to guarantee the liabilities of Ruta de los Ríos arising from the financing contract, by public deed of the Santiago de Chile Notary Public Office of René Benavente Cash of December 18 of 1998, Ruta de los Ríos granted special public works concession pledge in favor of the banks, pursuant to Article 43 of Law Decree N° 174 of 1991 of the Ministry of Public Works on: i) the public works concession right in its name; ii) every payment promised by the Public Treasury to Ruta de los Ríos for any legal reason under the terms of the concession, including, especially, the annual subsidy and the minimal annual revenue guaranteed by the State considered in the bidding base; and iii) all revenues corresponding to Ruta de los Ríos from concession exploitation.
- b. By the same deed Ruta de los Ríos was bound not to establish pledges or liens of any type on the pledged assets, without previous authorization from the banks.
- c. Later on, in order to guarantee the liabilities of Ruta de los Ríos arising from the financing contract and from Portion A loans and Portion C loans, by public deed of the Santiago de Chile Notary Public Office of Eduardo Avello Concha of March 14, 2006, Ruta de los Ríos granted new special public works concession pledge in favor of the banks, pursuant to Article 43 of Law Decree N° 174 of 1991 of the Ministry of Public Works on: i) the public works concession right in its name; ii) every payment promise by the Public Treasury to Ruta de los Ríos for any legal reason under the terms of the concession, including, especially, the annual subsidy and the minimal annual revenue guaranteed by the State considered in the bidding base; and iii) all revenues corresponding to Ruta de los Ríos from concession exploitation.

Notes to the Consolidated Financial Statements

- d. By the same deed Ruta de los Ríos was bound not to establish pledges or liens of any type on the pledged assets, without previous authorization from the banks. In the same deed, it was also agreed to extend the original pledge to cover the new pledge; in this way, the new pledge becomes a first pledge and the original pledge a second pledge.
- e. Subsequently, Ruta de los Ríos granted a new special third pledge on concession to guarantee the obligations of Ruta de los Ríos with the Banks (Banco de Chile, Banco Estado and Banco Security), arising from issuance by the latter of guarantees on compliance with liabilities of Ruta de las Ríos under the concession contract. This new pledge was established through public deed of June 26 of 2009 of the Santiago de Chile Notary Public Office of Eduardo Avello Concha, pursuant to Article 43 of Law Decree N° 174 of 1991 of the Ministry of Public Works, on i) the public works concession right in its name; ii) every payment promised by the Public Treasury to Ruta de los Ríos for any legal reason under the terms of the concession, including, especially, the annual subsidy and the minimal annual revenue guaranteed by the State considered in the bidding base; iii) all revenues corresponding to Ruta de los Ríos from concession exploitation.
- f. By the same deed Ruta de los Ríos was bound not to establish pledges or liens of any type on the pledged assets, without previous authorization from the banks.

2. Commercial pledge:

- a. Under the terms of amendment of March 14 of 2006 of the financing contract of December 18 of 1998, and its subsequent amendments, as of 2006, the corporation shall have permanently deposited in an escrow account at the Agent Bank funds earmarked to cover maintenance expenses of the toll highway (Maintenance Reserve Fund), to be deposited quarterly in arrears.
- b. Under the terms of amendment of March 14 of 2006 of the financing contract of December 18 of 1998, and its subsequent amendments, as of 2006, the corporation shall establish quarterly and have permanently deposited in an escrow account at the Agent Bank, funds earmarked to cover capital, interest and other costs associated with the portion A loans and portion C loans, maturing during the next six months (Debt Service Reserve Fund).
- c. The concessionaire, acting through the Agent Bank, shall invest the funds making up the Maintenance Reserve Fund and the Debt Service Reserve Fund in Allowed Investments, according to the financing contract.

Notes to the Consolidated Financial Statements

- d. All documents evidencing the allowed investments shall be given as guarantee in favor of the Agent Bank for the benefit of the banks.

3. Subordination agreement:

By public deed of the Santiago de Chile Notary Public Office of Eduardo Avella Concha of March 14 of 2006, an agreement of subordination of liabilities was signed between Ruta de los Ríos and the syndicate banks on the totality of Ruta de los Ríos' current or future liabilities with Cintra Concesiones de Infraestructuras de Transporte de Chile S.A., or with Ferrovial Agromán Chile S.A., with the exceptions considered in that agreement.

III. Other:

1. Pending lawsuits:

Certain suits filed in favor and against the corporation remain pending which, according to the legal counsels' opinion, do not merit provisioning to cover eventual liabilities, given that were they decided against, they would not be significant.

IV. Restrictions:

The financing contracts subscribed between the corporation and the bank syndicate, establish the obligation to comply with certain covenants and restrictions as to shareholding composition, transfer of assets, additional financing, placement of funds, and distribution of dividends.

At December 31 of 2010, the corporation has met all the requirements and restrictions provided for in the financing contracts.

TRANSELCA

Guarantees established include:

Pledge to lender banks of 100% value of current and future shares in subordinate companies Red de Energía de Perú –REP–, ISA Perú and ISA Bolivia S.A. The term of the pledge equals that of the loans.

Notes to the Consolidated Financial Statements

Operation was approved by the Shareholders' Meeting and Company's Board of Directors, and it needed the favorable opinion of the National Planning Department –DNP–, plus authorization resolution from the Ministry of Finance and Public Credit.

In August of 2010, according to the commitments acquired with financiers of the corporation ISA Bolivia, BID and CAF, TRANSELCA, and Interconexión Eléctrica S.A., in their capacity as shareholders, delivered a standby letter of credit to secure debt service.

TRANSMANTARO

The corporate bonds are guaranteed by first mortgage collateral on the transmission line for USD 179,179.000.

As commitment related to the issuance of corporate bonds, the company has to keep the following financial ratios in the financial statements:

- i) Debt ratio lower than 2.23 (0.40 as on December 31, 2010)
- ii) Working capital ratio lower than 1.00 (3.16 as on December 31, 2010)
- iii) Debt coverage ratio lower than 1.28 (2.60 as on December 31, 2010)

REP

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

As commitment related to the issuance of the first corporate bonds program, the company has to keep the following financial ratios in the financial statements:

- Debt ratio lower than 1.2 (1.17 as on December 31, 2010).
- Minimum net equity of USD 90,000,000 at all times (USD 203,328,248 at December 31 of 2010).
- Debt service coverage ratio higher than 1.3 at all times. (2.09 as on December 31, 2010).
- Interest coverage ratio higher than 3.5 (8.49 as on December 31, 2010).

Notes to the Consolidated Financial Statements

As commitment related to the issuance of the second corporate bonds program, the company has to keep the following financial ratios in the financial statements:

- Debt ratio lower than 1.36 (1.17 as on December 31, 2010).
- Debt service coverage ratio higher than 1.3 (2.09 as on December 31, 2010).
- Interest coverage ratio higher than 3.0 as of 2010 (8.49 as on December 31, 2010).

The company has granted the following guarantees for the loan from Banco de Crédito del Perú for USD 34,000,000:

- First mortgage on the transmission system concession right and assets received under concession.
- Pledge on the shares owned by the company's shareholders: Interconexión Eléctrica S.A. E.S.P., TRANSELCA and Empresa de Energía de Bogotá S.A. E.S.P.

As commitment related to the loan received, the company has to keep the following financial ratios in the financial statements:

- Debt ratio lower than 1.20 (1.36 as on December 31, 2010).
- Interest coverage ratio higher than 3.50 (8.49 as on December 31, 2009).

Restrictive clauses:

Corporate bonds and some financing received by the company have restrictive clauses that require compliance with certain financial ratios and limit declaration of dividends under certain circumstances. As on December 31, 2010 and 2009, the management is of the opinion that the company has complied with the commitments and financial ratios mentioned in the bond issuance and loan contracts.

Notes to the Consolidated Financial Statements

Additional guarantee

On August 29, 2002, the company (trustor), Banco Continental (beneficiary) and Bank Boston, Peruvian Branch (trustee) subscribed the Trust Agreement for Cash Flows to guarantee compliance of the obligations in favor of the creditors for loans and bonds of the company. On March 31 of 2005, Bank Boston Peru Branch assigned its contractual position in such contract in favor of Banco BNP Paribas Andes S.A. Then, on June 28 of 2006, Banco BNP Paribas Andes S.A. assigned its contractual position in the abovementioned contract in favor of Banco Internacional del Perú S.A.

The subject matter of the contract is to guarantee with the assets making up the trust estate timely and total delivery of liabilities guaranteed. Through such contract, the flows deposited for the company's customers in the collection accounts are transferred to the trustor's account the next business day. In case of default, the trustee shall retain 25% of the flows deposited in the collection accounts until default is cured, and also, if the company fails to comply with any guaranteed obligation, the trustor shall retain 100% of the funds deposited in these accounts.

The contract shall be in effect as of its subscription date and shall remain in force until effective and integral cancellation of the guaranteed liabilities assumed by the trustee in favor of the creditors or conversely, upon extinction of all the rights and assets making up the trust estate.

19.3 COMMITMENTS

Compromisos de ISA Capital do Brasil derivados del contrato de concesión con CTEEP:

- Not transferring, assigning, or selling the controlling shares of CTEEP without previous authorization from ANEEL.
- As the guarantor of concession contract, ISA Capital do Brasil jointly and severally assumes every obligation established.
- ISA Capital do Brasil and ISA commit themselves to making capital contributions necessary to make up for insufficient funds.
- ISA Capital do Brasil and ISA are bound not to transfer, assign or sell direct control capital participations, nor to change thereby the corporate structure of CTEEP.
- Any change in CTEEP's control shall be reported to ANEEL.

Notes to the Consolidated Financial Statements

CTEEP's commitments derived from concession contract:

- Financial coverage of special obligations is backed up by remuneration on shareholders' capital.
- ISA Capital do Brasil and ISA shall be responsible for covering expenses arising from Law 4819/58, as well as adjustment payments in the event of negative contingency against the concessionaire.

ISA's commitment derived from its affiliate ISA Bolivia:

Support and Guarantee Agreement under which ISA and TRANSELCA are bound, among other things, to guarantee the loan granted by IDB and CAF until loan contract expiration date. Likewise, ISA and TRANSELCA are bound to pay balance pending with IDB and CAF, in case of Government intervention or as of the moment the license is revoked.

ISA's commitment derived from its affiliate ISA Perú:

Share Retention Agreement with ISA, TRANSELCA and IFC, which sets the following limitations on transfers of the company's shares: During the ten years following the closing date, as such term is defined in the concession contract, ISA cannot transfer any share, if, as a result of the transfer, its ownership is less than 25% of the corporation's shares, except as otherwise provided in Clause 2.1 b. of the agreement.

Commitments acquired by ISA Perú:

The loan contract subscribed with International Finance Corporation –IFC– on June 24 of 2002, for up to USD 18 million, contains a commitment restricting capacity to distribute dividends to the parent company unless it achieves a minimum Debt Service Coverage –DSCR– of 1.20, value to be calculated on the previous year's audited Consolidated Financial Statements. In case declaring dividends is called for on the basis of non-audited intermediate Consolidated Financial Statements, the indicator shall be calculated taking into account the last four quarters of the year, and a waiver must be issued by the financial entity. Maturity date of this loan is April 15 of 2016.

Notes to the Consolidated Financial Statements

Commitments by REP S.A.:

As of December 31, 2010, REP had the following commitments:

- a. Surety bond and promissory notes with local financial institutions for USD 7,334,257 and USD 20,400,000, respectively (USD 9,277,545 y USD 24,650,000, respectively, as of December 31, 2008) related to liabilities incurred with third parties.
- b. On February 10, 2003, REP subscribed the Trust Agreement for Collection and Administration of Funds with Gas Natural de Lima y Callao S.R.L and Transportadora de Gas del Perú S.A. (trustors), La Fiduciaria S.A. (trustee), and Bank Boston, Sucursal del Perú (beneficiary) for collection of the main grid guarantee, as provided in the concession contract.

Commitments by Consorcio TransMantaro:

On August 6 of 2009, TransMantaro subscribed a loan contract with Banco de Crédito del Perú, for up to USD 20.6 million. Among its provisions, this loan establishes that TransMantaro must abstain from distributing dividends, reducing capital stock, or any other type of earnings distribution i) during the Chilca–La Planicie–Zapallal transmission line construction period; ii) whenever it is in default on its contractual obligations with it or any of its financial creditors; iii) whenever it incurs in any event of default, as determined in the contract. Loan expiration date is May 15 of 2017. Such restriction also applies to bond issues by TransMantaro.

Corporate bonds and some financing received by the company have restrictive clauses that require compliance with certain financial ratios and limit declaration of dividends under certain circumstances. As on December 31, 2010 and 2009, the Management is of the opinion that the company has complied with the commitments and financial ratios mentioned in the bond issuance and loan contracts.

Notes to the Consolidated Financial Statements

Commitments acquired by ISA Bolivia:

Covenants and commitments related to loans with IDB and CAF include the following.

Expansion of transmission assets, distribution of dividends subject to achieving certain milestones regarding completion of projects, compliance with certain financial tests and not having incurred in events of default.

Compliance with environmental laws, regulations and issues.

The corporation may not hire new loans other than those with IDB and CAF, except those expressly authorized by the financiers.

Commitments acquired by INTERNEXA S.A. E.S.P.:

Below is the detail of the commitments of the company as on December 31, 2010.

Fiber optics capacity availability agreements with INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

In 2007, an agreement was subscribed under which ISA grants INTERNEXA S.A. E.S.P. availability of the fiber optic network of its ownership, installed on its infrastructure and on that of third parties, as long as these latter expressly authorize so, in different links located between the Pailón Substation and Buenaventura, between Las Vegas and Buenaventura, between Bogotá and Villavicencio, between Tolú and Montería, between Tolú and Sincelejo, between Cuestecita Substation and Riohacha, between Palos and Bucaramanga Substations, and the connections from the electric substations to INTERNEXA'S PDPs in Riohacha, Tolú, Sincelejo, Tunja, Montería and Villavicencio. Additionally, between Santa Marta and Rioacha, between Villavicencio and Tunja, between Sincelejo and Montería, and the connections from the electric substations to INTERNEXA'S PDPs in Riohacha, Sincelejo, Montería, Tunja, Villavicencio and Santa Marta. This agreement answers INTERNEXA'S infrastructure needs for complying with the commitments agreed with its customer Telmex-Comcel. During 2009, both parties agreed to modify the annual billing basis, starting on January of 2010, as follows (with slight fluctuations due to Colombian inflation).

Notes to the Consolidated Financial Statements

YEAR	BASE (USD)
2011	1,612,995
2012	1,677,514
2013	1,744,615
Onward	32,345,230
TOTAL	37,380,354

Agreement on the Use Rights for the Submarine Cable "ARCOS 1"

The Company participates with 1.041666% in this cable through an ownership agreement. This submarine cable, denominated ARCOS, has been designed with a ring-shaped topology that through 8,600 km. of fiber optic connects the United States, Bahamas, Turks & Caicos, Dominican Republic, Puerto Rico, Curaçao, Venezuela, Colombia, Panama, Costa Rica, Nicaragua, Honduras, Guatemala, Belize and Mexico. The initial investment was USD 400 million.

Agreement on provision of carrier services between INTERNEXA S.A. E.S.P. and ETB:

On November 2004 the company signed an agreement to provide fiber optic connection service under the national carrier scheme with rights of use for fifteen years.

Services will be provided by INTERNEXA, offering ETB one Lambda, a maximum 2.5 Gbps capacity optical channel, or STM1 capacity channels configured as a fiber optics physical ring connecting Bogota, Medellín and Cali.

Contract between INTERNEXA S.A. E.S.P., and Telefónica Móviles Colombia S.A. for information transmission capacity provisioning rights:

On December 21, 2005, the company subscribed an agreement to supply information transmission capacity provisioning up to 32 STM-1 and to provide management, operation and preventive and corrective maintenance services to the associated information transmission networks, with 8-year duration.

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Irrevocable rights for Comcel S.A. and Telmex Colombia S.A. to use the fiber optics:

On December 5, 2006, Internexa S.A. E.S.P. received from Comcel S.A. and Telmex Colombia S.A. a purchase order for the irrevocable rights of use over three optic-fiber pairs for a total length of 4,394.73 km. and for the provision of operation and maintenance services for a period of 20 years.

Contract between INTERNEXA S.A. E.S.P., and Colombia Movil S.A. E.S.P for information transmission capacity provisioning rights:

On February 2, 2009 the commissioning of the information transmission capacity provisioning right of one Lambda, at STM-1 level, in a nationwide ring configuration between Bogota, Cali, Medellín, Sincelejo, Barranquilla, Valledupar and Bucaramanga, with 15-year duration, took place. The contract includes last-mile connections to the customer premises in each city provided by third parties.

On December 1, 2009 took place the commissioning of the second information transmission capacity provisioning right of one Lambda at STM16 level, in a regional ring configuration between Riohacha, Valledupar and Cuestecitas with 10-year duration. The contract includes last-mile connections to the customer premises in Riohacha and Valledupar and co-hosting in Cuestecitas, contracted with third parties in order to implement customer's radio links.

On December 3, 2010, took place the commissioning of the third information transmission capacity provisioning right of one Lambda at STM16 level, in a regional ring configuration between Bogota, Cali, Medellín, Sincelejo, Barranquilla, Valledupar and Bucaramanga; one Lambda at STM16 level, in a regional ring configuration between Bogota, Cali, Medellín, Sincelejo, Barranquilla. These two capacities were contracted for ten years.

Transport capacity indefeasible right of use for Comcel S.A., and Telmex Colombia S.A.:

On December 5, 2006, the company received from Comcel and Telmex a purchase order for transport capacity indefeasible right of use and operation and maintenance service provisioning of INTERNEXA's capacity transport network with 20-year duration. During 2009, three Lambdas, at 10 Gbps over the DWDM optical network, were implemented for these customers.

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Contract for the leasing of the Cartagena–Riohacha stations for the Arcos project.

On June 16, 2004, the company subscribed a leasing contract with New Network de Colombia Ltda., under which, INTERNEXA commits to offering space in the Cartagena and Riohacha facilities in advance lease for 25 years.

Contract between TRANSELCA S.A. E.S.P., and INTERNEXA S.A. E.S.P. for fiber optics leasing:

On December 7, 2004, the company signed a leasing contract for one pair of dark fiber optic cables of INTERNEXA's network from Nueva Barranquilla Substation to Sabanalarga substation, with 15-year duration.

Contract between Unisys de Colombia S.A., and INTERNEXA S.A. E.S.P for technology platform support:

On October 30, 2009, INTERNEXA S.A. E.S.P. signed a contract with Unisys, whose object is to support the technology platform, including planning, supply, incorporation, administration, maintenance and support of technology elements and services required to fulfill corporate and company requirements, with 7-year duration. This contract was signed following ISA's advice to all its subsidiaries, according to the Inter-administrative group assessment that carried out the selection process.

Fiber optics right of use and network rights purchased to third parties:

On October 27, 2008, INTERNEXA S.A. E.S.P. received from TIGO the awarding to the Private Offer Invitation for Service Purchase CM–VR–023–08.

Among the activities needed to fulfill the contracted obligations it was necessary to purchase IRUs (Indefeasible Rights of Use) for ringed dark fiber optics and circulating capacities, for 15-year duration.

In 2009, upon expansion of its network, it was necessary to acquire new rights of use from Media Commerce for a ten-year period.

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The last expansion of TIGO's network right took place in 2010 with acquisition of new rights of use from Promitel for a 14-year period.

IP capacity contracts:

In September of 2010, Movistar awarded the company delivery of IP capacity in the city of Cali.

So as to comply with such obligation and satisfy the customer's needs, it was necessary to hire an international connectivity supplier to supplement the company's network. Accordingly, a commercial alliance was subscribed with SPRINT for a 12-month term.

Space lease contract:

A lease contract for physical space in the equipment room and land owned by TRANSELCA was signed on May 28, 2002; term expires on June 1, 2011 and may be extended for one-year periods.

Computer equipment operating lease contract:

Operating leasing agreement for computers and other equipment for technological platform of INTERNEXA S.A. E.S.P. signed with Informática Datapoint on December 16, 2005; term is indefinite.

Contract for operation and maintenance services for INTERNEXA S.A. E.S.P. network.

On November 19, 2010, INTERNEXA S.A. E.S.P. and Colvotel S.A. subscribed agreement for provision of operation and preventive and corrective maintenance services to the telecommunications network. Term is two years.

19.4 AGREEMENT FOR LEGAL STABILITY:

Interconexión Eléctrica S.A. E.S.P. –ISA–

On June 27, 2008, ISA and the State –Ministry of Mines and Energy– subscribed the legal stability agreement for the activity of electric energy transmission during 20 years. The agreement provides for legal stability regarding income tax regulations, among which: income tax rate, deduction of inflation component of financial expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in import of machinery for energy transport, presumptive income equal to 3% of net fiscal equity, and transitoriness of equity tax.

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

ISA Perú S.A.

On March 29, 2001, the company subscribed a legal stability agreement with the Peruvian Government under Decrees 662 and 757 and Law 27342. The agreement comes into force concurrently with the concession agreement, and continues throughout the term of the concession agreement.

During the term of this agreement, the Peruvian Government is committed to guarantee the legal stability for the company in the following terms:

- Stability in the tax regime related to income tax, thus maintaining the regulations that were in force at the time of subscription of the agreement.
- Stability in the contracting regime of the company's employees.

Notes to the Consolidated Financial Statements

Income tax rate is 22%.

- As permitted by Article 87 of the Tax Code, and upon compliance with the provisions of Supreme Decree N° 151–2002–EF, as of January 1 of 2005, the company has kept its accounting records in US dollars.
- The Fiscal Administration has the power to revise, and if the case so deserves it, correct the Income Tax determined by the company during the last four years starting on January 1st of the year following that of submission of corresponding income tax forms (years subject to control). Years 2003 to 2008 are subject to fiscal control.

REP S.A.

On July 26, 2002, the subsidiary subscribed a legal stability agreement with the Peruvian Government to be in force along the concession term. The agreement is related to the capital contributions to be made by shareholders in the amount of USD 20 million which were fully paid in December 31, 2002. The agreement offers the following guarantees to investors and the investment recipient:

- Stability in the tax regime related to income tax.
- Stability in the contracting regime of the company's employees.

TransMantaro S.A.

On February 24, 1998, the company subscribed a legal stability agreement with the Peruvian Government to be in force along the concession term. The agreement is related to the capital contributions to be made by shareholders in the amount of USD 50 million, which were fully paid in December 31, 1999. The agreement offers to investors and the investment recipient stability in the tax regime related to income tax and stability in the contracting regime of the company's employees

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On May 16, 2004, the company subscribed an addendum to the legal stability agreement with the Peruvian Government, clarifying that the required capital contributions in the amount of USD 50 million were to be in force during the construction of the transmission line and, that starting October 8, 2000, commissioning date of electric transmission services, the determination of the capital amount was to be subject only to the requirements, conditions and limitations established in the company's bylaws and in the General Law of Corporations.

On October 27, 2006, the company subscribed an addendum to the legal stability agreement with the Peruvian Government, under which, clarification was made as to the actual amount of capital contributions being USD 43,005,250.

INTERNEXA Perú S.A.

On December 10, 2007, the company subscribed a legal stability agreement with the Peruvian Government to be in force during ten years. The agreement is related to the capital contributions to be made by shareholders in the amount of USD 5 million, which were fully paid in December 31, 2009. The agreement offers to investors and the investment recipient stability in the tax regime related to income tax and stability in the contracting regime of the company's employees.

NOTE 20: OPERATING REVENUES

Revenue from services delivered by ISA's companies for: Transmission of electric power (use of the STN), connection to the National Transmission System, Energy Transport ancillary services (management, operation, and maintenance, specialized technical services, special studies, infrastructure availability, and project management), organization, administration, trading and delivery of telecommunications services, any activities related to construction of transmission lines, any electricity project, and in general, any activity in the construction sector.

Contrato de concesión de Red de Energía del Perú –REP–

On June 5, 2002 the Peruvian government awarded Interconexión Eléctrica S.A. E.S.P. –ISA– the concession for the electric transmission systems operated by Empresa de Transmisión Eléctrica Centro–Norte S.A. –ETECEN– and Empresa de Transmisión Eléctrica del Sur S.A. –ETESUR–. Once the project was awarded, the company was established to start operations on September 5, 2002; on the same date the agreement under which ISA transfers to the company its concession rights was signed. The concession agreement defines the rights and obligation of the parties, as well as the rules and procedures that govern the procurement of goods and services, the exploitation of the transmission line, the provision of the service, and the transfer of all the assets to the state, upon the lapse of the concession. The concession term is 30 years as of September 5, 2002.

According to contract, ISA is the concession's pre-qualified operator, for which the company, according to its bylaws, shall pay ISA royalties equivalent to 1% of revenues for 2009 (1% for 2008).

The electric transmission service is to be remunerated annually through Guaranteed Annual Remuneration –RAG, for its Spanish initials–, set initially at USD 58,638,000 per year. RAG will be valid during the term of the concession, to be adjusted yearly according to variation in the United States Finished Good Less Food and Energy index. The Peruvian State, through the Ministry of Mines and Energy, guarantees that the Supervisory Organism of Investment in Energy and Mining (OSINERGMIN, for its Spanish initials), will establish necessary tariff mechanisms and the corresponding values to ensure that the subordinate's RAG will be paid in its entirety each year. RAG for 2010 and 2009, determined between May 1 and April 30 of each year, totaled USD 7,009,269 and USD 66,539,852, respectively. After application of RAG, the company recognized in 2010 and 2009, revenues for energy transmission services of USD 81,658,030 and USD 77,382,135, respectively.

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As part of the concession agreement, the company assumed certain investment commitments that were complied with in 2003 and 2004.

Amendments to the concession agreement:

Additional clauses to the concession agreement were approved in March and July of 2006 providing execution of the following expansions:

- Expansion 1: It initially comprised construction of the new Chilca Substation–REP–, capacity expansion of the existing transmission lines (L–2090 and L–2208) in the segments between San Juan Substation and the Chilca–REP Substation, expansion and increase of short–circuit tolerance of the San Juan Substation bars, as well as replacement of 111 current transformers at the Ica, Independencia, Chavarría, Ventanilla, Zapallal and Pomacocha substations. The project entered operation in 2007, and the final investment, audited as on April 18 of 2008, amounted to USD 36,808,819.
- Expansion 2: Includes construction of the second circuit of Zapallal–Paramonga Nueva–Chimbote 1 220 kV transmission line, and expansion of associated substations. The project entered operation in 2008, and the final investment, audited as on November 24, 2008, amounted to USD 35,020,600.

Additional clauses to the concession agreement were approved in May of 2007 providing execution of the following expansions:

- Expansion 3: Includes expansion of Ica, Marcona and Juliaca substations. The project entered operation in February 2009. According to the closing audit, the company's investment was USD 16,549,799.
- Expansion 4: Includes capacitive compensation for the Lima region: Santa Rosa 2x20 MVAR, 60 kV Substation and Chavaría 2x20 MVAR, 60 Substation. The project entered operation in 2009, and the final investment, audited as on May 31, 2009, amounted to USD 4,843,151.
- Expansion 5: Includes expansion of Quencoro, Azangaro, Trujillo Norte, Piura Oeste, Tingo María, Independencia substations and installations necessary for connection of Bellavista–Tocache project at Tingo María, Aucayacu and Tocache substations. Expansion shall start commercial operations within 23 months from the date of subscription of additional clause N° 5 (December 2010). Initial budget was USD 26,695,693; however, according to bids received and addendum N° 2, such budget was raised to USD 38,926,127. As of December 31, 2010, investment totaled USD 39,282,707.

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- Expansion 6: Includes implementation of second circuit of 180 MVA transmission line, with a single circuit detour with wooden poles, approximately 75 km. long. Expansion shall start commercial operations not later than 20 months after November 30 of 2009, date of subscription of additional clause N° 6. Initial budget was USD 21,269,683. As of December 31, 2010, investment totaled USD 7,290,598.
- Expansion 7: Comprises integral adaptation of Chavarría, San Juan, Santa Rosa, Ventanilla and Zapallal substations, consisting of capacity expansion of the substations by replacing bars, grounding nets, and yard equipment at 220kV and 60kV. Expansion must enter commercial operation within 20 months after May 12 of 2010, subscription date of Additional Clause N° 7. Initial budget is USD 22,739,737. As on December 31 of 2010, investment totaled USD 1,030,920.
- Expansion 8: Includes transmission capacity expansion from 141 MVA to 180 MVA of the Independencia-Ica-Marcona transmission line at 220 kV. Expansion must start commercial operation within 16 months after May 12 of 2010, subscription date of additional clause N° 8. Initial budget of the project is USD 3,066,672. At December 31 of 2010, the company has invested USD 8,075.
- Expansion 9: Includes the second circuit of Chiclayo Oeste-Guadalupe-Trujillo Norte 220 kV line and expansion of the Huacho, Chiclayo Oeste and Guadalupe substations. Expansion shall start commercial operations not later than 21 months after December 20 of 2010, date of subscription of additional clause N° 9. Initial budget was USD 29,606,503. As of December 31, 2010, investment totaled USD 2,859.

Concession Contract of Consorcio Transmantaro S.A.

Mantaro-Socabaya Concession

In January of 1998, the Peruvian State (represented by the special committee established through Supreme Resolution N° 498-96-PCM of December 30 of 1996) awarded the company the concession of the Mantaro-Socabaya electric transmission system. This decision gave the company the right to design, build, and commercially exploit the abovementioned electric transmission system, as well as its respective maintenance and repair. The concession term is 33 years as of February of 1998.

As a result of the above-mentioned award of the concession, the company subscribed with the Peruvian Government the Build, Own, Operate and Transfer contract (the BOOT contract), which establishes the rights and obligations of the parties, as well as the standards and procedures which will govern the

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design, procurement of goods and services, construction and exploitation of the electric transmission line Mantaro–Socabaya, the provision of services and the transfer of all property to the State upon termination of the concession.

The Mantaro–Socabaya transmission line started commercial operation on October 8 of 2000 and has, as of that date, been delivering public electric transmission service, integrating the National Interconnected System –SINAC–. As retribution for the service, the company is paid revenues corresponding to the tariff regime established in the concession contract, regulated by the Supervising Organism of Investment in Energy and Mining –OSINERGMIN, for its Spanish initials–.

As retribution for the electric energy transmission service, the company is remunerated through the total cost of transmission corresponding to the investment carried out annually, including costs of operation, maintenance, and others. Total transmission cost is set for a 12–month period, on May 1st of each year. During the term of the concession, it is adjusted yearly according to variation in the United States Finished Good Less Food and Energy index. The Peruvian State, through the Ministry of Mines and Energy, guarantees establishment by OSINERGMIN of the necessary tariff mechanisms and the corresponding values to ensure that the company’s total cost of transmission is recognized in its entirety by the customers each year. As a result of the application of guaranteed annual remuneration, the company recognized in the years 2010 and 2009 electric energy transmission revenues of USD 31,437,149 and USD 29,666,386, respectively.

In June of 2009, the company subscribed with the Ministry of Mines and Energy an addendum to the concession contract to expand by 505 MVAR capacity of the Mantaro–Socabaya electric transmission lines so as to meet demand growth in the country’s South. Expansion must enter commercial operation within 22 months. Project budget is USD 93,009,425. At December 31 of 2010 the company has invested USD 42,593,708.

Chilca–Zapallal–La Planicie Concession

On June 17, 2008, Interconexión Eléctrica S.A. E.S.P. won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain one substation and two energy transmission lines, each 96 km. long that will connect Chilca with Zapallal. The first line will be at 220 kV and will have an intermediate substation at La Planicie; the second line will be at 550 kV. Investment cost nears USD 131,622,414. Subsequently, ISA transferred the rights to the company, and this latter subscribed the corresponding concession contract

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with the Peruvian State on September 8 of 2008. This is a BOOT contract with 30-year term from its commissioning, expected within 20 months upon process closing. As of December 31, the company has invested USD 128,631,395.

Ica-Independencia Concession

On October 21 of 2009, the company subscribed with the Peruvian State the concession contract for construction of the Reinforcement of the Mid-south Transmission System project: Independencia-Ica Transmission Line at 220 kV. This concession comprises construction of a 55-km. transmission line and cells in the Independencia to Ica substations. Estimated investment cost is USD 11,697,004, with 30 years term. At December 31 of 2010, the company has invested USD 7,670,986.

Zapallar-Trujillo Concession

On November 6, 2009, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain one transmission line, 530 km. long with 600 MW capacity. Investment cost is USD 207,433,584. Subsequently, ISA transferred the rights to the company, which subscribed with the Peruvian State the concession contract. The BOOT-type contract's term will be 30 years as of the project's start of operations, which is estimated to happen 30 months after the process closing. At December 31 of 2010, the company has invested USD 20,353,804.

Talara-Piura Concession

On August 26, 2010, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain one transmission line, at 220 kV between Talara and Piura. Investment cost is USD 20,320,945. Subsequently, ISA transferred the rights to the company, which subscribed with the Peruvian State the concession contract. The contract's term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. At December 31 of 2010, the company has invested USD 1,408,597.

Pomacocha-Carhuamayo Concession

On August 10 of 2010, ISA won the international public bidding conducted by Agencia de Promoción de la Inversión Privada de Perú –PROINVERSIÓN– to design, finance, construct, operate and maintain an approximately 110 km. transmission line, at 220 kV between Pomacocha and Carhuamayo substations. Investment cost is USD 16,407,891. Subsequently, ISA transferred the rights to the company, which

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subscribed with the Peruvian State the concession contract. The contract's term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. At December 31 of 2010, the company has made no investment in this project.

Private Contract – Compañía Eléctrica El Platanal S.A.

In September of 2008, Red de Energía del Perú S.A. –REP– transferred to the company the contract subscribed with Compañía Eléctrica El Platanal S.A., (hereinafter CELEPSA), under which it is bound to construct the El Platanal–Chilca transmission line, as well as to deliver electric energy transmission service to that customer. Contract term is 20 years. Final investment in the transmission line was USD 16,420,563. Transmission service start-up was in August of 2009.

Private Contract – Miski Mayo S.A. mining company

In March of 2009, the company subscribed a contract with Miski Mayo mining company, under which it is bound to construct a 220–1138 kV transmission line and substation, as well as to deliver electric energy transmission service. Total contract cost nears USD 16,145,751 with 30 years term. Final investment in the transmission line was USD 16,808,047. Transmission service start-up was in March of 2010.

Private Contract – Duke Energy S.A. and Kallpa Generación S.A.

In July of 2009, the company subscribed two contracts with Duke Energy S.A., and Kallpa Generación S.A., under which it is bound to construct a 220 kV cell in the Chilca Nueva Substation and to construct a Kallpa III 220 kV cell Chilca Substation, as well as to deliver electric energy transmission service. Total construction cost was initially around USD 1,309,000 and USD 1,392,210, respectively, with 20 years term, in both cases. Final investment in the transmission lines was USD 1,309,000 and USD 1,392,000, respectively. Transmission service startup for both contracts took place in May of 2010.

Private Contract – Fenix Power Perú S.A.

In August of 2010, the company subscribed a contract with Fenix Power Perú S.A., under which it is bound to construct a 220 kV transmission line and substation, as well as to deliver electric energy transmission service. Total construction contract cost nears USD 12,784,588, with 30 years term. Construction term is 23 months. At December 31 of 2010, the company has invested USD 535,480.

Concession Contract of Interconexión Eléctrica ISA Perú

On February 16, 2001, Interconexión Eléctrica S.A. E.S.P. (a shareholder of the company) was awarded the International Public Bidding in the integral project modality for concession to the private sector of the Oroya–Carhuamayo, Paragsha–Derivación Antamina and Aguaytía–Pucallpa power lines (the project). On

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April 26, 2001, the company and the Peruvian State, through the Ministry of Energy and Mines, subscribed the concession contract for design, procurement of goods and services, construction and exploitation of electric transmission lines as well as delivery of electricity service for a period of 32 years.

The company officially starts activities on that date, date which also serves as the basis for calculation of the terms for design and construction of the corresponding energy transmission installations. During the term of the contract, the company will be the owner of the assets and may use the concession's assets for delivery of electricity transmission services.

Concession Contract of INTERNEXA in Peru

On October 2 of 2007, the company subscribed with the Peruvian Government a concession contract for provision of non-switched national and international long-distance carrier services as approved by Ministry Resolution N° 325-2007-MTC/03. Concession term is 20 years from the date of contract subscription.

The company's telecommunications activities are carried out according to the laws and rules that regulate the telecommunications sector and are supervised by the Supervisory Organism of Private Investment in Telecommunications.

License Contract of Interconexión Eléctrica ISA Bolivia

On July 31, 2003, the corporation signed with the Superintendency of Electricity the license contract to exploit the electric industry in the activity of transmission for the Santiváñez-Sucre, Sucre-Punutuma and Carrasco-Urubó lines at 230 kV, for a term of 30 years. This document was filed with the State Notary on August 29, 2003.

On September 17, 2005, ISA Bolivia S.A. was authorized as agent for the wholesale electricity market through Resolution N° 186/2005-5 of CNDC.

For recognition of revenues, the Superintendency of Electricity, through Resolution SSDE N° 169/2005 of September 15 of 2005, approved for the November 2005 – April 2009 period the investment costs and the Operation, Maintenance, and Management costs of the Economically Adapted Transmission System of the Interconnection System belonging to the corporation, as well as the respective indexation formulae, which are applied by the National Load Dispatch Committee in determining transmission prices.

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Resolution SSDE N° 371/2006 of November 24 of 2006 recognizes the amounts related to investment in the new Arboleda Substation.

As provided in the licensing contract signed between the company and the Superintendency of Electricity, remuneration of investment shall be carried out by electric wholesale market agents along a 30-year period, counting as of their commercial habilitation, divided in two 15-year periods, through monthly payments, as follows:

- During the first 15-year period, annual transmission cost is made up of annual investment cost, plus annual operation, maintenance, and administration costs.
- During the second 15-year period, annual transmission cost is equal to annual operation, maintenance, and administration costs.

In turn, the license contract for Arboleda Substation establishes remuneration of the investment and annual transmission cost during the 30-year period.

Concession Contract of Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

Concession contract with the Government of Brazil through ANEEL subscribed on June 20, 2001 and extended for 20 years as of July 8, 1995, for exploitation of the public utility of electric power transmission, including the basic grid and transmission facilities. According to articles 63 and 64 of Brazilian Decree N° 41.019 of February 26, 1957, assets and facilities used in transmission are allocated to such services and cannot be retired, sold, assigned or given as mortgage collateral, without prior express authorization of the regulator. ANEEL Resolution N° 20/99 sets rules for de-allocation of assets of the electric energy public utility concessions and grants prior authorization to de-allocate unproductive assets.

According to the concession contract, every four years after its subscription, ANEEL will revise the Permitted Annual Income –RAP– related to energy transmission for authorized project's facilities that started commercial operation after December 31, 1999, in order to promote efficiency and tariff changes in accordance with specific ruling to be issued by ANEEL.

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Lot C – LT Porto Velho – Jauru

Lot C refers to the third circuit of the transmission line at 230 kV between Jauru (Mato Grosso) and Porto Velho (Rondônia), totaling 987 km. Línea Verde Transmisora de Energía S.A. was established on July 2 of 2009 to exploit the line. On May 19 of 2010, Línea Verde officially requested, together with ANEEL, the transfer of the shares controlled by CTEEP to Abengoa Concesiones Brasil Holding S.A. Estimated investment for this project stands at BRL 380 million, and Permitted Annual Income –RAP– at BRL 4.7 million. The company's shareholding is 25.5%. Commissioning of the project is scheduled for November of 2011.

Lot D – LT Porto Velho – Rio Branco

Lot D refers to the second circuit of the transmission line at 230 kV between Porto Velho (Rondônia), Abunã and Rio Branco (Acre), totaling 487 km. Río Branco Transmisora de Energía S.A. was established on July 2 of 2009 to exploit the line. As on the date of quarterly reports, CTEEP has not made the contribution corresponding to its capital participation in Rio Branco. Estimated investment for that project stands at BRL 210 million, and Permitted Annual Income –RAP– at BRL 24.4 million. The company's shareholding is 25.5%. Commissioning of the project is scheduled for November of 2011.

Lot Y – LT Jauru – Cuiabá and Jauru Substation

This lot refers to the 500 kV transmission line between Jauru and Cuiabá (Mato Grosso), totaling 348 km., and Jauru Substation, at 500/230 kV. Transmisora Matogrossense de Energía S.A. was incorporated on July 2 of 2009 to exploit these installations. On May 14 of 2010, CTEEP transferred its shares in Matogrossense to the company Mavi Ingeniería y Construcciones Ltda.

Cintra Chile concessionaires

Autopista del Maipo

Supreme Decree N° 859 of June 30 of 1998 of the Ministry of Public Works, published in the Official Gazette on August 31 of 1998, awarded to the bidding consortium made up of Cintra Chile S.A. Ltda., Infraestructura 2000 S.A., and Inversiones Golf Center S.A., the concession contract "International Concession Ruta 5 Santiago Talca Segment and Santiago South Access", to execute, maintain, and exploit the fiscal public works comprised between km. 29.014 and 219.490 of Ruta 5 Sur, including works corresponding to Santiago Southern entrance comprised between km. 0.000 and 46.586, as well as the works corresponding to the Rancagua by-pass comprised between km. 66.760 and 94.829.

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At December 31 of 2010, the total length of Ruta 5 and Santiago South entrance is under exploitation.

Ruta de la Araucanía

Supreme Decree N° 443 of April 20 of 1998 of the Ministry of Public Works, published in the Official Gazette on July 8 of 1998, awarded the concession contract "International Concession Ruta 5 Collipulli Temuco Segment", to execute, maintain, and exploit the fiscal public works comprised between km. 574.177 and 718.335 of Ruta 5 Sur, excluding the sectors comprised between km. 661.340 and 677.500 and between km. 714 and 718, and including the works corresponding to the Tenuco City by-pass.

Talca-Chillán

Supreme Decree N° 21 of January 12 of 1996 of the Ministry of Public Works, published in the Official Gazette on March 13 of 1996, awarded the concession contract "International Concession Ruta 5 Talca-Chillán Segment", to execute, maintain, and exploit the fiscal public works comprised between km. 219.49 and 412.80 of Ruta 5 Sur.

Ruta del Bosque

Supreme Decree N° 576 of June 30 of 1997 of the Ministry of Public Works, published in the Official Gazette on October 14 of 1997, awarded the concession contract "International Concession Ruta 5 Chillán Collipulli Segment", to execute, maintain, and exploit the fiscal public works comprised between km. 413.640 and 573.760 of Ruta 5 Sur, now km. 412.800 and 573.760 of Ruta 5 Sur according to amendment to Supplementary Agreement N° 1.

Ruta de los Ríos

Supreme Decree N° 758 of August 14 of 1997 of the Ministry of Public Works, published in the Official Gazette on October 28 of 1997, awarded the concession contract "International Concession Ruta 5 Tamuco-Río Bueno Segment", to execute, maintain, and exploit the fiscal public works comprised between km. 718.30 and 890.00 of Ruta 5 Sur.

For all concessions, concession term is variable, until total revenues guaranteed established in those agreements are achieved.

Notes to the Consolidated Financial Statements

NOTE 21: OPERATING COSTS

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

	December 2010	December 2009
Personnel expenses	268,753	250,742
Materials and maintenance	106,589	81,650
Taxes and contributions	150,045	149,175
Fees	4,782	3,566
Insurance	18,551	11,290
Rentals	14,253	14,585
Utilities	84,450	73,770
Advertising and publications	1,022	882
Miscellaneous	33,118	26,318
Total operating costs before depreciation, amortization and transfers	681,563	611,978
Depreciation	168,005	173,047
Amortization	265,246	257,233
Total depreciation, amortization and transfers	433,251	430,280
Total operating costs	1,114,814	1,042,258

For 2010, operation costs include costs of Cintra and its concessionaires for \$64,321 corresponding to the three months after acquisition (October to December 2010).

Notes to the Consolidated Financial Statements

NOTE 22: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

	December 2010	December 2009
Personnel expenses	194,248	172,080
Materials and maintenance	10,605	13,240
Taxes and contributions	33,522	35,049
Fees (1)	34,979	13,658
Insurance	8,890	9,807
Rentals	6,694	6,931
Utilities	11,828	11,638
Advertising and publications	4,097	4,102
Miscellaneous	52,349	59,635
Total administration expenses before depreciation, amortization and provisions	357,212	326,140
Depreciation	7,910	6,458
Amortization	126,285	123,242
Provisions (2)	36,370	65,427
Total depreciation, amortization and provisions	170,565	195,127
Total administration expenses	527,777	521,267

(1) Includes \$16,538 of CTEEP for lawyer fees and expert opinions.

(2) In 2009, ISA included \$7,424 as provision for investment in controlled entities due to exchange difference, revoked for 2010 upon new interpretation by the CGN, which is recognized as equity, and provisions for inventories for \$6,860, which remains for 2010. In REP, smaller provision for overhauls for \$15,745.

Notes to the Consolidated Financial Statements

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2010 and 2009:

	December 2010	December 2009
Personnel expenses	463,001	422,822
Materials and maintenance	117,194	94,890
Taxes and contributions	183,567	184,224
Fees	39,761	17,224
Insurance	27,441	21,097
Rentals	20,947	21,516
Utilities	96,278	85,408
Advertising and publications	5,119	4,984
Miscellaneous	85,467	85,953
Total costs and expenses before depreciation, amortization and provisions	1,038,775	938,118
Depreciation	175,915	194,949
Amortization	391,531	365,031
Provisions	36,370	65,427
Total depreciation, amortization and provisions	603,816	625,407
Total costs and expenses	1,642,591	1,563,525

No internal or external advisors with the main function of processing affairs with public or private entities, or advice on or prepare studies for such effect were hired in 2010.

Notes to the Consolidated Financial Statements

NOTE 23: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

		December 2010	Diciembre 2009
Financial revenues			
Interest			
On overdue accounts receivable and other loans		18,907	16,245
Investment valuations	(1)	49,953	23,571
Commercial, conditioned and agreed discounts	(2)	32,225	113,773
Monetary variation		17,761	42,666
Total interest		118,846	196,255
Exchange difference			
Cash		17,073	20,623
Accounts receivable		793	8,222
Investments abroad		5,610	5,625
Other assets		708	4,711
Accounts payable		32,321	3,182
Financial liabilities	(3)	154,098	487,242
Total exchange difference		210,603	529,605
Total financial revenues		329,449	725,860
Extraordinary revenues			
Indemnities		533	534
Rentals		1,111	1,093
Recoveries	(4)	20,808	81,893
Revenue from prior years		6,771	2,214
Gain on sale of property, plant and equipment		492	1,494
Other		44,651	51,884
Total extraordinary revenues		74,366	139,112
Total non-operating revenues		403,815	864,972

Notes to the Consolidated Financial Statements

- (1) Variation corresponds to lower valuation of short-term investments in CTEEP and to revaluation of Brazilian Real versus the US Dollar.
- (2) Variation corresponds mainly to the fact that in 2009, CTEEP included \$107,249, for balance in favor of taxes resulting from application of Law N° 11941 of May 27 of 2009, which reviewed payments of contributions to PIS and COFINS for years 2004 to 2007.
- (3) Corresponds mainly to the effect of revaluation of the Dollar, the currency in which the group has a large portion of its debt, especially CTEEP with \$140,294 and ISA with \$13,803.
- (4) Decrease corresponds basically to the fact that in 2009, CTEEP included \$65,915 as recovery of provision of pension liabilities with Fundación CESP; in 2010, mainly to recovery of provisions in CTEEP for \$15,710.

Notes to the Consolidated Financial Statements

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

Financial expenses		December 2010	December 2009
Interest and commissions			
On financial liabilities		164,525	124,942
Interest on bonds		165,869	264,671
Commissions	(1)	84,773	171,116
Debt restructuring expenses	(2)	52,580	–
Administration of security issues		2,714	2,263
Loss from valuation and sale of investments	(3)	102,718	430,388
Miscellaneous	(4)	40,987	24,127
Total interest and commissions		614,166	1,017,507
Exchange difference			
Assets		1,096	10,253
Investments		987	8,003
Accounts payable		12,102	9,070
Financial liabilities		126,074	94,018
Total exchange difference		140,259	121,344
Total financial expenses		754,425	1,138,851
Other expenses			
Losses on casualties	(5)	–	5,482
Loss from retirement of assets	(6)	2,039	17,379
Other	(7)	8,826	30,490
Total extraordinary expenses		10,865	53,351
Prior years adjustments	(8)	54,998	42,947
Total other expenses		65,863	96,298
Total non-operating expenses		820,288	1,235,149

Notes to the Consolidated Financial Statements

- (1) Reduction in fees expenses in CTEEP for \$75,293, resulting from lower debt hired during 2010.
- (2) Corresponds to year amortization of debt restructuring expenses at ISA Capital do Brasil until April 16 of 2016.
- (3) Reduction corresponds basically to the loss from exchange variation of SWAP of ISA Capital do Brasil, totaling \$428,498 for the year 2009 and \$63,733 for the year 2010, resulting from settlement of SWAP contracts in accordance to debt restructuring.
- (4) Includes monetary variation in ISA Capital do Brasil for \$25,872 and in CTEEP for \$14,264.
- (5) Variation is due mainly to the fact that losses from terrorist attacks in ISA were transferred to operating expenses.
- (6) Variation generated basically in CTEEP and ISA in residual value of sale of non-productive assets for \$9,423 and \$5,458, respectively.
- (7) Variation generated basically in the companies in Brazil, resulting from lower tax related to financial liabilities, as follows: lower taxes in CTEEP for \$12,147 and ISA Capital do Brasil for \$10,355.
- (8) Adjustment of expenses from previous fiscal years of ISA companies and their subsidiaries according to the Colombian practices, where variation is represented basically in recognition of higher expenses at CTEEP for \$29,260 and lower expenses at REP for \$15,672.

Notes to the Consolidated Financial Statements

NOTE 24: FINANCIAL RATIOS

Some financial ratios at December 31:

INDICATOR	December 2010	December 2009
RETURN ON ASSETS		
Net income/Total assets (%)	1.3%	1.8%
RETURN ON EQUITY		
Net income / Equity (accounting income) (%)	5.3%	5.1%
EBITDA/ operating interest (times)	7.65	6.18
EBITDA/ long-term debt (times)	0.35	0.65
LIQUIDITY (CURRENT RATIO) (%)		
Current assets/ current liabilities	68.52%	111.05%
DEBT RATIO (%)		
Liabilities / Assets	54.8%	43.3%
LEVERAGE (%)		
Liabilities / Equity	219.6%	119.6%

RETURN ON ASSETS: Variation is due mostly to the fact that since incorporation of assets of the Cintra companies and their concessionaires, assets have grown more than net income, taking into account that results of these companies are included since their purchase in September of 2010.

RETURN ON EQUITY: Despite equity growth, resulting from reserves and re-appraisals, increased fiscal year results improved the indicator.

EBITDA/ OPERATING INTEREST (TIMES): Growth explained by better EBITDA due to higher operating revenues growth and lower interest rate expense, basically associated with debt restructuring and settlement of SWAP in ISA Capital do Brasil.

Notes to the Consolidated Financial Statements

LIQUIDITY: Variation is due essentially to incorporation of current assets and liabilities of Cintra and its concessionaires, where current debt is significantly higher.

DEBT RATIO: Its increase is accounted for by incorporation of liabilities of Cintra and its concessionaires, basically bonds and financial liabilities, whose impact was set off with incorporation of the concession rights of Cintra and its concessionaries, as well as debt restructuring of ISA Capital do Brazil, including the settlement of the swap.

LEVERAGE: Increase explained by incorporation of the liabilities of Cintra and its concessionaires, especially debt.

NOTE 25: BYLAWS AMENDMENTS

ISA CAPITAL DO BRASIL S.A.

The Special Shareholder's Meeting held on March 9 of 2010 approved, in the terms of the proposal of the Administration Council dated March 8 of 2010, the increase of the company's capital stock by BRL 840,000, of which BRL 420 was earmarked for capital stock and BRL 839,580 was earmarked for the capital reserve account, through creation and issuance of 415,691,162 redeemable preferred shares distributed in 13 classes, entitled to cumulative fixed dividend, which were subscribed and paid for on the same date; capital stock increases then from BRL 839,778 to BRL 840,198 divided into 1,256,316,162 shares. This same meeting approved reduction of mandatory dividend, which went from 25% to 1%, and the amendment to the company's bylaws.

In its meeting of March 10 of 2010, the Administration Council approved a new capital increase of the company, within the limit of its authorized capital, through issuance of 178,153,342 redeemable preferred shares distributed in 13 classes, entitled to cumulative fixed dividend, for a total value of BRL 360,000, which was subscribed and paid for on the same date, and of which BRL 180 was earmarked for capital stock and BRL 359,820 was earmarked for the company's capital reserve account.

NOTE 26: SUBSEQUENT EVENTS AND RELEVANT ISSUES

ISA

- CREG's Resolution 106 of 2010 approved inventory of ISA's assets in the STN as well as AOM reference costs and expenses. The Resolution was appealed, justifying once more the need for recognition of the assets of Subestación Betania at 230 kV. Necessary justifications were also presented for some costs and expenses that were not recognized, among them payment corresponding to Account Settling and Clearing –LAC– as well as social and environmental management costs. As to service quality, approval of the methodology for calculating unserved energy is still pending.
- CREG Resolution 097 issued in 2008, modified the distributors' remuneration scheme, and changed parameters relevant for determining the connection charges that they pay to the owners of the connection assets (among them ISA). In the last quarter of 2009, and the first semester of 2010, CREG issued resolutions specific to each network operator, according to Resolution 097 of 2008, approving its base of assets and revenues. Given that in the last quarter of 2010 all the mentioned resolutions became definite, renegotiation of connection contracts started based on charges approved for each operator. Negotiation had 59% advance, and it is expected to be complete in the next few months to begin individual application.
- Although application of the two abovementioned resolutions will affect the Company's financial situation, its impact is not expected to be significant.
- Resolution SSPD–20101300050115 of December 24 of 2010 of the Superintendency of Public Domiciliary Services modified Resolution 20101300021335 adopting the General Accounting Model for Public Utilities Companies, in convergence with the International Financial Reporting Standards, of worldwide acceptance, to modify its implementation period as follows: i) Adaptation and Evaluation Stage, developed along the years 2009 and 2010; ii) Transition Stage, along 2011 and 2012; and iii) Adoption Stage along 2013. This model is expected to give rise to important changes in recognition, valuation, and disclosure of financial information. The above notwithstanding, ISA must comply with the Public Accounting Regime established by Colombia's General Accounting Office.

Notes to the Consolidated Financial Statements

- Upon authorization of the Board of Directors in meeting held on December 17, 2010, ISA filed on January 24, 2011, with the Medellín Chamber of Commerce, the deed of incorporation of Autopistas de la Montaña S.A.S., established by private document of its single shareholder, with \$20,000 authorized capital and \$700 paid/in capital.

The purpose of the new company will be:

- Developing engineering-related activities.
- Operating and maintaining road transport infrastructure.
- Providing services to road transport infrastructure users .
- Promoting and structuring road infrastructure projects.
- ISA appointed Jorge Ivan Lopez B., director of Roads Concessions, as legal representative of the corporation. The three members of the board of directors are Luis Fernando Alarcón M., ISA's CEO, Santiago Montenegro T., President of Asofondos, and Ana Mercedes Villegas M., ISA's Corporate Strategy Manager.

TRANSELCA

TRANSELCA's Regular Shareholders' Meeting of January 17 of 2011 approved distribution of earnings corresponding to the January–October 2010 period for \$30,646 million. Accrual of these dividends was carried out in January of 2011, and dividends will be paid in two installments as follows: 60% until April 30 of 2011 and 40% in July of 2011. Additionally, distribution of earnings for the November–December 2010 period for about \$5,100 million is planned to be approved in the Regular Shareholders' Meeting of March 2011.

At the beginning of the year 2009, CREG issued Resolution 011, to revise, among other issues, the transmission activity remuneration scheme, generating a reduction of unit costs recognized for the different constructive units (nearing 14%), an increase in the useful life of each one of them (from 25 years to 30 years for substation equipment and 40 years for transmission lines), a remuneration rate increase (from 9% to 11.5% annually in real terms before taxes), and a radical change in AOM expenses remuneration (going from a fixed as-new replacement value –VRN– percentage of assets to a scheme that aims to recognize efficient costs and expenses incurred by the transmission companies).

Notes to the Consolidated Financial Statements

For the case of TRANSELCA, CREG issued Resolution 107 of 2010, defining regulated revenues for use of the STN for the next five years. Considering that such resolution presented differences with respect to the values reported by TRANSELCA, this latter appealed on August 6 of 2010. A decision is still pending. Although application of both resolutions will affect the Company's financial situation, its impact is not expected to be significant.

Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

Resolution N° 2714 of December 21 of the National Agency of Electric Energy –ANEEL– was published in the Official Gazette on January 5 of 2011, approving transfer of corporate control of Interligação Elétrica de Minas Gerais S.A., –IEMG– from Cymi Holding S.A., to Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–.

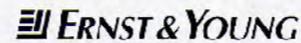
Abbreviations

ACOLGEN:	Asociación Colombiana de Generadores (Colombian Association of Generators)
ANEEL:	Agência Nacional de Energia Elétrica (Brazilian National Agency of Electric Energy)
ASIC:	Administración del Sistema de Intercambios Comerciales (Administration of the Commercial Settlement System)
BRL:	Brazilian Real
CABEL:	Central American Bank for Economic Integration
CAN:	Comunidad Andina de Naciones (Andean Community of Nations)
CESP:	Companhia Energética de São Paulo (Brazil)
CFO:	Cable de Fibra Oscura (Dark Fiber)
CGN:	Contaduría General de la Nación (National General Accounting Office)
CIGRE:	International Council on Large Electric Systems
CND:	Centro Nacional de Despacho (National Dispatch Center)
COP:	Colombian pesos
CRD:	Centro Regional de Despacho (Regional Dispatch Center)
CREG:	Comisión de Regulación de Energía y Gas (Energy and Gas Regulatory Commission)
CTEs:	Centro de Transmisión de Energía (Energy Transmission Centers)
CT:	Current Transformer
CVM:	Comissão de Valores Mobiliários (Brazil)
DECEVAL:	Depósito Centralizado de Valores de Colombia
DIAN:	Dirección de Impuestos y Aduanas Nacionales (Tax and Customs Authority)
DNP:	Dirección Nacional de Planeación (National Planning Department)
ECA:	Export Credit Agency
ECOPETROL:	Empresa Colombiana de Petróleos
EEB:	Empresa de Energía de Bogotá
ELECTROBRÁS:	Centrais Elétricas Brasileñas S.A. (Brazil)
ELECTROPAULO:	Electropaulo Metropolitana Electricidad de São Paulo S.A.
EPM:	Empresas Públicas de Medellín E.S.P.
EPR:	Empresa Propietaria de la Red
EPSA:	Empresa de Energía del Pacífico
EPTE:	Companhia Paulista de Transmissão de Energia Elétrica S.A. (Brazil)
ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
ETESUR:	Empresa de Transmisión Eléctrica del Sur S.A. (Peru)
FAER:	Financial Support Fund for Electrification of Interconnected Rural Areas
FAZNI:	Financial Support Fund for Electrification of Non-Interconnected Rural Areas
FOES:	Fondo de Energía Social (Energy Social Fund)

Abbreviations

GMF:	Levy on Financial Transactions
HVDC:	High Voltage Direct Current
ICO:	Instituto de Crédito Oficial (Chile)
IDB:	Inter American Development Bank
ISS:	Instituto de Seguros Sociales
LAC:	Liquidación y Administración de Cuentas (Account Settling and Clearing)
LT:	Transmission Line
MEM:	Mercado de Energía Mayorista (Wholesale Energy Market)
MEM:	Ministry of Mines and Energy (Peru)
MOP:	Minister of Public Works (Chile)
NDF:	Non-Delivery Forward
IFRS:	International Financial Reporting Standards
OSINERGMIN:	Supervising Organism of Investment in Energy and Mining (Peru)
PGE:	State Attorney General (Brazil)
PLP:	Power Line Carrier
PROINVERSION:	Promoción de la Inversión Privada del Perú (Peruvian Promotion of Private Investment)
PRONE:	Programa de Normalización de Redes Eléctricas (Network Standardization Program)
PT:	Power Transformer
RAG:	Guaranteed Annual Remuneration (Peru)
REP:	Red de Energía del Perú S.A.
RTU:	Remote Terminal Unit
SAC:	South American Crossing
SCI:	Fire System
SIC:	Sistema de Intercambios Comerciales (Commercial Settlement System)
SIEPAC:	Sistema de Transmisión Eléctrica para América Central (Central American Electrical Interconnection System)
SID:	Atmospheric Discharge Information System
SINAC:	National Interconnected System (Peru)
SSPD:	Superintendency of Domiciliary Public Utilities
STE:	Servicio de Transporte de Energía (Energy Transport Service)
STN:	Sistema de Transmisión Nacional (National Transmission System)
UNE:	Una Telecomunicaciones S.A. E.S.P.
UPME:	Unidad de Planeación Minero Energética (Mining and Energy Planning Unit)
USD:	United States Dollar
VQ:	Voltage Quality

Statutory Auditor's Report



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Statutory Auditor's Report

To the Shareholders of
Interconexión Eléctrica S.A. E.S.P. and its subordinates

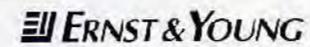
I have audited the accompanying consolidated financial statements of Interconexión Eléctrica S.A. E.S.P. and its subordinates, which comprise the consolidated balance sheet at December 31, 2010 and 2009 and the related consolidated statements of income, changes in equity, and cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes. The consolidated financial statements at December 31, 2010 of the subsidiary companies Ruta de la Araucanía Sociedad Concesionaria S.A., Talca Chilán Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., Autopista del Maipo Sociedad Concesionaria S.A. and Ruta de los Ríos Sociedad Concesionaria S.A., which assets represent 30.82% of total assets, were audited by other independent auditors who issued their unqualified opinions thereon on March 9, 2011 and February 16, 2011 for Ruta de los Ríos Sociedad Concesionaria S.A.

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 audits. 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.

Statutory Auditor's Report



In my opinion, based on my audits and on the reports of other external auditors, the accompanying consolidated financial statements, present fairly in all material respects, the consolidated financial position of Interconexión Eléctrica S.A. E.S.P. at December 31, 2010 and 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, consistently applied.

As described in Notes 7 and 16 to the consolidated financial statements, the opinion of the independent auditors on the financial statements at December 31, 2010 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, which in accordance with management and its legal counsel, is the 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 L. Guzmán'.

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

Medellín, Colombia
March 10, 2011

Statutory Auditor's Report



Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	Notes	2010	2009
ASSETS			
Current assets			
Cash	(5)	3,330	107,823
Investments and derivatives	(5)	84,257	477,359
Accounts receivable – net	(7)	318,410	183,723
Inventories – net	(8)	2,519	2,596
Deferred charges and other assets	(10)	100,333	83,812
Total current assets		508,849	855,313
Non-current assets			
Long-term investments – net	(6)	3,112,762	2,411,165
Long-term accounts receivable	(7)	13,224	23,056
Inventories – net	(8)	55,853	55,542
Property, plant and equipment – net	(9)	2,414,732	2,434,389
Deferred charges and other assets	(10)	344,573	335,979
Reappraisals	(11)	2,583,387	2,405,688
Total non-current assets		8,524,531	7,665,819
Total assets		9,033,380	8,521,132
Memorandum accounts			
Debit	(20)	3,250,484	2,514,672
Credit	(20)	2,161,077	1,105,044

See accompanying notes to Financial Statements.

Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

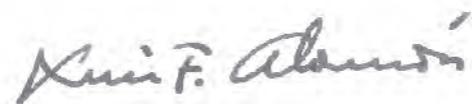
	Notes	2010	2009
Liabilities and shareholders' equity			
Current liabilities			
Outstanding bonds	(12)	230,000	–
Financial liabilities	(13)	35,259	174,698
Accounts payable	(15)	173,929	134,570
Labor liabilities	(16)	6,456	6,566
Accrued liabilities and estimated provisions	(17)	92,306	104,249
Other liabilities	(18)	12,907	10,576
Total current liabilities		550,857	430,659
Non-current liabilities			
Outstanding bonds	(12)	801,365	1,031,365
Financial liabilities	(13)	427,891	232,950
Related parties	(13)	264,437	267,537
Accounts payable	(15)	64,220	47,686
Labor liabilities	(16)	1,334	1,609
Accrued liabilities and estimated provisions	(17)	134,942	120,819
Other liabilities	(18)	348,638	268,623
Total non-current liabilities		2,042,827	1,970,589
Total liabilities		2,593,684	2,401,248

Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	Notes	2010	2009
Equity	(19)		
Subscribed and paid share capital		36,916	36,916
Capital surplus		1,445,509	1,445,509
Reserves		642,614	504,965
Revaluation surplus		2,583,387	2,405,688
Surplus from equity method		815,529	819,909
Equity revaluation		571,845	592,019
Net income		343,896	314,878
Total shareholders' equity		6,439,696	6,119,884
Total liabilities and shareholders' equity		9,033,380	8,521,132
Memorandum accounts			
Credit	(20)	2,161,077	1,105,044
Debit	(20)	3,250,484	2,514,672

See accompanying notes to Financial Statements.



Luis Fernando Alarcón M.
CEO



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



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

(See attached report of February 18 of 2010)
Designated by Ernst & Young Audit Ltda. TR-530

Financial Statements

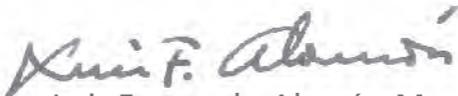
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
INCOME STATEMENTS

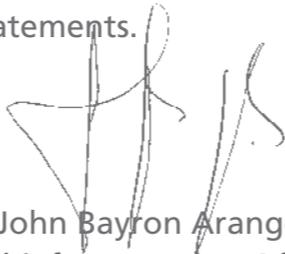
DECEMBER 2010 – DECEMBER 2009

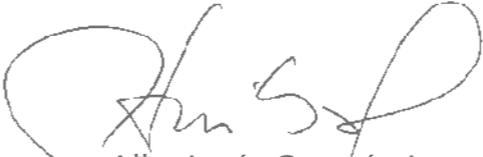
(In millions of Colombian pesos, except for net income per share that is expressed in Colombian pesos)

	Notes	2010	2009
Operating revenues	(21)		
Electric energy transmission services		801,552	802,436
Connection charges		89,655	76,415
Infrastructure projects		16,859	15,309
Telecommunications		15,484	18,445
Other operating revenues		18,421	19,502
Total operating revenues		941,971	932,107
Operating costs and expenses			
Operating costs	(22)	359,479	357,755
Administration expenses	(23)	109,884	102,419
Total operating costs and expenses		469,363	460,174
Operating income		472,608	471,933
Non-operating revenues (expenses)			
Non-operating revenues	(24)	183,093	219,176
Non-operating expenses	(24)	(203,168)	(230,760)
Non-operating loss		(20,075)	(11,584)
Income before taxes		452,533	460,349
Income tax provision	(17.2)	108,637	145,471
Net income		343,896	314,878
Net income per share		310.47	292.18

See accompanying notes to Financial Statements.


Luis Fernando Alarcón M.
CEO


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


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

(See attached report of February 18 of 2010)
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Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 STATEMENTS OF CASH FLOWS
 DECEMBER 2010 – DECEMBER 2009
 (In millions of Colombian pesos)

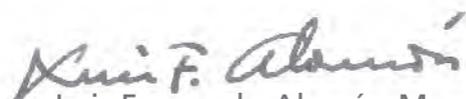
	2010	2009
Cash flow from operating activities:		
Net income	343,896	314,878
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	108,003	110,354
Amortization of deferred charges and other assets	6,676	6,008
Amortization of retirement pensions and fringe benefits	24,281	11,847
Allowance for doubtful accounts	1,099	1,071
Provision for inventory protection	–	6,860
Investment allowance	2,070	7,169
Income tax provision	108,637	145,471
Loss on retirement of property, plant and equipment	771	2,515
Exchange difference expense, net	(985)	(10,170)
Net (income) from equity method	(94,229)	(140,487)
Interest and commissions accrued	114,449	180,026
	614,668	635,542
Changes in operating assets and liabilities:		
Accounts receivable	(94,624)	20,778
Inventories	130	(2,235)
Deferred charges and other assets	(16,521)	13,750
Accounts payable	291,371	203,305
Labor liabilities	(385)	357
Accrued liabilities and estimated provisions	(133,779)	(92,930)
Other liabilities	82,346	83,129
Cash flow in other operations:		
Payment of retirement pensions	(13,464)	(12,164)
Payment of taxes and contributions	(268,545)	(207,981)
Net cash provided by operating activities	461,197	641,551

Financial Statements

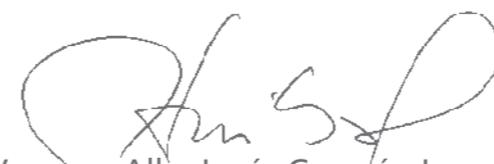
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CASH FLOWS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	2010	2009
Cash flow from investment activities:		
Acquisition of long-term investments	(669,590)	(1,125)
Dividends received	54,060	34,571
Decrease in long-term investments	–	(1,088)
Sale of property, plant and equipment	2,413	6,365
Acquisition of property, plant and equipment	(89,502)	(110,798)
Additions to deferred charges and other assets	(1,157)	(10,413)
Net cash used in investment activities	(733,776)	(82,488)
Cash flow from financing activities:		
Interest received in cash	1,498	3,419
Interest paid in cash	(105,831)	(199,545)
Dividends paid	(173,796)	(160,273)
Increase in financial liabilities	224,455	–
Bond issues	–	106,562
Payment of financial liabilities	(171,736)	(358,115)
Decrease in related parties loans	394	7,769
Increase in equity - share issue	–	384,198
Net cash used in financing activities	(225,016)	(215,985)
(Decrease) increase in cash and cash equivalents - net	(497,595)	343,078
Cash and cash equivalents at the beginning of the year	585,182	242,104
Cash and cash equivalents at the end of the year	87,587	585,182

See accompanying notes to Financial Statements.


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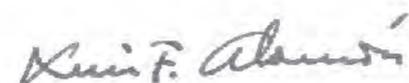
Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
DECEMBER 2010 - DECEMBER 2009

(In millions of Colombian pesos, except share par value that is expressed in pesos)

	Capital Surplus				Reserves						Net income	Equity revaluation	Surplus from equity method	Revaluation surplus	Total
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Total	Legal	For tax purposes mandatory	Reserve for repurchase of shares	For reinforcement of equity	Reserve for rehabilitation and replacement of STN assets	Total					
Balances at December 31, 2008	35,866	1,044,980	17,381	1,062,361	17,934	215,063	38,100	123,340	37,435	431,872	236,593	612,192	245,073	2,185,306	4,809,263
Transfers approved by the Shareholders' Meeting						25,487		47,606		73,093	(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
Balances at December 31, 2009	36,916	1,428,128	17,381	1,445,509	17,934	240,550	38,100	170,946	37,435	504,965	314,878	592,019	819,909	2,405,688	6,119,884
Transfers approved by the Shareholders' Meeting					525	83,509		53,615		137,649	(137,649)				-
Dividend payment at \$160 per share on 1.107.677.894 outstanding shares payable in four quarterly installments in April, July and October of 2010, and January of 2011											(177,229)				(177,229)
Variation in equity revaluation												(20,174)			(20,174)
Increase in surplus from equity method													(4,380)		(4,380)
Increase in re-appraisals of the year														177,699	177,699
Net income at December of 2010											343,896				343,896
Balances at December 31, 2010	36,916	1,428,128	17,381	1,445,509	18,459	324,059	38,100	224,561	37,435	642,614	343,896	571,845	815,529	2,583,387	6,439,696

See accompanying notes to Financial Statements.


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I. GENERAL NOTES

NOTE 1: CORPORATE PURPOSE

Interconexión Eléctrica S.A. E.S.P. –ISA– was incorporated by public deed N° 3057 of the Notary Public Office N° 8 of Bogotá on September 14, 1967.

The Company was split off by Public Deed N° 230 of the Single Notary Public Office of Sabaneta, dated April 4, 1995.

On December 1, 1995, by public deed N° 808 of the Single Notary Public Office of Sabaneta, and according to the provisions of the Domiciliary Public Utilities Law (Law 142 of 1994) the corporation changed its legal nature and became a state public utility corporation constituted by state institutions, of national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994. Based on Law 142 of 1994, the Company changed its name to Interconexión Eléctrica S.A. E.S.P.; it can also use the initials ISA S.A. E.S.P.

On November 22, 1996, by Public Deed N° 746 of the Single Notary Public Office of Sabaneta, ISA changed its legal nature to a mixed-ownership public utility corporation of the national order, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994. This process was completed on January 15, 1997, with the arrival of private investment.

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

ISA's main corporate purpose is:

1. The operation and maintenance of its own transmission network.
2. The expansion of the national interconnection grid.
3. The planning and operation coordination of the resources of the National Interconnected System.

Notes to the Financial Statements

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

BRANCHES

Peru ISA Branch

On September 4, 2002, ISA established a branch in Peru to execute the operation and maintenance agreement for the 220 kV Carhuamayo-Paragsha-Vizcarra and 138 kV Aguaytía-Pucallpa transmission lines subscribed between ISA and ISA Perú S.A. The branch's term is indefinite; it has no legal personality and does not carry out any activities independently from ISA. It is an extension of the Company in Peru.

Argentina ISA Branch

ISA established a branch in Argentina on January 24, 2007. The proceedings were carried out at the General Justice Inspection, an official body in charge of Mercantile Register. Creation of this branch originated in the fact that corporations incorporated outside of Argentina willing to have a business presence in that country, must have a registered office there. This branch is not in commercial operation.

NOTE 2: BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 INDIVIDUAL FINANCIAL STATEMENTS

The individual financial statements of ISA are the basis for dividend distributions and other appropriations; assets, liabilities, equity or results of subsidiaries are not consolidated. However, for legal reasons the Company is required to present separate consolidated financial statements to the annual Shareholders' Meeting for approval.

2.2 CLASSIFICATION OF ASSETS AND LIABILITIES

Assets and liabilities are classified according to their use or degree of realization, demand or liquidation, in terms of time and value.

Accordingly, current assets and liabilities (short-term) are understood as such amounts that will be realizable or demandable, respectively, within a term not longer than one year.

2.3 ADJUSTMENTS FOR INFLATION

Until December 31, 2000, non-monetary assets and liabilities and shareholders' equity, except for the surplus from revaluation of assets and income statement accounts, were monetarily updated on a prospective basis, using general consumer-price index (or Tax Year's Adjustment Percentages –PAAG, for its Spanish initials–). The respective adjustments were recorded in the income statement's monetary correction account. As of January 1, 2001 the Colombian General Accounting Office –CGN, for its Spanish initials–, through Resolution N° 364 of November 29, 2001, suspended the system of integral inflation adjustments for accounting effects, without reverting the inflation adjustments accounted until December 31, 2000.

According to Resolution N° 041 of 2004 and to External Circular Letter N° 056 of 2004, issued by the Colombian General Accounting Office, inflation adjustment accounts were eliminated from the General Plan of Public Accounting as part of the cost, thereby obligating to incorporate accumulated amounts for adjustments until 2000. In order to comply with regulations in force, since 2001, integral inflation adjustments continue to be applied for tax effects, giving rise to accounting differences that are recorded in the tax memorandum accounts. Law 1111 of 2006 derogated integral inflation adjustments for tax effects beginning in fiscal year 2007. (See Note 17.2).

Notes to the Financial Statements

2.4 MATERIALITY

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

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

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

NOTE 3: SUMMARY OF MAIN ACCOUNTING POLICIES AND PRACTICES

For the preparation and presentation of its financial statements, the Company, as required by law, observes the Public Accounting General Plan defined by the Colombian General Accounting Office –CGN–, the accounting regulations issued by the Superintendency of Domiciliary Public Utilities –SSPD– and other applicable regulation.

For keeping, preservation and custody of the accounting books and supporting documents, the regulation applicable to support documents, vouchers, and accounting books, established by the Colombian General Accounting Office, is observed.

The Company's Financial Statements are identified, classified, registered, valued, prepared and disclosed in accordance with the accounting principles of the CGN contained in Resolutions N° 354, 355 and 356 of September 5 of 2007, as amended, through which the Public Accounting Regime was implemented in order to harmonize its provisions with the criteria established by international accounting standards.

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

3.1 FOREIGN CURRENCY TRANSLATION AND BALANCES

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

3.2 CASH EQUIVALENTS

For purposes of preparing the statement of cash flows, marketable investments redeemable within the next 90 days are considered to be cash equivalents.

3.3 INVESTMENTS

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

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

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

Investments for liquidity management

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

Financial derivative instruments

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

Notes to the Financial Statements

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

Investments with policies purpose

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

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

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

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

Equity investments

a. Equity investment in controlled companies

Equity investments in controlled companies include investments made in order to exercise or share control, as well as those in which the Company has substantial influence, and long-term investments in which the public sector holds over 50% direct or indirect participation. These investments are accounted by the equity method, according to CGN Resolution N° 356 of 2001 and its amendments. Under the equity method long-term investments in subsidiaries are recognized at cost and subsequently adjusted as follows:

- Credit or charge to the investment's cost equal to the participation of the Company in profits and losses of the subsidiary, with a matching entry in the income statement.

Notes to the Financial Statements

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

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

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

Investments in subordinated companies abroad are recorded on the basis of their financial statements at December 31 of each year, translated into Colombian pesos, using the United States dollar as functional currency, applying the provisions of International Accounting Standard 21. For the translation of the Financial Statements the following is taken into account: Balance sheet items are calculated using the closing exchange rate; income statement items are calculated using the accumulated average exchange rate for each month closing; net effect with respect to closing rate is recognized as translation adjustment.

b. Equity investments in non-controlled companies

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

Notes to the Financial Statements

3.4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

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

For the debts of companies subject to reorganization or under liquidation, the provision for accounts receivable must be adjusted to one hundred percent (100%) of nonperforming accounts receivable, regardless of provision recorded for debt age.

3.5 INVENTORIES

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

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, which, where relevant, may include:

- a. Financing costs associated to acquisition and construction of assets not in operational conditions and,

Notes to the Financial Statements

- b. Until year 2000, includes inflation adjustments on costs, excluding capitalized exchange differences and the portion of capitalized interest corresponding to inflation.

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

In 2009, the Company concluded and implemented study of useful lives by components, in order to comply with attachment to Resolution 356 of 2007 of CGN, providing that depreciation and amortization shall be calculated for each asset, individually; however, when components or parts have different useful lives, or provide potential or economic service benefits at different rhythms, depreciation shall be applied to each component.

Definition of components of the Energy Transmission System:

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

Materials with high inventory turnover shall not be classified as fixed assets.

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

According to evaluation of the Company's buildings, their useful life was determined to be 100 years (2009: 50 years). The above-mentioned change produced depreciation lower during 2010 of approximately \$600.

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

Notes to the Financial Statements

Asset / Component	Useful Life
Transmission lines	63
Buildings	100
Fiber optics	25
Machinery and equipment	15
Telecommunications equipment	15
Furniture, office equipment, laboratory equipment	10
Communications equipment	10
Transport, traction and lifting equipment	10
Supervision and Switching Center's equipment	6
Computer equipment and accessories	5
Substation components	
Lines (Substations' grounding nets)	63
Power transformer	40
PT	38
Breaker	32
CT	30
Lightning arrester	30
Diesel Plant	30
SVC reactors	30
Main breaker	30
Reactor	27
SubMóvil	25
FS	20
Battery Bank	15
Charger	15
SAS component	15
Condensers	15
SVC condensers	15
Series compensation control	15
SVC control	15
Converter	15
Inverter	15
Telephone exchange	15
PLC	15
Sequence of events recorder	15
Protection relays	15
RTU	15
LIS	15
Teleprotection	15
SVC thiristor valve	15
VQ	15

Notes to the Financial Statements

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

Repairs required because of attacks to the electric infrastructure are recorded as expenses in the period when the attacks occur and do not increase the useful life originally assigned to the assets. Due to the difficulties to insure this type or risk, these damages are accrued in the financial statements as they occur and are not recorded on estimate basis. Management, in accordance with their historical experience of losses by attacks and the country's political and security circumstances, includes in the annual budget the resources considered enough to cover these losses.

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

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

3.7 DEFERRED CHARGES AND OTHER ASSETS

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

Deferred charges and other assets include goodwill from acquisition of long-term investments, cost of acquisition of software, easements, bond underwriting commissions, legal stability agreement premium, licenses and rights, from which future and quantifiable economic benefits are expected to be obtained. It also includes deferred taxes resulting from temporary differences between net income and tax income.

Software is amortized on a straight-line basis over a maximum of three years. Goodwill, bond underwriting commissions, legal stability agreement premium, licenses and rights are amortized on a straight-line basis during the periods over which their benefits are expected to be received, according to the feasibility studies for their recovery.

Charges for studies and research of projects in pre-operational stage will be treated as expenses and are not capitalized even when a subsequent decision is made as to execute the project and when the project is intended for internal purposes, except when contractually, the Company has guaranteed their economic benefit.

Notes to the Financial Statements

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

3.8 RE-APPRAISALS

Re-appraisals that are part of equity include:

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

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

3.9 CURRENT INCOME TAX AND DEFERRED TAX

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

The credit deferred tax is the lesser current tax calculated during the period, resulting from the excess of tax depreciation and amortization over per-books depreciation and amortization, when useful life, depreciation and amortization methods for tax purposes differ from accounting ones, for which differences are expected to be reverted in the future.

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

According to Opinion N° 20061-57086 of CGN of January 31, 2006, the Company has autonomy in defining the accounting principles regarding deferred tax. Accordingly, ISA has considered as temporary differences that result in the accrual of deferred tax, among others, the one resulting from inflation adjustments recognized only for tax effects on depreciable fixed assets, since these generated a greater fiscal revenue

Notes to the Financial Statements

from monetary correction in the period of adjustment, increasing the payable income tax recoverable during the following years as the fixed assets are depreciated (See Notes 10 and 17.2).

Starting 2010, the Company records deferred tax on exchange difference of investments abroad; such tax totaled \$17,014.

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

3.10 LABOR LIABILITIES

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

With respect to amortization of retirement pension liabilities for Colombian subsidiaries, it must correspond to the value resulting from dividing the total actuarial estimate pending amortization by the number of years remaining to complete the term set by regulation in force, applicable to each particular entity, and counted from the actuarial estimate closing date. For ISA, maximum time provided for by accounting regulation is 30 years starting on December 31, 1994.

Regarding the methodology to amortize benefits and aids, the Company amortizes 100% of actuarial liabilities, closely following international accounting standards, as is the intention of the CGN.

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

3.11 NET INCOME PER SHARE

Net income per share is calculated on the annual weighted average number of outstanding shares. In 2010, 1,107,677,894 shares (2009: 1.077.678.853 shares).

Notes to the Financial Statements

3.12 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the financial statements at December 31, 2009 were reclassified to conform to the presentation of the financial statements for 2010.

3.13 MEMORANDUM ACCOUNTS

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

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

3.14 RECOGNITION OF REVENUE, COSTS AND EXPENSES

Revenue, costs and expenses are recorded on an accrual basis. Revenue from service provision is recognized during the contractual period or when services are rendered. Amounts received to remunerate recovery of investments in UPME, as well as usage rights not accrued because their respective costs have not been incurred or because the related services have not been rendered yet, are recognized as deferred revenues. This deferred revenue is amortized over the periods along which it accrues.

3.15 USE OF ESTIMATES

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

3.16 OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2010 and 2009, no operating or administrative limitations or deficiencies were found that would significantly affect the normal accounting processes, or the consistency and reliability of the accounting figures.

II. SPECIFIC NOTES

NOTE 4: VALUATION OF ACCOUNTING INFORMATION

Foreign currency operations

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

Operations and balances in foreign currency are translated at the exchange rates in force, as certified by Banco de la República (Colombia) or, by the State banks in the countries where the Company carries out transactions. The exchange rates used for preparation of the financial statements at December 31, 2010 and 2009, expressed in Colombian pesos, were as follows:

Currency	Code	2010	2009
US Dollar	USD	1,913.98	2,044.23
Euro	EUR	2,567.99	2,933.27
Nuevo sol	PEN	681.62	707.35
Boliviano	BS	274.59	289.14
Brazilian Real	BRL	1,148.71	1,174.04
Chilean Peso	CLP	4.09	4.03

Notes to the Financial Statements

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

	2010	2009
Assets		
Current assets		
Cash	168	115
Accounts receivable	6,868	9,300
Total current assets	7,036	9,415
Non-current assets		
Foreign currency investments	1,171,810	727,173
Total non-current assets	1,171,810	727,173
Total assets	1,178,846	736,588
Liabilities		
Current liabilities		
Current portion of financial liabilities	36,342	18,604
Accounts payable	3,088	2,830
Total current liabilities	39,430	21,434
Long-term liabilities	142,422	54,764
Related parties	23,800	23,800
Accounts payable	53	53
Total non-current liabilities	166,275	78,617
Total liabilities	205,705	100,051
Net asset monetary position	973,141	636,537

With respect to foreign-currency liabilities, for 2010 and 2009, the Company had no hedging operations contracted.

Notes to the Financial Statements

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

	2010	2009
Financial revenues (See Note 24)	25,382	41,164
Financial expenses (See Note 24)	(21,804)	(20,986)
Total exchange difference net generated	3,578	20,178

Notes to the Financial Statements

NOTE 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

		2010	2009	2010 Rate	2009 Rate
Account					
Cash					
Cash and deposits in banks	(1)	3,330	7,691	3.46%(COP)	5,66%(COP)
Funds sold with investment repurchase agreement		–	100,132	–	2.67% (COP)
Total cash	(2)	3,330	107,823		
Marketable investments					
CDs, bonds and securities	(3)	71,598	423,550	2.83%(COP)	3.45% (COP)
Other fixed-income investments	(4)	9,745	–	3.32%(COP)	–
Trusts	(5)	2,914	53,809	3.20%(COP)	4,37% (COP)
Total marketable investments		84,257	477,359		
Total cash and marketable investments	(6)	87,587	585,182		

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

(2) Variation is due to issuance of shares by late 2009, earmarked mainly for capitalization of ISA Inversiones Chile.

(3) Includes CDs \$24,822 (2009: \$343,225), bonds \$46,776 (2009: \$64,583) and securities in 2009: \$15,742.

(4) Corresponds to the TES invested through the investment trust portfolio of the risk retention fund administered by Fiducolombia S.A.

(5) According to Resolution 585 of December 22 of 2009 of Colombia's General Accounting Office, applicable as of January 1st of 2010, marketable funds were reclassified as accounts receivable – funds delivered under administration, \$88,657 (2009: \$37,706), corresponding to delegated management trusts; these funds may only be used for the administration of the IPSE, FAER, FAZNI, and DISPAC projects.

Additionally, marketable investments were reclassified as other assets – trust rights worth \$1,184, corresponding to the trust that guarantees payment of independent engineering of UPMEs.

(6) Variation is explained by issuance of shares by late 2009, earmarked mainly for capitalization of ISA Inversiones Chile, and by reclassification of delegated management trusts as accounts receivable – funds delivered under administration.

NOTE 6: EQUITY INVESTMENTS – NET

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS

Below are a description of the corporate purpose and other relevant information of the affiliate companies with which the equity method was applied as well as other significant investments:

TRANSELCA S.A. E.S.P.

TRANSELCA is a mixed-ownership utility with main offices in the city of Barranquilla. It was incorporated on July 6, 1998 and is engaged in the provision of energy transmission services, coordination and control of the Regional Dispatch Center and connection to the National Transmission System. The corporation's term is indefinite.

In late December of 2006, ISA increased by 34.99% its participation in TRANSELCA S.A. E.S.P. through a stock exchange operation with ECOPETROL for a total participation of 99.99%; consequently it has control over it.

Interconexión Eléctrica ISA Perú S.A.

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

Red de Energía del Perú S.A. –REP–

REP is a Peruvian corporation with main offices in the city of Lima. It was established on July 3, 2002 and its term is indefinite. REP provides services of electric power transmission, ancillary services such as operation and maintenance of energy transmission and transport facilities, and specialized technical services. ISA owns 30% of the capital stock of ISA Perú, and additional 30% indirectly through TRANSELCA, thus controlling ISA Perú.

Notes to the Financial Statements

Consortio TransMantaro S.A. –CTM–

TransMantaro is a Peruvian corporation with main offices in the city of Lima. It was established in January of 1998. Since December 13, 2006 ISA directly owns 60% of TransMantaro's capital stock. The term is indefinite and its main activities are the transport of electric energy from generating companies as well as the provision of operation and maintenance services for different facilities.

In August of 2010, Consorcio TransMantaro won bidding to develop 110 km. electric transmission grid in Junin Province, central Peru. The project includes installation of a 220 kV, single circuit transmission line, approximately 110 km. long, with 180 MVA nominal capacity between the Pomacocha and Carhuamayo substations, plus expansion of the Carhuamayo and Pomacocha substations.

Additionally, in November of 2010, Consorcio TransMantaro won international public bidding to develop an approximately 204 km. electric transmission line between Cusco and Apurimac.

The term of both concessions will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing.

The Shareholders' Meetings held in October 2009 and March 2010, approved increasing the company's capital stock by USD 155 million, through cash contributions and issuance of 438,410,000 shares at a par value of one Nuevo Sol each. ISA's contribution equaled USD 93 million.

Interconexión Eléctrica ISA Bolivia S.A.

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

Notes to the Financial Statements

ISA Capital do Brasil S.A.

ISA Capital do Brasil S.A. is a Brazilian corporation with main offices in the city of São Paulo. It was established as investment vehicle on April 28, 2006. Its corporate purpose includes participation in the capital of other corporations and in other undertakings, either as partner or as shareholder, as party in a joint venture, as member of a consortium, or under any other type of business cooperation. On September 19, 2006, the Company was made into a public corporation. The corporation's term is indefinite. Operations in Brazil are consolidated through ISA Capital do Brasil, the owner of 89.40% of voting shares of CTEEP and 37.50% of the total capital stock of CTEEP.

In August and October of 2008, ISA made capital increases in ISA Capital do Brasil of USD 3.9 million and USD 2.2 million, respectively, equivalent to BRL 11,510,800.

Fiscal optimization took place in the year 2008 through the corporate restructuring of ISA Participações with CTEEP and ISA Capital for BRL 656,217 generated by acquisition of CTEEP, as a result of which, participation of ISA Capital in CTEEP increased from 37.46% to 37.50% through capitalization of the goodwill amortized along fiscal 2008.

In March of 2010, ISA Capital do Brasil S.A., made a public offer to repurchase international bonds maturing in 2017, repurchasing 91.06% of the issue for USD 322.3 million, and leaving USD 31.7 million outstanding. The USD 200 million tranche was repurchased in February of 2010, exercising the call option foreseen in corresponding prospectus. Debt restructuring process was conducted through issuance of BRL 1,200,000 million in preferred stock, meaning that ISA reduced its participation in ISA Capital do Brasil to 58.60% of its capital stock and keeps control of 99.99% of common shares.

ISA Capital do Brasil exercises control of and owns 89.40% of shares with voting rights of CTEEP and 37.60% of its total capital stock.

CTEEP has stock participation in the following corporations, whose corporate purpose is exploitation of the concession of electric power transmission service.

- Interligação Elétrica Norte e Nordeste S.A. –IENNE–: Brazilian corporation with main offices in the city of São Paulo and established on December 3, 2007. CTEEP owns 25.00% participation in this company and exercises shared control.

Notes to the Financial Statements

- Interligação Elétrica De Minas Gerais S.A. –IEMG–: Brazilian corporation with main offices in the city of São Paulo and established on December 13, 2006. CTEEP owns 60% participation in this company and exercises shared control. The project started commercial operation in December 2008.
- Interligação Elétrica Sul S.A. –IESUL–: Brazilian corporation with main offices in the city of São Paulo and established on July 23, 2008. CTEEP owns 50.1% participation in this company and exercises shared control. This corporation is not in commercial operation yet.
- Interligação Elétrica do Madeira S.A. –IEMADEIRA–: Brazilian corporation with main offices in the city of Rio de Janeiro and established on December 18, 2008. CTEEP owns 51.00% participation in this company and exercises shared control; it is not yet in commercial operation.
- Interligação Elétrica Pinheiros S.A. –IE Pinheiros–: Brazilian corporation with main offices in the city of São Paulo. It was established on July 22, 2008. CTEEP owns 99.99% and exercises control. Araras, one of the five substations of IE Pinheiros started commercial operations on November 5, 2010.
- Interligação Elétrica Serra do Japi S.A.: Brazilian corporation with main offices in the city of São Paulo. It was established on June 1, 2009. CTEEP owns 99.99% and exercises control. This corporation is not in commercial operation yet.

Interconexión Eléctrica Colombia Panamá S.A. –ICP–

ICP is a corporation with main offices in Panama City. It was established on May 14, 2007 and its term is indefinite. Its main activities are electric power transmission, operation and maintenance of electricity lines and grids and infrastructure for associated voltage transformation, telecommunications services, data transmission services, technical services, and consulting services in such areas and in general engineering matters. ISA owns 50.00% stake at this corporation and exercises shared control. This corporation is not in commercial operation yet.

Along the year 2010, ISA carried out capitalizations of ICP amounting to USD 875,000 and USD 566,000 in January and December, respectively.

INVESTMENTS IN THE ROADS CONCESSIONS BUSINESS UNIT

ISA Inversiones Chile Ltda.

Corporation with main offices in the city of Santiago de Chile. It was established on February 22, 2010 and its main activity is the long-term investment for profit in any type of real and personal property, including participation in other legal entities and associations of any type. ISA has 99.99% participation in ISA Inversiones Chile Ltda. and through it acquired 60% of the interest held by Spanish Cintra Infraestructura S.A. in Cintra Chile S.A. The operation for 60% totaled UF 6,822,777 equivalent to USD 290 million, approximately.

Since 1996, Cintra Chile has been the leading player in interurban road concessions, controlling, operating and administering 907 km. of Ruta 5 Sur through its concessionaires: Autopista del Maipo, Talca-Chillán, Ruta del Bosque, Ruta de la Araucanía and Ruta de los Ríos, transport infrastructure whose assets total over USD 3,000 million.

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

- Autopista del Maipo Sociedad Concesionaria S.A.: Corporation established on October 30, 1998 with main offices in the Los Condes borough, metropolitan Santiago. The 237 km. road was opened to traffic in December of 2004. The concession end on September of 2024. Cintra Chile S.A. owns 99.9999% shareholding in this corporation.
- Talca-Chillán Sociedad Concesionaria S.A.: Corporation established on April 10, 1996 with main offices in the city of Santiago de Chile. The purpose of the corporation is the design, construction, maintenance, exploitation and operation under concession of Ruta 5, Talca-Chillán Segment. The 193 km. road was open to traffic in 2000; Cintra Chile has 99.9993% shareholding in this corporation.
- Ruta del Bosque Sociedad Concesionaria S.A.: Corporation established on November 26, 1997 with main offices in the city of Santiago de Chile. Cintra Chile S.A. owns 99.9909% shareholding in this corporation.

- Ruta de la Araucanía Sociedad Concesionaria S.A.: Corporation established on September 4, 1998 with main offices in the Los Condes borough, metropolitan Santiago. The 144-km road was opened to traffic in September of 2003. Cintra Chile S.A. owns 99.99994 % shareholding in this corporation.
- Ruta de los Ríos Sociedad Concesionaria S.A.: Corporation established on December 17, 1997 with main offices in the Los Condes borough, metropolitan Santiago. The 172 km. road was opened to traffic in August of 2003. Concession ends in May of 2023. Cintra Chile S.A. owns 75% shareholding in this corporation.

INVESTMENTS IN THE MARKET OPERATION AND ADMINISTRATION BUSINESS UNIT

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

XM is a Colombian mixed-ownership utility with main offices in Medellin. It was established on September 1, 2005 and operations began on October 1 of same year. The corporation's term is indefinite and its purpose is the operation planning and coordination of the resources of the National Interconnected System, the administration of the Commercial Settlement System in the wholesale energy market, as well as the settling and clearing of charges for use of the National Interconnected System's grids, the administration of financial derivative markets with electric energy and gas as underlying asset, including compensation systems, and ancillary and value added activities related thereto. ISA directly owns 99.73% of capital stock of XM.

XM has participation in the following corporations:

- Corporation established on October 3, 2007, whose corporate purpose is the provision of settling services as operations central counterparty, in order to reduce or abolish default risks of obligations derived from them. XM owns 5.85% shareholding in this corporation.
- Derivex: Corporation established on June 2, 2010, whose purpose is the negotiation and recording of operations with financial derivatives that meet the definition of security included in paragraphs 3 and 4 of Article 2 of Law 964 of 2005 and have electric energy, gas, fuel and other energy commodities as underlying assets. XM owns 49.95% stake at this corporation.

INVESTMENTS IN THE CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

Proyectos de Infraestructura del Perú S.A.C. –PDI–

PDI is a Peruvian corporation with main offices in the city of Lima. It was established on November 15, 2007 with indefinite term. It has as its purpose the conduction of all kinds of activities related to the construction of transmission lines and electricity projects, and in general, any activity in the construction sector. It started operations in March 2008. ISA has control and owns directly 99.97%, plus 0.03% indirectly through TRANSELCA S.A.

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

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

INTERNEXA S.A. E.S.P.

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

INTERNEXA S.A. E.S.P. has participation in the following corporations:

- Transnexa: Corporation established on November 29, 2002. Its corporate purpose is the organization, administration, commercialization and delivery of telecommunication services and activities, such as carrier, IP-based and value added services, as well as ancillary activities, and in general, any service or activity in the telecommunications sector. INTERNEXA owns 50% shareholding in this corporation.
- INTERNEXA in Peru: Corporation established on October 12, 2006. Its main corporate purpose is the organization, administration, trading and rendering of telecommunications services such as: carrier, IP-based, and value added services, as defined in laws and regulations applicable in Peru. It can also carry out all kinds of supplementary activities, and in general, any telecommunications service including planning, construction, development and administration of telecommunications networks. INTERNEXA S.A. E.S.P. owns 99.99% shareholding in this corporation.

Notes to the Financial Statements

- INTERNEXA in Chile: On November 27 of 2009, INTERNEXA S.A. E.S.P. purchased from CMET Telecomunicaciones S.A., 90% of shares of Comunicaciones Intermedias S.A., owner of the fiber optics infrastructure that connects major Chilean cities and with main offices in the city of Santiago, Chile. Its corporate purpose is the installation, operation, exploitation, organization, administration, commercialization and delivery of every type of telecommunications services. INTERNEXA S.A. owns 90% shareholding in this corporation.
- Internexa in Argentina: INTERNEXA S.A., purchased TRANSAMERICAN TELECOMMUNICATIONS S.A. –TTSA–, a corporation whose corporate purpose is to carry out on its own name or for third parties or associated with third parties, import, export, production and trading of all kinds of pieces, devices and instruments dedicated to telecommunications as well as to servicing them. The corporation has one single telecommunications services license.
- INTERNEXA Participações S.A.: It was established on July 21, 2008 and its corporate purpose includes: i) management of telecommunications assets in different forms and modalities; ii) study, development, implementation and administration of telecommunications initiatives in different forms and modalities; iii) assistance and consulting services for telecommunications initiatives; and iv) participation, as partner or shareholder, in other corporations, consortiums, and commercial initiatives of any kind. INTERNEXA S.A. E.S.P. owns 99.99% shareholding in this corporation.

INTERNEXA Participações S.A., in turn, owns 99.99% shareholding in INTERNEXA Brasil Operadora de Telecomunicações S.A.

OTHER INVESTMENTS

Financiera Energética Nacional –FEN–

FEN is a financial institution of national order established by Law 11 of 1982 as a State-owned corporation ascribed to the Ministry of Mines and Energy with the purpose of acting as financial and credit organism for the Colombian power sector. As of December 31, 2009 and 2010, the investment is represented by nine shares equivalent to 0.00069% participation.

Empresa Propietaria de la Red –EPR–

EPR is a Panamanian corporation with main offices in San Jose de Costa Rica. Established in 1998 it is a company ruled by private law that has the endorsement of the “Parent Treaty of Central America’s Power Market” and its protocol, through which, each government grants the corresponding permission, authorization or concession, as fits construction and exploitation of the first regional electric interconnection system that will link Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and Panama. ISA owns 5,625 common shares equivalent to 11.11% participation. This corporation is in pre-operational stage.

Electrificadora del Caribe S.A. E.S.P. –ELECTRICARIBE–

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

Notes to the Financial Statements

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

		2010	2009
Investments in shares			
TRANSELCA S.A. E.S.P.	(1)	733,101	774,305
XM, Compañía de Expertos en Mercados S.A. E.S.P.		23,201	22,823
INTERNEXA S.A. E.S.P.	(2)	113,824	123,578
FEN S.A.		3	3
ELECTRICARIBE	(3)	12,114	12,114
Total in Colombia		882,243	932,823
REP S.A.		116,313	112,481
ISA Perú S.A.		13,544	15,056
Consorcio TransMantaro S.A.	(4)	277,867	89,427
Proyectos de Infraestructura del Perú S.A.C. –PDI–		6,880	4,571
ISA Bolivia S.A.	(5)	22,085	33,790
ISA Inversiones Chile Ltda.	(6)	590,938	0
ISA Capital do Brasil	(7)	1,197,825	1,217,155
Interconexión Eléctrica Colombia Panamá S.A. –ICP–	(8)	2,676	1,012
Empresa Propietaria de la Red –EPR–		14,693	13,017
Total abroad		2,242,821	1,486,509
Total investments in shares		3,125,064	2,419,332
Other investments			
In trust rights	(9)	–	2,065
Total long-term investments		3,125,064	2,421,397
Long-term investment allowance	(10)	(12,302)	(10,232)
Total long-term investments		3,112,762	2,411,165

Notes to the Financial Statements

- (1) Reduction is due mostly to dividends declared in 2010 for \$69,020.
- (2) Due to the loss resulting from exchange rate effect, tariff renegotiation, disconnection of customers, and losses of subsidiaries.
- (3) Corresponds to shares received as payment.
- (4) Increase is due to capitalizations made for a total \$177,397.
- (5) In 2010, ISA Bolivia paid dividends for USD 8,480,550.69, equivalent to \$15,355, containing a component of adjustments for inflation showing in its financial statements in Bolivian currency; record of this portion of dividends in the financial statements under Colombian regulation generated revenue for dividends received in cash for USD 5,167,267.55 equivalent to \$9,357.
- (6) Corporation established in Chile with a contribution of \$513,502.
- (7) Decrease is due basically to the effect of translation of financial statements from Brazilian reais to Colombian pesos.
- (8) During 2010, ISA made contributions totaling USD 1,441,000 capitalization. It is in pre-operational stage.
- (9) Corresponds to trust estate established to guarantee payment of independent engineering of the UPME 02 of 2008 – El Bosque and UPME 01 of 2007 – Porce projects. According to Resolution 585 of December 22 of 2009 of Colombia's General Accounting Office, marketable investments were reclassified as other assets – trust rights.
- (10) Provision for investments of EPR \$2,493, ELECTRICARIBE \$2,066 (2009: \$2,489), FEN \$1 (2009: \$1), ISA Bolivia S.A., \$2,045 (2009: \$2,045), Proyectos de Infraestructura del Perú S.A.C. -PDI-, \$238 (2009: \$238), Consorcio TransMantaro S.A., \$5,459 (2009: \$5,459).

Starting 2010, as provided by Resolution 193 of July of 2010 of the CGN, the Company records under equity the exchange difference of equity entries resulting from translation of investments abroad, whose total amounted to \$7,971.

Notes to the Financial Statements

The following table includes financial information of the affiliates and subsidiaries with which ISA applies the equity method:

Company		ISA Participation		2010 Financial information			
		Shares	%	Assets	Liabilities	Equity	Income (Loss)
ISA Capita do Brasil	(1)	840,624,995	58.6000	3,175,384	2,722,262	453,122	20,745
TRANSELCA S.A. E.S.P.		1,809,679,227	99.9967	1,237,039	503,914	733,125	41,882
REP S.A.		21,648,000	30.0000	830,115	442,089	388,026	37,178
Consorcio TransMantaro S.A.		348,428,555	60.0000	764,250	309,999	454,251	28,053
ISA Inversiones Chile	(2)		99.9998	591,276	222	591,054	13,490
INTERNEXA S.A. E.S.P.		34,302,597	99.2745	290,326	175,671	114,655	(12,128)
XM, Compañía de Expertos en Mercados S.A. E.S.P.		14,789,000	99.7303	216,394	193,130	23,264	848
ISA Bolivia S.A.		95,638	51.0000	127,664	88,267	39,397	(6,460)
ISA Perú S.A.		18,586,446	28.0723	95,656	47,329	48,327	8,894
Proyectos de Infraestructura del Perú S.A.C. –PDI–		299,901	99.9670	58,681	52,014	6,667	2,695
Interconexión Eléctrica Colombia Panamá S.A. –ICP–		1,936	50.0000	4,760	105	4,655	975

Notes to the Financial Statements

Company	2009						
	ISA Participation			Financial information			
	Shares	%	Assets	Liabilities	Equity	Income (Loss)	
ISA Capita do Brasil	(1)	828,267,196	99.9999	2,832,357	1,619,174	1,213,183	76,417
TRANSELCA S.A. E.S.P.		1,809,679,227	99.9967	1,223,661	449,330	774,331	40,270
REP S.A.		21,648,000	30.0000	866,872	492,485	374,387	10,570
Consorcio TransMantaro S.A.		85,382,555	60.0000	421,788	283,108	138,680	24,383
INTERNEXA S.A. E.S.P.		34,302,597	99.2745	286,150	161,669	124,481	(3,171)
XM, Compañía de Expertos en Mercados S.A. E.S.P.		14,789,000	99.7303	288,393	265,508	22,885	713
ISA Bolivia S.A.		95,638	51.0000	167,271	105,399	61,872	6,920
ISA Perú S.A.		18,586,446	28.0723	105,404	52,442	52,962	9,514
Proyectos de Infraestructura del Perú S.A.C. -PDI-		299,901	99.9670	67,435	63,216	4,219	2,237

(1) Liabilities Include \$418,501 (2009: \$402,131) to be paid to Secretaría de Fazenda, Gobierno de Brasil, as payment commitment for the difference between the purchase price of the shares of CTEEP and pension payments established in Law 4819/58, in case CTEEP is exonerated.

(2) Capital contributions from ISA to ISA Inversiones Chile are divided into corporate rights.

Application effect of the equity method

The effect of the application of the equity method generated variations in the investments, which are shown in the results and equity, as loss or income.

Notes to the Financial Statements

		2010	2009
Income from equity method	(1)		
TRANSELCA S.A. E.S.P.		41,880	40,269
INTERNEXA S.A. E.S.P.	(2)	(12,040)	(3,148)
XM, Compañía de Expertos en Mercados S.A. E.S.P.		846	711
Total in Colombia		30,686	37,832
ISA Capital do Brasil	(3)	20,745	76,417
Consortio TransMantaro S.A.		16,832	14,630
REP S.A.	(4)	11,153	3,171
ISA Bolivia S.A.	(5)	(3,380)	3,530
ISA Perú S.A.		2,497	2,671
Proyectos de Infraestructura del Perú S.A.C. –PDI–		2,694	2,236
ISA Inversiones Chile		13,490	–
Interconexión Eléctrica Colombia Panamá S.A. –ICP–		(487)	–
Total abroad		63,543	102,655
Net income from equity method		94,229	140,487

(1) To record the equity method, revenues and expenses resulting from reciprocal transactions are deleted in the affiliates. (See Note 26).

(2) Loss explained, mainly, by lower revenues because of exchange rate effect, tariff renegotiation, disconnection of customers, and losses of subsidiaries.

(3) Earnings reduction is due mainly to lower CTEEP earnings and higher debt restructuring costs.

(4) Higher revenues because of updating of Guaranteed Annual Remuneration –RAG–, increase of specialized technical services (management, coordination, and technical inspection).

(5) Loss is due to the fact that in 2010, ISA Bolivia paid dividends containing a component of adjustment for inflation not recognizable because of homologation of practices with local Colombian standards, and their payment was recorded under fiscal year expenses.

Notes to the Financial Statements

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

		2010	2009
Customers			
Electric energy transmission services		161,152	159,831
Telecommunications	(1)	9,520	13,028
Infrastructure projects		6,749	7,284
Technical services		4,299	3,514
Total customers		181,720	183,657
Interest receivable		853	577
Loans extended		105	92
Prepayments and advances			
Taxes and contributions	(2)	3,765	3,732
To suppliers		1,139	2,217
For purchase of goods and services		2,128	319
Advances and prepayments of per-diem and travel expenses		196	153
Other		5	12
Total prepayments and advances		7,233	6,433
Other accounts receivable			
Related parties		2,429	2,429
Loans extended	(3)	11,560	11,558
Miscellaneous accounts receivable	(4)	137,688	10,888
Total other accounts receivable		151,677	24,875
Total accounts receivable		341,588	215,634
Less – Allowance for doubtful accounts	(5)	(9,954)	(8,855)
Total accounts receivable - net		331,634	206,779
Long-term accounts receivable			
Customers		2,449	7,296
Loans extended		7,992	9,393
Related parties		–	2,429
Other accounts receivable		2,783	3,938
Total long-term accounts receivable		13,224	23,056
Total short-term accounts receivable		318,410	183,723

Notes to the Financial Statements

- (1) Corresponds to accounts receivable for the rights of use billed to members of the alliance established in 1997 between ISA and telecommunications companies to undertake joint development of a fiber optic network between Bogota, Medellín and Cali, to improve the national telecommunications system.
- (2) Includes mainly the estimated value of prepayments of turnover tax for \$1,380 (2009: \$1,274) and the value of tax claims in favor of the Company that are being discussed in court \$876 (2009: \$876).
- (3) Loans extended include employee receivables from housing loans, vehicle-purchase loans and other loans granted at 5% and 7% interest rates, and terms of 5 years for vehicle and general purpose, and between 13 and 15 years for housing.
- (4) Increase corresponds mainly to \$88,657 reclassification of temporary investments as accounts receivable – funds under administration, corresponding to delegated management trusts in compliance with Resolution 585 of December 22 of 2009 of Colombia's General Accounting Office; such funds may only be used for the administration of the IPSE, FAER, FAZNI, and DISPAC projects. Also includes dividends declared by TRANSELCA for \$31,030 and by ISA Perú for \$662.
- (5) The provision for doubtful accounts as of December 31 of 2010 was adjusted to the value of \$9,954 (2009: \$8,855) affected by the following movements: additions with charge to period's results for \$2,394 (2009, \$1,071) corresponding to Electroditama, CEC, Comercializar and debtors of pension portions. Accounts receivable for \$370 were paid in 2010 (2009: \$0). Along 2010, no accounts receivable were written off (2009: \$1,075) and debt recalculations, as well as payment agreements were carried out, reducing provision by \$925 (2009: \$3,740).

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

Customers	2010	2009
Shareholders		
Empresas Públicas de Medellín –EPM–	11,743	11,634
Empresa de Energía de Bogotá –EEB–	34	34
Empresa Colombiana de Petróleos –ECOPETROL–	76	0
Total shareholders	11,853	11,668
Other customers	169,867	171,989
Total accounts receivable from customers	181,720	183,657

Notes to the Financial Statements

Classification of accounts receivable from customers according to maturity date:

	2010	2009
Current	173,058	176,483
Overdue		
Between 1 and 90 days	1,700	1,323
Between 91 and 180 days	6	70
Between 181 and 360 days	2,216	1,647
More than 360 days	4,740	4,134
Total overdue	8,662	7,174
Total accounts receivable from customers	181,720	183,657

Maturity of accounts receivable from customers at December 31:

Year	Value
2012	1,224
2013	1,225
Total long-term accounts receivable from customers	2,449

Accounts receivable are mostly from electric distribution companies to whom ISA mainly provides a service of connection to and use of the National Transmission System. The Company invoices for interest on past due accounts at the highest rate allowed by law; for December of 2010 and 2009 the rates were 21.32% and 25.92%, respectively.

Power sector companies, Electribolívar, Caucaasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities –SSPD–, owed as of December 31, 2010 and 2009, \$3,728; these overdue accounts receivable are 100% provisioned.

Emcali is under intervention by SSPD; in 2010 it paid \$274 (2009: \$223), for liabilities that were supported on payment agreements.

Notes to the Financial Statements

NOTE 8: INVENTORIES – NET

Inventories at December 31 included:

	2010	2009
Short-term inventories		
Materials to render services	2,519	2,679
Provision	–	(83)
Total short-term inventories	2,519	2,596
Long-term inventories		
Materials to render services	(1) 61,312	61,392
Provision	(2) (5,459)	(5,850)
Total long-term inventories	55,853	55,542
Total inventories	58,372	58,138

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

(2) This provision corresponds mainly to surpluses and other obsolete assets, mainly parts recovered from attacks on the infrastructure.

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

Notes to the Financial Statements

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

		2010	2009
Property, plant and equipment in operation	(1)		
Networks, lines and cables		2,146,340	2,097,962
Plants and ducts		1,524,858	1,470,477
Buildings		89,098	59,657
Machinery and equipment		37,134	35,189
Computer and communications equipment		24,272	23,772
Transport, traction and lifting equipment		1,845	1,845
Furniture, fixtures and office equipment		13,044	12,892
Land		19,665	19,697
Subtotal property, plant and equipment in operation		3,856,256	3,721,491
Less – accumulated depreciation	(2)	1,471,350	1,368,495
Less – provisions		444	444
Total property, plant and equipment in operation		2,384,462	2,352,552
Investment property	(3)		
Buildings		3,532	3,532
Less – accumulated depreciation		1,413	1,386
Total investment property		2,119	2,146
Non-productive assets	(4)		
Land		71	71
Buildings		1,411	1,411
Constructions received as payment		8,895	8,895
Subtotal non-productive property		10,377	10,377
Less – provisions	(5)	8,748	8,748
Total non-productive assets		1,629	1,629
Constructions in progress	(6)	17,403	66,323
Machinery, plant and equipment in assembly		9,119	11,739
Total property, plant and equipment-Net		2,414,732	2,434,389

Notes to the Financial Statements

- (1) Along 2010, the following projects were activated: Cira Infantas for \$33,510, Caño Limón Cari Care for \$26,571, and the Porce III Connection to STN for \$64,887. Additions to substation equipment for \$6,053; also retirements for \$907. Retirements and sales of property, plant and equipment during the year resulted in net loss of \$304 (2009: \$2,515).
- (2) The movement in accumulated depreciation during 2010 corresponds to the accrual of depreciation expense for \$108,003 (2009: \$110,354), charged to the results of the year. Additionally, retirements of depreciation were made for \$5,121 (2009: \$7,537).
- (3) Blocks II and V of ISA's headquarters, leased to affiliates XM and INTERNEXA, respectively.
- (4) Pailitas land plot and constructions received as payment of Global Crossing, assets which are for sale.
- (5) Provision of constructions received as payment from Global Crossing.
- (6) On July 2 of 2008, the Mining and Energy Planning Unit –UPME– in public bidding awarded Interconexión Eléctrica S.A. E.S.P. –ISA– the construction of works for electric interconnection of El Bosque project. ISA will be responsible for constructions, assembly, putting into operation, administration, operation and maintenance of El Bosque 220 kV substation and associated transmission lines. The date stated by UPME bidding for commissioning of the project is May of 2011, although ISA is discussing with UPME a later deadline.

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

ISA contracts insurance for Combined Material Damages, Terrorism, and Consequential Loss every year to cover against all risk of damage to the company's fixed assets. This policy reports as insured value the as-new replacement value of the assets insured, which is determined on the basis of asset information of the National Transmission System of ISA classified in Constructive Units, their corresponding as-new value being estimated as provided in regulations, and the respective refining and adjustment for insurance effects. Transmission towers are not included in the policy, and to cover risks affecting them, the Company carries out budget appropriations.

Notes to the Financial Statements

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

	2010	2009
Deferred charges and other short-term assets		
Prepaid expenses	5,777	6,752
Deferred taxes	94,556	77,060
Total deferred charges and other short-term assets	100,333	83,812
Deferred charges and other long-term assets		
Deferred charges		
Trust rights	1,184	–
Studies and research	(1) 3,961	–
Other deferred charges	21,164	25,086
Total deferred charges	26,309	25,086
Intangibles		
Software	30,743	30,743
Licenses	13,241	11,170
Easements	(2) 79,752	67,083
Rights	43,422	44,025
Goodwill	(3) 234,095	234,095
Less – Amortization of intangible assets	(86,297)	(79,742)
Total intangible assets	314,956	307,374
Miscellaneous	3,308	3,519
Total deferred charges and other long-term assets	344,573	335,979
Total deferred charges and other assets	444,906	419,791

Notes to the Financial Statements

- (1) Corresponds to studies related to the project Autopistas de la Montaña.
- (2) Easements correspond to the rights of way acquired by the Company for its operation assets, mainly transmission lines. These assets are acquired perpetually, i.e., no expiration date or time limit exists, and the right remains along time.
- (3) Corresponds mainly to goodwill for \$103,631, generated in the purchase of 60% of Consorcio TransMantaro S. A. which is amortized along the term of the concession, and \$130,464 generated in the purchase of 34% of TRANSELCA S.A. E.S.P., through exchange of shares with ECOPETROL; the latter is not amortized because TRANSELCA is an indefinite-term company.

Notes to the Financial Statements

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

	2010	2009
Investments	–	269
Property, plant and equipment	(1) 2,583,387	2,405,419
Total re-appraisals	2,583,387	2,405,688

(1) Economic appraisal was conducted in 2010 and 2009 for main components of property, plant and equipment, in compliance with the provisions of the Public Accounting Regime - Resolution 354 of September 5 of 2007.

Technical appraisals of operational assets were made by using the technically recognized Straightline Depreciated Replacement Cost method approved by the Colombian General Accounting Office as stated in number 18 of accounting procedure for recognition and disclosure of facts related to property, plant and equipment, issued by Resolution 356 of September 5, 2007. The methodology consists of determining the present value of operational equipment, based on the actual cost of an asset with the same characteristics that provides the same service (the As-New Replacement Value –VRN, for its Spanish initials¹), proportionally affected by the remaining time of service (remaining useful life) with respect to the useful life initially established. This criterion is applied to every specialized asset² that ISA has in operation for energy transmission (use and connection). Market value is used for non-specialized³ assets such as vehicles.

1. Amounts determined according to regulation applicable to its remuneration.
2. Assets not frequently offered or demanded in the market.
3. Assets not frequently offered or demanded in the market.

Notes to the Financial Statements

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

Assets	2010				2009		
	Appraisal	Accounting balance - net	Appreciation	Adjustment	Appraisal	Accounting balance - net	Appreciation
Transmission lines	2,946,435	1,302,119	1,644,316	155,990	2,771,605	1,283,279	1,488,326
Transmission substations	1,632,601	895,615	736,986	9,329	1,642,905	915,248	727,657
Land	108,988	19,666	89,322	10,297	98,722	19,697	79,025
Buildings	184,723	73,314	111,409	2,374	154,006	44,971	109,035
Telecommunications usufruct	91,227	91,227	0	0	97,431	97,431	0
Vehicles	1,611	257	1,354	-22	1,681	305	1,376
Supervision and Switching Center's -CSM-	333	333	0	0	462	462	0
Total	4,965,918	2,382,531	2,583,387	177,968	4,766,812	2,361,393	2,405,419

Of total valuation of ISA's operating assets, transmission lines assets account for 58.3%, substation assets for 31.8%, new projects for 2.6%, land and buildings for 5.4%, and telecommunications for 1.9%. Vehicles represent the lowest value relative to total.

Valuation increase in 2010 with respect to 2009 is 7.4% and is explained mainly by increase in Produce Price Index -IPP-.

Notes to the Financial Statements

NOTE 12: OUTSTANDING BONDS

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

Issue	Series	Term (years)	Interest rate	2010	2009	Maturity
Third	A	10	IPC + 8.10%	130,000	130,000	Jul-16-11
Program Tranche 1		7	IPC + 7.0%	100,000	100,000	Feb-20-11
Program Tranche 2		12	IPC + 7.3%	150,000	150,000	Feb-20-16
Program Tranche 3		15	IPC + 7.19%	108,865	108,865	Dec-07-19
Program Tranche 4		20	IPC + 4.58%	118,500	118,500	Apr-07-26
Program Tranche 5		7	IPC + 4.84%	110,000	110,000	Sep-21-13
Program Tranche 4 Batch 2		17	IPC + 4.58%	104,500	104,500	Apr-07-26
Program Tranche 6 Series A	A	6	IPC + 4.99%	150,000	150,000	Apr-02-15
Program Tranche 6 Series B	B	9	IPC + 5.90%	59,500	59,500	Apr-02-18
Total outstanding bonds				1,031,365	1,031,365	
Total long-term outstanding bonds				801,365	1,031,365	
Total short-term outstanding bonds				230,000	0	

Bonds accrued interests during 2010 for \$85,719 (2009: \$120,609), which was recorded as financial expense. (See Note 24).

Notes to the Financial Statements

Below is the detail of maturities for outstanding bonds:

Year	Capital
2011	230,000
2013	110,000
2014 onwards	691,365
Total	1,031,365

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

The bond program for \$450,000 whose initial issuance took place in February 2004, was expanded to \$850,000 in 2006, to \$1,200,000 in 2009 and to \$1,700,000 in 2010.

Tranche 4 was offered in 2006, at 26-year term for \$380,000, of which, \$104,500 were placed in 2008, maturing in April of 2026. Tranche 6 of Series A for \$150,000 maturing in April 2015 and Tranche 6 of Series B for \$59,500 were underwritten in 2009 upon second expansion. 50% will be earmarked for debt management operations and the remaining 50% for financing cash flow and investments.

Notes to the Financial Statements

NOTE 13: FINANCIAL LIABILITIES

The balance of financial liabilities at December 31 included:

Entity	Currency	Interest rate	2010	2009	Latest payment	Guarantee
Domestic financial liabilities						
BBVA	COP	DTF + 1.50%	0	66,667	Sep-27-10	(2)
BANCOLOMBIA	COP	DTF + 2.60%	0	70,000	Nov-29-10	(2)
DAVIVIENDA	COP	DTF + 3.88%	25,000	25,000	Jul-18-13	(2)
BBVA	COP	DTF + 3.89%	75,000	75,000	Jul-18-13	(2)
BANCO AGRARIO	COP	DTF + 4.50%	21,000	21,000	Dec-30-18	(2)
BBVA	USD	Libor 6 M + 3.80	237,333	0	Aug-11-17	(2)
Total domestic financial liabilities			358,333	257,667		
Foreign financial liabilities						
MEDIO CRÉDITO CENTRALE	EUR	Fixed Rate 1.75%	0	1,779	Jun-19-10	(1)
BIRF-3954-CO	USD	Fixed Rate Tranches (6.32%)	29	374	Feb-15-11	(1)
BIRF-3955-CO	USD	Libor 6 M + Spread	57,621	89,701	Oct-15-12	(1)
BNP PARIBAS	USD	Libor 6 M + 0,345%	47,167	58,127	May-15-17	(2)
Total foreign financial liabilities			104,817	149,981		
Total financial liabilities			463,150	407,648		
Less - short-term portion			35,259	174,698		
Total long-term financial liabilities			427,891	232,950		

Notes to the Financial Statements

(1) Foreign-currency loans guaranteed by the Nation.

(2) Unsecured.

Financial liabilities accrued interest in 2010: \$19,803 (2009: \$39,415), which was recorded as financial expense. (See Note 24). Besides, interest of loan hired with Banco Agrario de Colombia for the Porce III UPME project amounting to \$1,305, was capitalized in 2010.

There is a BNP-PARIBAS loan outstanding with German Export Credit Agency –ECA– for financing substations' assets and supplies. This USD 37.9 million loan at Libor + 0.345% and 10-year term has political and commercial risk coverage from German ECA Euler Hermes. In 2009 and 2010, capital was repaid every year in the amount of USD 3.8 million; remaining balance payable is USD 24.6 million that will be paid in 13 equal semi-annual installments.

In 2010, debt was hired with BBVA Colombia, used for acquisition of 60% participation of a road concessions sector company operating in Chile. Additionally, domestic loans with BBVA and Bancolombia for \$136,667 were paid with cash surpluses. Payment of USD 18 million on credits from foreign banks abroad, corresponding to installments contractually agreed, as was final payment of EUR 0.6 million from Artigiancassa (for Half-credit loan).

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

Currency	Interest rate	Balance in original currency (1)		Balance in local currency (million)	
		2010	2009	2010	2009
US Dollar	Libor + BIRF Spread	178,764	72,497	342,150	148,202
Euros (formerly Liras)	Fixed rate 1.75%	0	607	0	1,779
Colombian Pesos	DTF + 2.60% a DTF + 4.5%	121,000	257,667	121,000	257,667
				463,150	407,648

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

Notes to the Financial Statements

Maturity of long-term financial liabilities at December 31:

Year	Value
2012	89,905
2013	107,723
2014	57,723
2015	57,723
2016 onwards	114,817
Total long-term liabilities	427,891

Notes to the Financial Statements

LOANS WITH RELATED PARTIES

Loans with related parties accrued interest in 2010: \$10,701, (2009: \$23,399).

Financing balance with related parties at December 31 included:

YEAR 2010

Subsidiary	Maturity	Interest rate	Capital balance	Interest balance payable
Loans from local subsidiaries				
TRANSELCA S.A. E.S.P.	30-Dec-12	Fixed rate DTF AE December 31 of former year	28,500	3,692
TRANSELCA S.A. E.S.P.	26-Dec-13	Fixed rate DTF AE December 31 of former year	31,908	1,252
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF AE December 31 of former year	72,642	20,484
TRANSELCA S.A. E.S.P.	27-Dec-12	Fixed rate DTF AE December 31 of former year	12,537	3,494
TRANSELCA S.A. E.S.P.	07-Nov-12	Fixed rate DTF AE December 31 of former year	60,798	13,618
TRANSELCA S.A. E.S.P.	30-Jan-13	Fixed rate DTF AE December 31 of former year	12,500	1,527
Total loans with local affiliates			218,885	44,067
Loans from foreign affiliates				
ISA Capital do Brasil	28-Dec-14	Libor 6M + 3%	53,153	9
Exchange difference valuation			(7,601)	
Total loans with foreign subsidiaries			45,552	9
Total loans with subsidiaries			264,437	44,076

Notes to the Financial Statements

YEAR 2009

Subsidiary	Maturity	Interest rate	Capital balance	Interest balance payable
Loans from local subsidiaries				
TRANSELCA S.A. E.S.P.	30-Dec-12	Fixed rate DTF AE December 31 of former year	28,500	2,603
TRANSELCA S.A. E.S.P.	26-Dec-13	Fixed rate DTF AE December 31 of former year	31,908	32
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF AE December 31 of former year	72,642	17,707
TRANSELCA S.A. E.S.P.	27-Dec-12	Fixed rate DTF AE December 31 of former year	12,537	3,015
TRANSELCA S.A. E.S.P.	07-Nov-12	Fixed rate DTF AE December 31 of former year	60,798	11,294
TRANSELCA S.A. E.S.P.	30-Jan-13	Fixed rate DTF AE December 31 of former year	12,500	1,050
Total loans with local affiliates			218,885	35,701
Loans from foreign affiliates				
ISA Capital do Brasil	28-Dec-14	Libor 6M + 3%	53,153	9
Exchange difference valuation			(4,501)	
Total loans with foreign subsidiaries			48,652	9
Total loans with subsidiaries			267,537	35,710

NOTE 14: HEDGING OPERATIONS

No hedging operations on liabilities existed as on December 31, 2010 and 2009.

Notes to the Financial Statements

NOTE 15: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

		2010	2009
Related parties	(1)	44,076	35,710
Suppliers and contractors		22,422	27,940
Financial expenses		21,778	19,752
Creditors		2,888	6,461
Dividends		44,308	40,876
Other taxes		9,227	10,789
Deposits received under administration	(2)	73,297	28,743
Sales prepayments	(3)	20,153	11,985
Total accounts payable		238,149	182,256
Total long-term accounts payable		64,220	47,686
Total short-term accounts payable		173,929	134,570

(1) Includes mainly interests on loans to TRANSELCA for \$44,067 (2009: \$35,701).

(2) Corresponds mainly to funds received for implementing the projects: FAZNI Cauca-Nariño Pacific Coast Interconnection and FAER-Construction of electric distribution grid for rural municipalities in Sucre.

(3) Corresponds to advance payment on sale of infrastructure projects for \$13,562 and usufruct (2009: \$8,915) and construction of fiber optics for \$2,900 in every year.

Notes to the Financial Statements

NOTE 16: LABOR LIABILITIES

Labor liabilities at December 31 included:

	2010	2009
Labor liabilities		
Severance payments and interest	3,253	3,581
Vacations	1,842	1,845
Agreed fringe benefits	2,158	2,192
Other	537	557
Total labor liabilities	7,790	8,175
Less – long-term portion	1,334	1,609
Short-term labor liabilities	6,456	6,566

Notes to the Financial Statements

NOTE 17: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

		2010	2009
Retirement pensions	(1)	86,830	83,512
Other provisions for agreed labor benefits	(2)	44,806	37,307
Other provisions for estimated assets		3,306	–
Provision for income tax and surtax, and other fiscal liabilities	(3)	36,134	73,682
Provision for contingencies	(4)	36,774	12,409
Other estimated liabilities and provisions	(5)	19,398	18,158
Total estimated liabilities and provisions		227,248	225,068
Retirement pensions		86,830	83,512
Other provisions for estimated assets		3,306	–
Other provisions for agreed labor benefits		44,806	37,307
Less – long-term portion		134,942	120,819
Total short-term estimated liabilities and provisions		92,306	104,249

(1) Corresponds to the amortized present value of pension liabilities at December 31 of 2010 and 2009, according to actuarial studies (See Note 17.1).

(2) Estimated liabilities to show present value of future health, education and aging benefits recognized to pensioners.

(3) See Note 17.2.

(4) Includes provisions for easements civil processes contingencies \$22,531 (2009: \$12,022); for administrative processes \$13,476 (2009: \$0); and provisioned contingencies for labor processes \$767 (2009: \$387).

(5) Includes \$8,342 of FAER provision (2009: \$8,464) PRONE provision \$5,947 (2009: \$5,639), incentives for results of variable compensation \$3,129 (2009: \$1,526) and recovery of towers \$316 (2009: \$52).

Notes to the Financial Statements

17.1 RETIREMENT PENSIONS AND AGREED LABOR BENEFITS

Retirement pensions

Under the labor agreements (individual and collective) subscribed, the Company is required to pay pensions to employees who satisfy certain conditions of age and length of service. However, the Social Security Institute –ISS– and the pension management funds have assumed the greater part of this obligation upon compliance with certain legal requirements.

The present value for pension liability as of December 31, 2010 and 2009 was determined using actuarial calculations that comply with the law and specifically with labor contracts and collective bargaining agreements. To determine pension liability for 2010, provisions of Resolution N° 1555 of July 30 of 2010 of Colombia's Financial Superintendency were included, to update mortality rates for male and female pensioners.

The main estimates used in the actuarial calculation were as follows:

	2010	2009
Actual interest rate	4.80%	4.80%
Future increase of pensions and salaries	4.51%	6.48%
Number of people covered by the plan	435	433

On December 31, 2010, the Company had 627 (2009: 619) active employees, of whom 9 (2009: 31) are covered by the pension plan provided in the collective and individual agreements, while the remaining 618 (2009: 588) are covered by Law 100 of 1993. The actuarial estimate covers active personnel (9), retired personnel (362), surviving spouse pension benefit substitutions (48), pension portion for which ISA is accountable (12) and contingent personnel: retired personnel with more than 20 years of service (4).

As of December 31, 2010, 66.81% has been amortized (2009: 69.52%) of the pension liability projected to cover monthly pension payments; amortization is calculated with methodology set forth in Resolution N° 356 of September 5 of 2007 issued by CGN.

Notes to the Financial Statements

With respect to amortization, it corresponds to the value resulting from dividing the total actuarial estimate pending amortization by the number of years remaining to complete the term set, counted from the actuarial estimate closing date.

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

	Projected liability	Deferred cost	Net liability
Balance at December 31, 2007	104,070	19,406	84,664
Plus increase in actuarial estimate	9,141	7,671	1,470
Balance at December 31, 2008	113,211	27,077	86,134
Plus (less) increase in actuarial estimate	6,920	9,542	(2,622)
Balance at December 31, 2009	120,131	36,619	83,512
Plus increase in actuarial estimate	9,842	6,524	3,318
Balance at December 31, 2010	129,973	43,143	86,830

During the year, pension monthly payments totaled \$13,464 (2009: \$12,164).

Agreed Fringe Benefits

In the calculation of pension liabilities, the Company included agreed fringe benefits received by pensioners in addition to those required by legal regulations. This practice was adopted in 2005 as a prudent policy seeking alignment with International Accounting Standards -IAS-.

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

Notes to the Financial Statements

	Total liabilities 2010	Total liabilities 2009	Total amortized Dec-10	Total amortized Dec-09
Pension payments	3,582	3,987	3,582	3,987
Study aid	2,391	2,172	2,391	2,172
Health aid	38,833	31,148	38,833	31,148
Total	44,806	37,307	44,806	37,307
Amortization percentage			100%	100%

Benefits and aids were 100% amortized, closely following international accounting standards. Accounting records for recognition of this liability and associated expenses are carried out in accounts different from those in which actuarial estimates are included.

17.2 INCOME TAX

Tax regulations applicable to the Company provide:

- a. Nominal income tax rate is 33%, to be applied to net taxable income.
- b. The basis to determine income tax for the year shall not be lower than 3% of net fiscal equity on the last day of the immediately preceding taxable year, refined with the items duly authorized by tax regulations in force.
- c. Law 863 of 2003 established that income tax payers could deduct 30% of the effective investments made only in productive real fixed assets. According to changes made in Law 1111 of 2006, starting 2007, the percentage is 40% and its application does not result in income taxable for shareholders.
- d. As of taxable 2004, income tax payers performing transactions with foreign related or associated parties and/or with residents of countries considered as tax haven, are required, for income tax purposes, to determine their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, taking into consideration for these transactions the prices and profit margins of the market. At this time, the Company's management and its counsels have not concluded the updating study for 2010; however, based on the satisfactory results of the study conducted for 2009, their opinion is that no significant additional income tax provisions shall be required as a result of the study.

Notes to the Financial Statements

- e. As a result of application of Resolution N° 356 of September 5 of 2007 of Colombia's General Accounting Office, exchange rate fluctuations, in updating through equity method of equity investments in controlled entities, are considered equity variations until disposal of the investment, and therefore, affect equity; however, when surplus from equity method cannot absorb equity decreases accumulated in equity entries different from results, the excess must be recognized as expense in the form of provision until the book value of the investment is equal to zero.

Pursuant to the provisions of fiscal regulation on investment in foreign currency, and upon application of the above accounting rule, a reconciliation entry between accounting and fiscal results is produced arising from the exchange difference of investments in foreign currency in controlled entities. Starting 2010, the Company records deferred tax on exchange difference of investments abroad.

- f. In 2005, Decision 578 of the Andean Community of Nations –CAN– entered into force. This decision seeks to avoid double taxation of the income earned in any of the member countries using an exoneration mechanism. Based on this decision and on the opinions of tax advisors, the income earned in the Andean Community member countries is considered to be tax exempt.

- g. On June 27, 2008, ISA and the Ministry of Mines and Energy subscribed the legal stability agreement for the activity of electric energy transmission during 20 years. The agreement provides for legal stability regarding income tax regulations, among which: income tax rate, deduction of inflation component of financial expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in import of machinery for energy transport, presumptive income equal to 3% of net fiscal equity, and transitoriness of equity tax.

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

Notes to the Financial Statements

The reconciliation between pre-tax income and taxable income for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Income before taxes	452,533	460,349
Plus - Items that increase taxable income:		
Investments exchange difference	51,577	160,746
Amortization of goodwill	4,318	-
Net cost of assets sold	303	454
Cash dividends received	55,979	34,571
Non-deductible provisions	21,435	15,946
Non-deductible costs and expenses	2,447	3,133
Less - Items that decrease taxable income:		
Excess of depreciation and amortization	(95,508)	(90,756)
Additional depreciation/amortization for tax inflation adjustment	(57,316)	(58,618)
Write-off and tax provision for accounts receivable	(572)	(168)
Recovery of provisions	(1,368)	(7,425)
Equity method	(102,781)	(140,487)
Non-taxable dividends and participations	(27,180)	(30,031)
Special deduction of productive real fixed assets	(15,287)	(28,868)
Other	(3,975)	(12,789)
Total ordinary income	284,605	306,057
Gross taxable income	284,605	306,057
Less tax-exempt income	(24,304)	-
Net taxable income	260,301	306,057
Tax rate	33%	33%
Income tax	85,899	100,999

Notes to the Financial Statements

Net tax effect on the results of the year:

	2010	2009
Income tax	85,899	100,999
Deferred taxes net, preceding years income adjustment	18,787	42,704
Andean Community countries tax	3,951	1,768
Net charge to income	108,637	145,471

Reconciliation between accounting and taxable equity at December 31:

	2010	2009
Accounting equity	6,439,696	6,119,884
Plus:		
Non-deductible provisions	56,244	77,006
Credit deferred tax	192,542	156,368
Monetary correction effect	472,079	533,792
Less:		
Accounting re-appraisals	2,583,387	2,405,688
Investments increased fiscal value	556,103	567,162
Debit deferred tax	94,556	77,060
Excess of tax depreciation of fixed assets	525,886	429,855
Excess of amortization of deferred charges and intangible assets	98,945	17,069
Total taxable equity	3,301,684	3,390,216

Notes to the Financial Statements

The following temporary differences generated a deferred tax liability for tax years ended December 31:

Credit deferred tax:	2010	2009
Excess of tax depreciation	525,886	429,855
Excess of tax amortization	24,863	25,879
Equity method	18,110	18,110
Retirement pensions	14,601	-
Total deferred tax basis	583,460	473,844
Tax rate	33%	33%
Credit deferred tax	192,542	156,368
Debit deferred tax:		
Provision for accounts receivable	4,377	3,896
Estimated liabilities	16,673	44,887
Retirement pensions	-	(5,434)
Inflation adjustments	168,768	189,812
Agreed fringe benefits	44,806	-
Exchange difference	51,557	-
Total deferred tax basis	286,181	233,161
Tax rate	33%	33%
Debit deferred tax	94,440	76,943
Branch's deferred tax	116	117
Debit deferred tax	94,556	77,060

The income tax returns for 2008 to 2010 are subject to the review and approval by the tax authorities. The Company's management and its legal counsels consider that the amounts accounted as income tax payable suffice to pay any liability that could be determined for such years.

Notes to the Financial Statements

Equity tax

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

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

During the first semester of 2009, the Management, based on Article 25 of Law 1111 of 2006, and with approval of the Regular Shareholders' Meeting of March 30 of 2007, authorized recording the equity tax of year 2010 for \$20,174 against the equity revaluation account.

Law 1370 of December 30 of 2009, amended by Law 1430 of 2010, sets equity tax for the year 2011 as follows:

- a. The equity tax for the year 2011 is payable by individuals, legal entities and unincorporated associations who pay income tax. For matters of this tax, wealth is equivalent to the obligor's total net fiscal equity as on January 1, 2011 that is equal to or exceeds \$3,000 million. The tax rate is 2.4% for net fiscal equity ranging between \$3,000 and \$5,000 million, and 4.8% when it exceeds five thousand million pesos (\$5,000). The tax is to be paid in eight equal installments in the years 2011, 2012, 2013 and 2014, within the terms established by the National Government.
- b. Decree 4825 of December of 2010, passed under the powers of Decree 4580 of 2010, declared economic and social emergency, and created 25% equity tax surcharge, ruled by Law 1370 of 2009.

Notes to the Financial Statements

Tax Law Amendment of 2010

Law 1430, enacted on December 29 of 2010, stipulates not only the aforementioned equity tax provisions, but also the following:

- a. Special 30% deduction on investment in real productive fixed assets: As of fiscal 2011, no tax payer can claim that deduction. Regarding ISA, in compliance with the Legal Stability Contract signed between ISA and the State (Ministry of Mines and Energy) for the activity of energy transmission, application of such deduction shall continue while the contract is in force.
- b. Levy on financial transactions –GMF, for its Spanish initials– (4/1000): gradual reduction of this tax rate was approved, as follows: for years 2014 and 2015, the rate shall be 2/1000; for years 2016 and 2017, the rate shall be 1/1000, and for 2018 onwards, it shall be 0/1000. New tax-generating facts were established, related to investments whose liquidation is paid to persons other than the initial investor, and related also, to loans not directly disbursed to the debtor. Deductibility of this tax was also modified to 50% as of 2013; however, modification of Article 115, Number 2, of the Tax Law, leaves without juridical ground 25% deductibility of GMF for the years 2011 and 2012
- c. Fiscal discounts on taxes paid abroad: Article 254 of the Tax Law was amended, stipulating that in the case of dividends received from investment in corporations abroad, paid tax is discounted from the earnings of the corporation that pays the dividends, as is payment by the corporations from which this latter receives the dividends, regardless of jurisdiction.

Additionally, application of this discount is allowed either in the fiscal year when dividends are received, or in the next four years.

Notes to the Financial Statements

NOTE 18: OTHER LIABILITIES

Balance of other liabilities at December 31:

	2010	2009
Total other short-term liabilities	12,907	10,576
Other long-term liabilities		
Deferred taxes	192,542	156,368
Deferred revenues and others (1)	155,965	112,255
Other deferred charges	131	–
Total other long-term liabilities	348,638	268,623

(1) Mainly, deferred revenue from the National Transmission System –STN– \$120,366 (2009: \$80,341) for bidding assets and infrastructure use rights for \$22,819 (2009: \$28,722)

Notes to the Financial Statements

NOTE 19: EQUITY

SUBSCRIBED AND PAID-IN CAPITAL

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

2010

Shareholder	Number of Shares	Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P. –EPM–	112,605,547	3,693	10.166
Subtotal	682,078,108	22,372	61.577
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.320
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.665
Empresa de Energía del Pacífico –EPSA–	203,477	7	0.018
Subtotal	77,577,007	2,545	7.004
Subtotal	759,655,115	24,917	68.581
Private capital investors			
Fondo de Pensiones Obligatorias Porvenir Moderado	52,708,743	1,729	4.758
Fondo de Pensiones Obligatorias Protección Moderado	46,844,076	1,536	4.229
Fondo de Pensiones Horizonte	34,217,343	1,122	3.089
Fondo de Pensiones Obligatorias Colfondos	28,116,687	922	2.538
ING Fondo de Pensiones	19,648,431	644	1.774
Fondo de Pensiones Obligatorias Skandia S.A.	10,108,774	332	0.913
Abu Dhabi Investment Authority	3,569,406	117	0.322
Fondo de Pensiones Protección–Diversificado	2,340,580	77	0.211
Blackrock Institutional Trust Company N.A.	1,932,582	63	0.174
Fondo de Cesantías Porvenir	1,669,417	55	0.151
Other shareholders	146,866,740	4,818	13.259
Subtotal	348,022,779	11,415	31.419
Total outstanding subscribed capital	1,107,677,894	36,332	100.000
Repurchased own shares (2)	17,820,122	584	
Total subscribed and paid-in capital	1,125,498,016	36,916	

Notes to the Financial Statements

2009

Shareholder	Number of Shares	Value	% Participation (1)
State investors			
Ministry of Finance and Public Credit	569,472,561	18,679	51.411
Empresas Públicas de Medellín E.S.P., –EPM–	112,605,547	3,693	10.166
Subtotal	682,078,108	22,372	61.577
Public and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.320
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.665
Subtotal	77,373,530	2,538	6.985
Subtotal	759,451,638	24,910	68.562
Private capital investors			
Fondo de Pensiones Obligatorias Protección	54,621,241	1,792	4.931
Fondo de Pensiones Obligatorias Porvenir	51,130,021	1,677	4.616
Fondo de Pensiones Horizonte	35,629,587	1,169	3.217
Fondo de Pensiones Obligatorias Colfondos	28,248,455	927	2.550
ING Fondo de Pensiones	20,022,106	657	1.808
Fondo de Pensiones Obligatorias Skandia S.A.	9,207,793	302	0.831
Abu Dhabi Investment Authority	2,635,195	86	0.238
Fondo de Pensiones Protección	2,604,383	85	0.235
Fiducolombia – ISA ADR Program	1,924,700	63	0.174
Fondo de Cesantías Porvenir	1,669,417	55	0.151
Other shareholders	140,533,358	4,609	12.687
Subtotal	348,226,256	11,422	31.438
Total outstanding subscribed capital	1,107,677,894	36,332	100.000
Repurchased own shares (2)	17,820,122	584	
Total subscribed and paid-in capital	1,125,498,016	36,916	

(1) Participation percentage on outstanding shares.

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

Notes to the Financial Statements

ISA can issue common and preferred shares, and shares with preferred dividend but without voting rights. All shares are registered and circulate either in a materialized or dematerialized manner, as decided by the Board of Directors in the corresponding ruling.

Outstanding shares are common, registered and dematerialized. Depósito Centralizado de Valores de Colombia –DECEVAL S.A.– is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

Share issues 2009

In December of 2009, ISA carried out the fourth underwriting of common shares, according to decision of the Shareholders' Meeting held on November 24 of 2006 to issue and underwrite by tender offer 88.410.731 common shares, of which, 56.394.211 were successfully underwritten at the end of 2007 and the remaining 32,016,520 in December of 2009.

CAPITAL SURPLUS

- **Additional paid-in capital**

The additional paid-in capital is the excess of the sales price over the par value of the subscribed shares. In 2009 it increased by \$383,148, corresponding to share issuance held on December 9, 2009.

- **Received for works**

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

Notes to the Financial Statements

RESERVES

- **Legal reserve**

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

- **Mandatory reserve for tax purposes**

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

- **Reserve for repurchase of shares**

Includes special reserve for the repurchase of shares held by EPM for \$38,100.

- **Reserve for reinforcement of equity**

In compliance with Article 47 of the Bylaws, the Shareholders' Meeting approved an occasional reserve, so that the Company could retain its solid financial position and maintain the financial ratios required by the rating agencies, in order to obtain the investment degree and comply with contractual commitments to financial entities.

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

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

Notes to the Financial Statements

EQUITY REVALUATION

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

As of year 2007, and according to regulations in force, the tax on equity is accrued by decreasing this account.

SURPLUS FROM EQUITY METHOD

Contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method (See Note 3.3).

Notes to the Financial Statements

NOTE 20: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

		2010	2009
Debit			
Fiscal debit accounts	(1)	3,207,692	2,481,375
Other contingent rights		42,792	33,297
Total debit memorandum accounts		3,250,484	2,514,672
Credit			
Claims and lawsuits (See Note 20.1)	(2)	65,045	615,554
Guarantees granted	(3)	882,798	383,765
Fiscal credit accounts	(4)	160,650	105,075
Other credit control accounts	(5)	1,052,584	650
Total credit memorandum accounts		2,161,077	1,105,044

(1) Represents differences with accounting, which result from applying the inflation adjustment system for tax effects, and differences in accounting and tax deductions when determining ordinary net taxable income.

(2) Includes \$4,188 of eventual-occurrence administrative processes, \$55,087 of remote-occurrence administrative processes; \$3,394 of eventual-occurrence civil processes, and \$2,376 of fiscal processes (See Note 20.1).

(3) See Note 20.2.

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

(5) Includes remote-occurrence administrative processes \$1,051,944 (See Note 20.1).

20.1 CLAIMS AND LAWSUITS

ISA currently appears as party, as a defendant, plaintiff or as an intervening third party, of judicial processes of administrative, civil and labor nature. None of the processes in which the Company appears

Notes to the Financial Statements

as a defendant or as an intervening third party could affect its stability. In its own name, it has taken the necessary judicial measures to carry out its corporate purpose and the defense of its interests.

Below is the information regarding the main judicial processes which the Company is a party to, their amounts expressed in millions:

- a. At December 31, 2010, ISA has filed administrative claims against: Electrificadora del Atlántico, Electrificadora de Bolívar and Empresa de Energía de Magangué for default interest on accounts for the use of STN and Energy Pool, for \$14,854.
- b. It has filed a civil claim against Sistep Ltda. and Aseguradora de Fianzas S.A. –Confianza–, at the Circuit Civil Court N° 10 of Medellín, for USD 1,936,618 plus \$1,175, as a result of the delay in the delivery of equipment to the Yumbo and La Esmeralda substations and resulting damages. Additionally, ISA is claiming payment of the performance policy by Confianza.
- c. Cundinamarca Administrative Tribunal, first Section. ISA has sued the Superintendency of Public Utilities for \$1,425 as a result of issuing administrative acts that prevent ISA (ASIC) from exercising its rights to limit power supplies and the collection of billings to Empresas Públicas de Cauca.
- d. Administrative Tribunal of Antioquia. ISA has filed a nullity and redress lawsuit against the tax authorities (Tax and Customs Authority –DIAN, for its Spanish initials–), for \$4,780, related to default interest in favor of ISA, resulting from the non-timely reimbursement of excess income tax paid in 1995.
- e. Administrative Tribunal of Antioquia. ISA challenged Resolution 1233 of 2001, by which the Municipality of San Carlos requested payment of taxes for public space occupation for \$1,839 for the year 2000.
- f. Nullity and redress process N° 064. Flores III LTDA & CIA. S.C.A. E.S.P. has sued the State – Ministry of Mines and Energy, CREG, ISA and Electrificadora del Caribe S.A. E.S.P.–. Claims: Declaration of nullity of CREG Resolution 031 of July 22, 1999, by which the appeal presented by ELECTRICARIBE S.A. was accepted, releasing the Company from paying amounts invoiced by ISA for the restriction of the 220-110 kV autotransformer. Declaration of nullity of alleged administrative act resulting from failure to answer within the legal term a request for direct repeal of the foregoing resolution and award payment of \$2,343.

Notes to the Financial Statements

- g. Administrative Tribunal of Antioquia. Termocandelaria has filed a nullity and redress lawsuit against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of \$24,866 regarding CREG Resolutions 034, 038 and 094 of 2001.
- h. Administrative Tribunal of Antioquia. Central Hidroeléctrica de Betania S.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$90,400 and USD 43.4 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- i. Administrative Court of Antioquia. Emgesa S.A. E.S.P. has filed nullity and redress lawsuits against ISA, the Nation, the Ministry of Mines and Energy, and CREG, in the amount of \$275,364 and USD 113 million regarding application of CREG Resolutions 077 and 111 of 2000.
- j. Administrative Court of Antioquia. Chivor S.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$181,900 and USD 49.4 million for capacity charges - CREG Resolutions 077 and 111 of 2000.
- k. Administrative Court of Antioquia. Proelectrica & Cia S.C.A. E.S.P. has filed nullity and redress lawsuits against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$9,207 regarding application of CREG Resolutions 034 and 038 of 2001. Claims were dropped in all these suits; decision from the corresponding tribunal is pending.

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

Notes to the Financial Statements

- l. Gomez Cajiao y Asociados has filed a contractual lawsuit in the amount of \$2,000 requesting the nullity of act awarding Public Bid C002, the nullity of BL98 contract, and redress of its right as proponent.
- m. Empresas Públicas de Medellín has filed a direct reparation action for the ownership of some assets and a nullity and redress lawsuit against ISA, the State, the Ministry of Mines and Energy, and CREG, in the amount of \$3,637 for recording of customer metering points.
- n. Ninth Circuit Civil Court, Barranquilla. Claudia Andrea Córdoba and Fabiana Zanín Córdoba have filed a tort claim against ISA and others for \$4,000 for the accident of a family member during the performance of a contract.
- o. Administrative Court of Antioquia. UTE APS has filed a tort claim against ISA for breach of contract in the amount of \$32,018. In this process the parties, by mutual agreement, requested conciliation procedures, not yet scheduled.
- p. Administrative Court of Cundinamarca. KENZO JEANS S.A. and DIKAR S.A. have filed a \$7,000 claim against ISA for damages related to easement.
- q. Cundinamarca Administrative Tribunal, first section. ISA has sued the Superintendency of Public Utilities for \$923 for resolutions SSPD-2008240007415 of March 26 of 2008 and SSPD-20082400018105 of June 18 of 2008, which imposed and confirmed a fine against ISA for the event happened on April 26, 2007.
- r. State Court, Fifth Delegated Prosecutor's Office. ISA has filed a request to be accepted as civil claimant in the criminal case against Orlando Antonio Salas Villa for \$7,418, corresponding to amount payable for easement.
- s. Court of Pivijay, Magdalena. Ganadería Caballero Pérez and Luis Fernando Zambrano C. have filed enforcement proceedings against ISA for payment of \$8,094 for easements.
- t. Cundinamarca Administrative Tribunal. Consorcio SOT filed contractual liability claim against ISA for \$898.

Notes to the Financial Statements

- u. Administrative Court of Antioquia. Fiduciaria La Previsora has filed a tort claim against ISA and XM for \$911 for alleged incorrectly charged interest.
- v. Cundinamarca Administrative Tribunal. Ms. Gloria Amparo Valencia filed claim for \$400 against ISA, CODENSA, the Ministry of Mines and Energy, the State and the SSPD.
- w. Santa Marta Administrative Tribunal. UTE Areva-Sadeven filed contractual liability claim against ISA for \$17,256.
- x. Third Administrative Court of Valledupar. Mr. Elbert Araujo Daza filed group action against ISA for damages caused to people near the transmission lines; damages claimed total \$12,400.

As of December 31, 2010, there are other labor, civil and administrative claims pending decision for a total amount close to \$4,800 that are related to the normal course of operations of ISA.

The Company's management and its legal counsels consider remote the possibility of material loss as a result of such claims.

Notes to the Financial Statements

20.2 GUARANTEES AND COMMITMENTS IN FORCE

At 2010 year's end the following guarantees and commitments were in force:

- a. Leasing payment liability; infrastructure leasing granted in 2004 by Leasing de Crédito to Flycom Comunicaciones S.A. E.S.P., and subsequently transferred in 2007 by this latter company to INTERNEXA S.A. E.S.P. The balance as of December of 2010 is \$683 million and is in force until September 17, 2016.
- b. Performance bank guarantee for liabilities incurred according to UPME 02-2008 El Bosque Project public bid, in force until August 20, 2011.
- c. Pledge by ISA for 100% value of current and future shares in subsidiaries Red de Energía de Perú and ISA Perú, and to ISA Bolivia, granting of power, as loan payment guarantee in favor of lenders. The term equals that of the loans.
- d. Joint and several guarantee signed on June 29 of 2007 between ISA as guarantor and Banco Centroamericano de Integración Económica –BCIE– as beneficiary; guarantees EPR's liabilities under loan agreement with BCIE for USD 40 million related to SIEPAC project financing. Balance as of December 31 of 2010, corresponding to disbursements of loan authorized by BCIE amounts to USD 22 million. The guarantee must be valid until total principal is paid off (June 29 of 2027).
- e. Interconexión Eléctrica S.A. granted guarantee of works culmination (definitive bringing into service of Southern Maipo Access) and MAIPO bonds debt service payment up to USD 856.4 million; balance as of December 31 is USD 365 million.

ISA's commitment derived from its affiliate ISA Bolivia

- a. Support and Guarantee Agreement under which ISA and TRANSELCA are bound, among other things, to guarantee the loan granted by IDB and CAF until loan contract expiration date. Likewise, ISA and TRANSELCA are bound to pay balance pending with IDB and CAF, in case of Government intervention or as of the moment the license is revoked.

Notes to the Financial Statements

- b. Standby letter of credit to guarantee semi-annual debt service of loans granted by IDB and CAF to ISA Bolivia. Amount guaranteed totaled USD 2 million in 2010. Loans were earmarked for execution of 30-year licenses for Santivañez–Sucre, Punutuma and Carrasco–Urubó transmission lines and the license for Arboleda Substation.

ISA's commitment derived from its affiliate ISA Perú:

Share Retention Agreement with ISA, TRANSELCA and IFC, which sets the following limitations on transfers of the company's shares: During the 10 years following the closing date, as such term is defined in the concession contract, ISA cannot transfer any share, if, as a result of the transfer, its ownership is less than 25% of the corporation's shares, except as otherwise provided in Clause 2.1 (b) of the agreement.

Notes to the Financial Statements

NOTE 21: OPERATING REVENUES

Remuneration of services rendered by the Company: transmission of electric power (use of the STN), connection to the National Transmission System, energy transport ancillary services (administration, operation, and maintenance, specialized technical services, special studies, infrastructure availability), infrastructure projects, technology transfers and corporate services to subsidiaries.

		2010	2009
Use of STN existing network	(1)	696,757	688,890
Use of STN UPME bids	(1)	104,795	113,545
Connection to STN	(2)	89,655	76,415
Telecommunications	(3)	15,484	18,445
Rights of use		3,493	3,068
Studies and consulting		913	1,322
Administration, operation and maintenance		5,657	6,301
Other services to subsidiaries		339	470
Total revenues from energy transport service		917,093	908,457
Services of construction of infrastructure projects		16,859	15,309
Total revenues from services of construction of infrastructure projects		16,859	15,309
Technology transfer		2,809	2,846
Corporate services to subsidiaries		5,210	5,494
Total revenues from other services		8,019	8,341
Total operating revenues		941,971	932,107

Notes to the Financial Statements

- (1) Increased revenues in the use-of-STN service, existing network, explained by PPI, which closed at 4.38% (2009: -2.2%); such higher revenues were offset with lower revenues explained by the effect of exchange rate, which in 2010, closed at \$1.913.98/USD (2009: \$2.044.23/USD), on revenues from UPME bids and smaller FAER and PRONE for energy dispatched and transported through the National Transmission System.
- (2) Increased revenues in connection services for \$13,240 resulting mainly by commissioning of Cira Infantas y Caricare projects.
- (3) The decrease corresponds to renegotiated tariffs.

Operating revenues come from the following customers:

	2010	2009
EPM	143,236	126,001
Codensa	137,674	116,647
ELECTRICARIBE	119.669	102,171
Isagen	65,502	52,481
Emcali	46,467	42,205
Emgesa	38,176	31,485
Epsa	27,853	23,445
Other customers with invoicing less than 5% of total	363,395	437,672
Total operating revenues	941,971	932,107

Notes to the Financial Statements

NOTE 22: OPERATING COSTS

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

		2010	2009
Personnel expenses		48,635	47,154
Materials and maintenance	(1)	50,090	43,121
Fees		8,280	8,661
Rentals		1,558	1,771
Insurance		7,530	6,437
Utilities	(2)	13,410	11,778
Intangibles		3,473	3,159
Environment and Social – ISA Región	(3)	7,326	5,400
Communications		779	448
Advertising, prints and publications		63	57
Studies		579	1,512
Miscellaneous	(4)	9,159	14,062
Taxes and contributions	(5)	99,987	104,005
Operating costs before depreciation and amortization		250,869	247,565
Depreciation		106,528	108,500
Amortization		2,082	1,690
Total depreciation and amortization		108,610	110,190
Total operating costs		359,479	357,755

(1) Corresponds to recovery of towers damaged by terrorist attacks or damages to electric infrastructure; as of 2010, the Company records these expenditures as operating expenses, given the entailed corrective maintenance to avoid public service interruptions or suspensions.

(2) Increase arising mainly from outsourcing of support, surveillance, and cleaning services.

(3) Increase in family relocation, infrastructure replacement, and information and community participation programs.

Notes to the Financial Statements

(4) In 2009, it included increased project costs for third parties.

(5) Reduction is due to lower expenses because of smaller FAER and PRONE for \$5,080 for electric energy dispatched and transported through the National Transmission System.

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

	2010			2009		
	Total	Capitalized	Net	Total	Capitalized	Net
Operating costs before depreciation and amortization	255,291	(4,422)	250,869	253,271	(5,706)	247,565
Depreciation and amortization	108,610	–	108,610	110,190	–	110,190
Total	363,901	(4,422)	359,479	363,461	(5,706)	357,755

Notes to the Financial Statements

NOTE 23: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

		2010	2009
Personnel expenses	(1)	65,267	52,860
Materials and maintenance		801	1,025
Fees		4,976	4,273
Rentals		314	380
Insurance		499	530
Utilities		7,325	6,678
Intangibles		2,540	2,638
Environment and Social – ISA Región		13	–
Communications		662	399
Advertising, prints and publications		1,503	1,125
Studies	(2)	4,916	3,357
Miscellaneous		1,984	2,416
Taxes and contributions		637	741
Administration expenses before depreciation, amortization and provisions		91,437	76,422
Depreciation		1,475	1,854
Amortization		4,594	4,318
Provisions	(3)	12,378	19,825
Total provisions, depreciation and amortization		18,447	25,997
Total administration expenses		109,884	102,419

(1) Increase in actuarial calculation, especially from updating of mortality tables of male and female pensioners (See Note 17.1).

(2) Increase in studies and projects, especially as related to the road business in Colombia, Autopistas de la Montaña, and in Chile, investment in Cintra Chile.

(3) Included in the year 2009, \$7,424 equity investment provisions in controlled companies abroad because of conversion effect; as of 2010, in accordance with a regulatory change, such effect is recorded under equity (See Note 6).

Notes to the Financial Statements

The following table summarizes total administration expenses, detailing expenses capitalization and/or assignment:

	2010			2009		
	Total	Capitalized	Net	Total	Capitalized	Net
Administration expenses before depreciation, amortization and provisions	92,370	(933)	91,437	77,488	(1,066)	76,422
Depreciation and amortization	6,069	–	6,069	6,172	–	6,172
Provisions	12,378	–	12,378	19,825	–	19,825
Total	110,817	(933)	109,884	103,485	(1,066)	102,419

Notes to the Financial Statements

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2009 and 2010:

	2010	2009
Personnel expenses	113,902	100,014
Materials and maintenance	50,891	44,147
Fees	13,256	12,934
Rentals	1,872	2,151
Insurance	8,029	6,967
Utilities	20,735	18,456
Intangibles	6,013	5,797
Environment and Social – ISA Región	7,339	5,400
Communications	1,441	847
Advertising, prints and publications	1,566	1,182
Studies	5,495	4,869
Miscellaneous	11,143	16,477
Taxes and contributions	100,624	104,746
Operating costs and expenses before depreciation, amortization and provisions	342,306	323,987
Depreciation	108,003	110,354
Amortization	6,676	6,008
Provisions	12,378	19,825
Total provisions, depreciation and amortization	127,057	136,187
Total operating costs and expenses	469,363	460,174

In 2010 and 2009, to record operating and production costs (Class 7) and sales costs (Class 6), the Company used costing methods and procedures established in Resolution N° 20051300033635 of 2005 of the Superintendency of Domiciliary Public Utilities.

The costing system is the "Activities-Based Costing", where the products offered by each service or business are the result of a series of operating processes that interact sequentially, for which reason its structure or

Notes to the Financial Statements

costs map will call for observation of the progressive flow of operations or tasks to constitute activities, the former to conform processes, and the latter to deliver a utility.

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

No internal or external advisors with the main function of processing affairs with public or private entities, or advice on or prepare studies for such effect were hired in 2010.

Notes to the Financial Statements

NOTE 24: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

	2010	2009
Financial revenues		
Interest		
On overdue accounts receivable and other loans	1,774	1,524
Return on other assets	1,100	1,873
Monetary readjustment yields	1,227	2,307
Dividends	(1) 9,357	–
Investment valuations	(2) 24,282	8,998
Commercial, conditioned and agreed discounts	511	564
Total interest	38,251	15,266
Exchange difference		
Cash	3,348	4,780
Accounts receivable	324	5,490
Marketable investments	5,089	5,625
Other assets	–	332
Accounts payable	2,818	1,484
Financial liabilities	13,803	23,453
Total exchange difference	25,382	41,164
Total financial revenues	63,633	56,430
Revenues from equity method	110,137	143,635
Extraordinary revenues and others		
Indemnities	5	–
Rentals	187	146
Recoveries	2,725	9,685
Revenue from prior years	1,391	923
Revenues from sale of property, plant and equipment	1	3,850
Other	5,014	4,507
Total extraordinary revenues and others	9,323	19,111
Total non-operating revenues	183,093	219,176

Notes to the Financial Statements

- (1) Dividends received from ISA Bolivia in 2010, for USD 8,480,550.69, containing an inflation adjustment component recorded in its financial statements in Bolivian currency; record of this dividend portion in the financial statements under Colombian regulation generated income for dividends received in cash for USD 5,167,267.55 equivalent to \$9,357.
- (2) Corresponds mainly to revenue from hedging carried out while Cintra Chile purchase was carried out.

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

	2010	2009
Financial expenses		
Interest and commissions		
On public credit financial liabilities (See Note 13)	19,803	39,415
Interests and commissions on bonds (See Note 12)	85,719	120,609
Interest on loans with related parties	10,701	23,399
Fees and other interest	1,282	3,090
Administration of security issues	2,714	2,263
Loss from valuation and sale of investments	(1) 38,762	1,832
Miscellaneous	778	835
Total interest and commissions	159,759	191,443
Exchange difference		
Accounts receivable	703	7,685
Loans	259	-
Cash	3,302	4,152
Marketable investments	2,542	7,191
Investments abroad	20	78
Accounts payable	1,886	1,235
Financial liabilities	13,092	645
Total exchange difference	21,804	20,986
Total financial expenses	181,563	212,429
Expense from equity method	15,908	3,148
Extraordinary expenses and others		
Losses on casualties	(2) -	5,245
Loss from retirement of assets	(3) 907	6,365
Other	2,101	1,314
Prior years adjustments	2,689	2,259
Total extraordinary expenses and others	5,697	15,183
Total non-operating expenses	203,168	230,760

Notes to the Financial Statements

- (1) Corresponds mainly to expense from hedging carried out while Cintra Chile purchase was carried out.
- (2) Corresponds to repair of towers damaged by terrorist attacks or damages to electric infrastructure. As of 2010, the Company records these expenditures as operating expenses, given the entailed corrective maintenance to avoid public service interruptions or suspensions.
- (3) Retirement of assets for obsolescence, loss or sale. For the year 2009, it corresponded mainly to retirement of substation assets due to renovation.

Notes to the Financial Statements

NOTE 25: FINANCIAL RATIOS

Some financial ratios at December 31:

	2010	2009
RETURN ON ASSETS		
Net income/Total assets (%)	3.81%	3.70%
RETURN ON EQUITY		
Net income / Equity (Accounting income) (%)	5.34%	5.15%
EBITDA/ Operating interest (times)	5.37	3.41
LIQUIDITY (CURRENT RATIO)		
Current assets/ Current liabilities (%)	92.37%	198.61%
DEBT RATIO		
Liabilities / Assets (%)	28.71%	28.18%
ACCOUNTS RECEIVABLE TURNOVER (days)		
Receivables from customers / Operating revenues * 365	70	76

- EBITDA/ OPERATING INTEREST (TIMES): Improved as a result of decreased interests associated to debt reduction up to the third quarter of the year, and to behavior of macroeconomic variables upon which interest calculation is based.
- LIQUIDITY: Its reduction is explained by the fact that the previous year's current assets included funds from the share issue earmarked for investment in Chile; also, current liabilities increased as a result of short-term reclassification of bonds maturing in 2011.

Noteworthy is the fact that the electric energy transport business is supported by a strong physical infrastructure; therefore, a large percentage of its expenses (depreciation, provisions and amortization) do not imply cash expenditure, which allows for coverage of short-term liabilities with cash flow from the business.

- DEBT: Increase is accounted for by higher debt levels for capitalization of ISA Inversiones Chile.
- ACCOUNTS RECEIVABLE TURNOVER: Its improvement is due to reduced accounts receivable from customers of telecommunications and construction services.

Notes to the Financial Statements

NOTE 26: TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions with related parties during 2010 and 2009 are:

	2010	2009
Balance sheet		
Equity investments		
TRANSELCA S.A. E.S.P.	733,101	774,305
ISA Capital do Brasil	1,197,825	1,217,155
REP S.A.	116,313	112,481
INTERNEXA S.A. E.S.P.	113,824	123,578
TransMantaro S.A.	272,408	83,968
ISA Perú S.A.	13,544	15,056
ISA Bolivia S.A.	20,039	31,744
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,201	22,823
Proyectos de Infraestructura del Perú S.A.C. –PDI–	6,642	4,333
Interconexión Colombia–Panamá –ICP–	2,676	1,012
ISA Inversiones Chile	590,938	–
Accounts receivable		
TRANSELCA S.A. E.S.P.	189	554
INTERNEXA S.A. E.S.P.	4,919	4,703
ISA Perú S.A.	1,077	155
REP S.A.	1,916	2,072
ISA Bolivia S.A.	754	1,833
XM, Compañía de Expertos en Mercados S.A. E.S.P.	380	424
Proyectos de Infraestructura del Perú S.A.C. –PDI–	–	842
Transnexa S.A. E.M.A.	–	31
Autopista del Maipo Sociedad Concesionaria S.A.	48	–
Ruta de la Araucanía Sociedad Concesionaria S.A.	54	–
Concesiones de Infraestructura de Transporte de Chile S.A., Cintra	454	–

Notes to the Financial Statements

	2010	2009
Accounts payable and financial liabilities		
TRANSELCA S.A. E.S.P.	263,387	255,018
ISA Capital do Brasil	45,562	48,662
INTERNEXA S.A. E.S.P.	4,018	3,310
REP S.A.	73	131
XM, Compañía de Expertos en Mercados S.A. E.S.P.	673	697
Proyectos de Infraestructura del Perú S.A.C. –PDI–	29	98
Equity transactions		
Dividends declared in favor of ISA		
TRANSELCA S.A. E.S.P.	37,990	26,489
INTERNEXA S.A. E.S.P.	–	4,988
ISA Perú S.A.	2,828	1,594
XM, Compañía de Expertos en Mercados S.A. E.S.P.	468	1,500
ISA Bolivia S.A.	15,355	–
Transactions related to income statement		
Revenues		
TRANSELCA S.A. E.S.P.	1,542	1,626
INTERNEXA S.A. E.S.P.	17,681	21,589
ISA Perú S.A.	1,934	2,055
ISA Bolivia S.A.	(1)	10,305
REP S.A.	1,874	3,013
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,379	2,755
TransMantaro S.A.	15	17
Proyectos de Infraestructura del Perú S.A.C. –PDI–	8,255	4,666
INTERNEXA en Perú	31	35
Transnexa S.A. E.M.A.	–	761
Autopista del Maipo Sociedad Concesionaria S.A.	48	–
Ruta de la Araucanía Sociedad Concesionaria S.A.	54	–
Concesiones de Infraestructura de Transporte de Chile S.A., Cintra	454	–

Notes to the Financial Statements

	2010	2009
Expenses		
TRANSELCA S.A. E.S.P.	11,705	24,015
INTERNEXA S.A. E.S.P.	6,612	5,745
XM, Compañía de Expertos en Mercados S.A. E.S.P.	7,935	7,926
ISA Perú S.A.	109	–
ISA Bolivia S.A.	–	–
REP S.A.	1,099	1,065
ISA Capital do Brasil	1,705	2,215
Proyectos de Infraestructura del Perú S.A.C. –PDI–	212	179

(1) Includes \$9,357 reported as declared dividends.

	2010	2009
Administrators		
	(1)	
Board of Director's fees	614	419
Executives' salaries and benefits	6,785	6,095
Executives' bonuses	1,620	1,152
Aids to executives and others	326	509
Loans receivable from executives	1,669	1,761

(1) The detail of amounts received by the Company's executives is:

Notes to the Financial Statements

YEAR 2010

Item	Directors (*)	Managers (**)	Total
Integral salary	4,109	2,304	6,413
Aids (education and health)	248	60	308
Bonuses (temporary transfers, results, directive position)	869	751	1,620
Vacations	250	122	372
Other (sick leaves and non-variable per-diems)	15	3	18
Total earned	5,491	3,240	8,731
Loans balance	1,160	509	1,669

YEAR 2009

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

Notes to the Financial Statements

(*) "Directors" includes 27 executives of the Company, whose posts are as follows:

IT Director	Corporate Socio-Environmental Director
Human Talent Management Director	Logistics Director
Accounting and Taxes Director	Maintenance Management Director
Legal Director	Business Integrated Management Director
Road Concessions Director	Northwest CTE Director
Subsidiaries Management Director	Operation Management Director
Corporate Image Director	Central CTE Director
New Businesses Director	East CTE Director
Procurement Director	Southwest CTE Director
Project Execution Director	Project Engineering Director
Corporate Planning Director	Auditing Director
Organizational Development Director	Technical Deputy Manager
Operation and Maintenance Director	Financial Planning Director
Financial Resources Director	

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

Covenants or contracts with subsidiaries for the acquisition of goods and services take into account the terms, conditions and costs generally used by ISA with non-related third parties, i.e. the market conditions.

Application of transfer pricing introduced by Law N° 788 of December of 2002, started in January 1, 2004. This law states that transactions with related parties abroad should be priced at the same prices that would be applied to independent third parties.

NOTE 27: SUBSEQUENT EVENTS

- CREG's Resolution 106 of 2010 approved inventory of ISA's assets in the STN as well as AOM reference costs and expenses. The Resolution was appealed, justifying once more the need for recognition of the assets of Subestación Betania at 230 kV. Necessary justifications were also presented for some costs and expenses that were not recognized, among them payment corresponding to Account Settling and Clearing –LAC– as well as social and environmental management costs. As to service quality, approval of the methodology for calculating unserved energy is still pending.
- CREG Resolution 097 issued in 2008, modified the distributors' remuneration scheme, and changed parameters relevant for determining the connection charges that they pay to the owners of the connection assets (among them ISA). In the last quarter of 2009, and the first semester of 2010, CREG issued resolutions specific to each Network Operator, according to Resolution 097 of 2008, approving its base of assets and revenues. Given that in the last quarter of 2010 all the mentioned resolutions became definite, renegotiation of connection contracts started based on charges approved for each operator. Negotiation had 59% advance, and it is expected to be complete in the next few months to begin individual application.
- Although application of the two aforementioned resolutions will affect the Company's financial situation, its impact is not expected to be significant.
- TRANSELCA's Regular Shareholders' Meeting of January 17 of 2011 approved distribution of earnings corresponding to the January-October 2010 period for \$30,646 million. Accrual of these dividends shall be carried out in January of 2011, and dividends will be paid in two installments thus: 60% until April 30 of 2011 and 40% in July of 2011. Additionally, distribution of earnings for the November-December 2010 period for about \$5,100 million is planned to be approved in the Regular Shareholders' Meeting of March 2011.
- Resolution SSPD-20101300050115 of December 24 of 2010 of the Superintendency of Public Domiciliary Services modified Resolution 20101300021335 adopting the General Accounting Model for Public Utilities Companies, in convergence with the International Financial Reporting Standards, of worldwide acceptance, to modify its implementation period as follows: i) Adaptation and Evaluation Stage, developed along the years 2009 and 2010, ii) Transition Stage, along 2011 and 2012, and iii) Adoption Stage along 2013. This model is expected to give rise to important changes in recognition, valuation, and disclosure of financial information. The above notwithstanding, ISA must comply with the Public Accounting Regime established by Colombia's General Accounting Office.

Notes to the Financial Statements

- Upon authorization of the Board of Directors in meeting held on December 17, 2010, ISA filed on January 24, 2011, with the Medellin Chamber of Commerce, the deed of incorporation of Autopistas de la Montaña S.A.S., established by private document of its single shareholder, with \$20,000 authorized capital and \$700 paid/in capital.

The new company will be engaged in:

- Developing engineering-related activities.
 - Operating and maintaining road transport infrastructure.
 - Providing services to road transport infrastructure users.
 - Promoting and structuring road infrastructure projects.
 - ISA appointed Jorge Ivan Lopez B., director of Roads Concessions, as legal representative of the corporation. The three members of the board of directors.
- On January 31, ISA received from TRANSELCA dividends for \$26,147, which had been declared in November of 2010.

Abbreviations

ACOLGEN:	Asociación Colombiana de Generadores (Colombian Association of Generators)
ASIC:	Administración del Sistema de Intercambios Comerciales (Administration of the Commercial Settlement System)
BRL:	Brazilian Real
CAN:	Andean Community of Nations (Comunidad Andina de Naciones)
CIGRE:	International Council on Large Electric Systems
CVM:	Comissão de Valores Mobiliários (Brazil)
CGN:	Contaduría General de la Nación (National General Accounting Office)
CND:	Centro Nacional de Despacho (National Dispatch Center)
COP:	Colombian Pesos
CRD:	Centro Regional de Despacho (Regional Dispatch Center)
CREG:	Comisión de Regulación de Energía y Gas (Energy and Gas Regulatory Commission)
CFO:	Cable de Fibra Oscura (Dark Fiber)
CT:	Current Transformer
DIAN:	Dirección de Impuestos y Aduanas Nacionales (Tax and Customs Authority)
ECA:	Export Credit Agency
EPR:	Empresa Propietaria de la Red S.A.
ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
FAER:	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Electrification of Interconnected Rural Areas)
FAZNI:	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Electrification of Non-Interconnected Rural Areas)
FOES:	Fondo de Energía Social (Energy Social Fund)
HVDC:	High Voltage Direct Current
JPY:	Japanese Yen
LAC:	Liquidación y Administración de Cuentas (Account Settling and Clearing)
MEM:	Mercado de Energía Mayorista (Wholesale Energy Market)
NDF:	Non-Delivery Forward
PLP:	Power Line Carrier
PRONE:	Programa de Normalización de Redes Eléctricas (Network Standardization Program)
PT:	Power Transformer
REP:	Red de Energía del Perú S.A.
RTU:	Remote Terminal Unit
SAC:	South American Crossing
SIC:	Sistema de Intercambios Comerciales (Commercial Settlement System)
SCI:	Fire System
SID:	Atmospheric Discharge Information System
STE:	Servicio de Transporte de Energía (Energy Transport Service)
STN:	Sistema de Transmisión Nacional (National Transmission System)
UPME:	Unidad de Planeación Minero Energética (Mining and Energy Planning Unit)
USD:	United States Dollar
VQ:	Voltage Quality



Ernst & Young Audit Ltda.
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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, 2010 and 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.

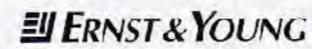
Management is responsible for the preparation and appropriate and correct presentation of the financial statements in accordance with accounting principles generally accepted in Colombia, prescribed by the Contaduría General de la Nación and the accounting provisions issued by the Superintendencia de 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 audits. 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 accompanying financial statements, present fairly in all material respects, the financial position of Interconexión Eléctrica S.A. E.S.P. at December 31, 2010 and 2009, the results of its operations, the changes in its 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, consistently applied.

Statutory Auditor's Report



Further, based on the scope of my audits, 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 Lucia Guzmán L.', written over a faint circular stamp.

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

Medellin, Colombia
February 18, 2011

Statutory Auditor's Report



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, 2010 and 2009, 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 18, 2011. 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,

Ernst & Young

Medellín, Colombia
February 18, 2011

Special Report on Transactions with Subsidiaries and Affiliates

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

In compliance with Article 29 of Law 222 of 1995 and given the existence of ISA and its companies, we present to the Shareholders' Meeting the special report on the economic relationships with ISA's companies during 2010 and 2009 that have been directed and coordinated by the parent company, Interconexión Eléctrica S.A. –ISA– E.S.P.

Commercial transactions carried out during 2010 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

Special Report on Transactions with Subsidiaries and Affiliates

- Loans with interest rates different from those paid by or charged to third parties
- Operations whose characteristics differ from those carried out with third parties

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

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

The main balances and transactions with related parties during 2010 and 2009 are:

	2010	2009
Balance sheet		
Equity investments		
TRANSELCA S.A. E.S.P.	733,101	774,305
ISA Capital do Brasil	1,197,825	1,217,155
REP S.A.	116,313	112,481
INTERNEXA S.A. E.S.P.	113,824	123,578
TransMantaro S.A.	272,408	83,968
ISA Perú S.A.	13,544	15,056
ISA Bolivia S.A.	20,039	31,744
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,201	22,823
Proyectos de Infraestructura del Perú S.A.C. –PDI–	6,642	4,333
Interconexión Colombia–Panamá –ICP–	2,676	1,012
ISA Inversiones Chile	590,938	–

Special Report on Transactions with Subsidiaries and Affiliates

	2010	2009
Accounts receivable		
TRANSELCA S.A. E.S.P.	189	554
INTERNEXA S.A. E.S.P.	4,919	4,703
ISA Perú S.A.	1,077	155
REP S.A.	1,916	2,072
ISA Bolivia S.A.	754	1,833
XM, Compañía de Expertos en Mercados S.A. E.S.P.	380	424
Proyectos de Infraestructura del Perú S.A.C. –PDI–	–	842
Transnexa S.A. E.M.A.	–	31
Autopista del Maipo Sociedad Concesionaria S.A.	48	–
Ruta de la Araucanía Sociedad Concesionaria S.A.	54	–
Concesiones de Infraestructura de Transporte de Chile S.A., Cintra	454	–
Accounts payable and financial liabilities		
TRANSELCA S.A. E.S.P.	263,387	255,018
ISA Capital do Brasil	45,562	48,662
INTERNEXA S.A. E.S.P.	4,018	3,310
REP S.A.	73	131
XM, Compañía de Expertos en Mercados S.A. E.S.P.	673	697
Proyectos de Infraestructura del Perú S.A.C. –PDI–	29	98
Equity transactions		
Dividends declared in favor of ISA		
TRANSELCA S.A. E.S.P.	37,990	26,489
INTERNEXA S.A. E.S.P.	–	4,988
ISA Perú S.A.	2,828	1,594
XM, Compañía de Expertos en Mercados S.A. E.S.P.	468	1,500
ISA Bolivia S.A.	15,355	–

Special Report on Transactions with Subsidiaries and Affiliates

	2010	2009
Transactions related to results		
Revenues		
TRANSELCA S.A. E.S.P.	1,542	1,626
INTERNEXA S.A. E.S.P.	17,681	21,589
ISA Perú S.A.	1,934	2,055
ISA Bolivia S.A.	(1) 10,305	934
REP S.A.	1,874	3,013
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,379	2,755
TransMantaro S.A.	15	17
Proyectos de Infraestructura del Perú S.A.C. –PDI–	8,255	4,666
INTERNEXA (in Peru) (operating income)	31	35
Transnexa S.A. E.M.A.	–	761
Autopista del Maipo Sociedad Concesionaria S.A.	48	–
Ruta de la Araucanía Sociedad Concesionaria S.A.	54	–
Concesiones de Infraestructura de Transporte de Chile S.A., Cintra	454	–
Expenses		
TRANSELCA S.A. E.S.P.	11,705	24,015
INTERNEXA S.A. E.S.P.	6,612	5,745
XM, Compañía de Expertos en Mercados S.A. E.S.P.	7,935	7,926
ISA Perú S.A.	109	–
ISA Bolivia S.A.	–	–
REP S.A.	1,099	1,065
ISA Capital do Brasil	1,705	2,215
Proyectos de Infraestructura del Perú S.A.C. –PDI–	212	179

(1) Includes \$9,357 reported as declared dividends.

Special Report on Transactions with Subsidiaries and Affiliates

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 2010, are as follows:

CONSORCIO TRASMANTARO S.A. –CTM–

- The Shareholders' Meeting held on October 5, 2009 approved capital stock increase of Consorcio TransMantaro S.A., through capitalization of shareholders contributions prorata to their shareholding, for the equivalent in Nuevos Soles of USD 85 million (ISA: USD 51 million), earmarked for the Investment Plan that, among others, includes expansion of Mantaro–Socabaya concession, construction of Chilca–La Planicie–Zapallal and Ica–Independencia transmission lines.

ISA paid the first capital contribution in March of 2010 (USD 24 million), and the second, in June 2010 (USD 27 million).

- The Shareholders' Meeting held in March 2010 approved capital stock increase of Consorcio TransMantaro S.A., through capitalization of shareholders contributions prorata to their shareholding, for the equivalent in Nuevos Soles of USD 70 million (ISA: USD 42 million), earmarked, mainly, for the Investment Plan: reinforcement of Mid Northern Central Transmission System at 500 kV, Zapallal–Trujillo transmission line.

ISA paid the first capital contribution in November of 2010 (USD 18 million), and the second, in December 2010 (USD 24 million).

- In April 2010, ISA's Board of Directors authorized Interconexión Eléctrica S.A. E.S.P. to subscribe a shareholders' agreement, required by the Banco de Crédito del Perú –BCP–, for subscription and disbursement of a loan of up to USD 160 million. ISA assumed 60% of this commitment, in other words, ISA will guarantee TransMantaro, proportionally to its shareholding in the corporation.

Shareholders, if necessary, shall provide CTM with the required funds to pay works associated to the Zapallal–Trujillo transmission line.

- In July 2010, ISA was awarded a public bid (later transferred to TransMantaro) to develop a 102 km transmission line between Talara and Piura and their associated substations.

Special Report on Transactions with Subsidiaries and Affiliates

The contract's term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. Once operational, the project will generate annual revenues close to USD 2.3 million.

- In August 2010, ISA was awarded a public bid (later transferred to TransMantaro) to develop a 110 km. electric transmission network between Pomacocha and Carhuamayo substations and the expansion of associated substations.

The contract's term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. Once operational, the project will generate annual revenues close to USD 2.4 million.

- In November 2010, ISA was awarded a public bid (later transferred to TransMantaro) to develop an energy transmission line approximately 204 km. long, in the southern region of Peru, located between Machupicchu and Suriray substations, between Suriray and Cotaruse substations and between Abancay Nueva and Abancay substations, and the expansion or construction of associated substations.

The contract's term will be 30 years as of the project's start of operations, which is estimated to happen 24 months after the process closing. Once operational, the project will generate annual revenues close to USD 9.75 million.

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

Incorporation public deed of DERIVEX S.A. was subscribed on June 2, 2010. Shareholders are: XM, Compañía de Expertos en Mercados S.A. E.S.P. (49.95%), Bolsa de Valores de Colombia –BVC–, INTERNEXA, Fondo de Empleados –FEISA– and Inverbolsa S.A.S. The main purpose is the administration of a system for negotiation and recording of operations with financial derivatives that have electric energy, fuel gas, and/or other energy commodities as underlying assets, as authorized by the Superintendencia Financiera de Colombia in Resolutions Nos. 2001 of December 23, 2009 and 1069 of May 27, 2010.

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

In February 2010, ISA's Board of Directors authorized Management to subscribe a shareholders' agreement to guarantee PDI. The shareholder's commitment was required for up to USD 21 million by the aluminum supplier to guarantee the aluminum supply contract subscribed by Proyectos de Infraestructura del Perú S.A.C., –PDI–.

Special Report on Transactions with Subsidiaries and Affiliates

ISA CAPITAL DO BRASIL S.A.

In February of 2010, the Board of Directors of Interconexión Eléctrica S.A. approved restructuring of the foreign-currency debt of its subsidiary ISA Capital do Brasil, and as part of the process, presented tender offer to repurchase bonds maturing in 2017 for up to USD 354 million. Accordingly, the Board gave ISA's management unlimited authorization to, in its capacity as majority shareholder of ISA Capital do Brasil, approve and subscribe any document necessary for implementing such restructuring.

Interligação Elétrica Norte e Nordeste S.A. –IENNE–

This is a project including two 500 kV transmission lines, 353 km. and 367 km. long. IENNE initiated testing phase on December 20, 2010 and is scheduled to start commercial operation on January 16, 2011. The project will generate estimated yearly revenues of BRL 35 million.

Interligação Elétrica Pinheiros S. A. –IE PINHEIROS–

This is a project including five substations. One of them, Araras Substation, started operation on November 5, 2010. The project will generate estimated yearly revenues of BRL 4 million.

Cintra Chile

On September 15, 2010, ISA and Cintra Infraestructuras S.A. formalized in Santiago de Chile the sale document under which ISA acquired 60% of the interest the Spanish company held in Cintra Chile Ltda. The operation amounted to 6,822,767 Unidades de Fomento, equity value, equivalent to approximately USD 290 million.

For the remaining 40%, the sale and purchase agreement includes a purchase option for ISA and a sale option for Cintra.

Cintra Chile has control over five road concessions and is the largest interurban road concessions operator in the country, having large and confirmed local experience in promoting, financing, building and operating road concessions.

Special Report on Transactions with Subsidiaries and Affiliates

Interconexión Eléctrica Colombia–Panamá S.A. –ICP–

Interconexión Eléctrica S.A. E.S.P. made a series of capital contributions to ICP during 2010: In January, for USD 875,000 and in December, for USD 566,000. The funds are earmarked for performing the required activities (technical and environmental studies) for the interconnection project viability.

Empresa Propietaria de la Red –EPR–

Interconexión Eléctrica S.A. made capital contributions to EPR for USD 875,000.

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.

During 2010 the executives of the Corporation received the items listed below:

Item	Directors (*)	Managers (**)	Total
Integral salary	4,109	2,304	6,413
Benefits (education and health)	248	60	308
Bonuses (temporary transfers, results, directive position)	869	751	1,620
Vacations	250	122	372
Other (sick leaves and non-variable per-diems)	15	3	18
Total earned	5,491	3,240	8,731
Loans balance	1,160	509	1,669

(*) "Directors" includes 27 executives of the Company, whose posts are as follows:

Information Director	Corporate Socio-Environmental Director
Human Talent Management Director	Logistics Director
Accounting and Taxes Director	Maintenance Management Director
Legal Director	Business Integrated Management Director
Road Concessions Director	Northwest CTE Director
Affiliates Management Director	Operation Management Director
Corporate Image Director	Central CTE Director
New Businesses Director	East CTE Director
Procurement Director	Southwest CTE Director
Project Execution Director	Project Engineering Director
Corporate Planning Director	Auditing Director
Organizational Development Director	Technical Deputy Manager
Operation and Maintenance Director	Financial Planning Director
Financial Resources Director	

Code of Commerce Article 446 – Report

(**) "Managers" includes eight 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 2010, payments of fees to the members of the Board of Directors totaled COP 614.

B. In 2010, 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 donations during 2010 under the social management model and not requiring consideration from the other party:

	Accounting value
Donation to victims of last year's floods.	\$2,000

D. Between January 1 and December 31 of 2010, expenses paid for public relations with stakeholders totaled COP 16.

Between January 1 and December 31 of 2010, publicity and advertising payments totaled COP 1,566, as follows:

Item	Total
Prints and publications	331
Publicity and advertising	1,235
Total	1,566

Code of Commerce Article 446 – Report

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

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

	2010	2009
Assets		
Current assets		
Cash	168	115
Accounts receivable	6,868	9,300
Total current assets	7,036	9,415
Non-current assets		
Foreign currency investments	1,171,810	727,173
Total non-current assets	1,171,810	727,173
Total assets	1,178,846	736,588
Liabilities		
Current liabilities		
Current portion of financial liabilities	36,342	18,604
Accounts payable	3,088	2,830
Total current liabilities	39,430	21,434
Long-term liabilities	142,422	54,764
Related parties	23,800	23,800
Accounts payable	53	53
Total non-current liabilities	166,275	78,617
Total liabilities	205,705	100,051
Net asset monetary position	973,141	636,537

Code of Commerce Article 446 – Report

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

	2010	2009
Investments in local shares		
TRANSELCA S.A. E.S.P.	733,101	774,305
XM, Compañía de Expertos en Mercados S.A. E.S.P.	23,201	22,823
INTERNEXA S.A. E.S.P.	113,824	123,578
FEN S.A.	3	3
ELECTRICARIBE	10,048	9,625
Total investments in local shares	880,177	930,334
Investments in foreign shares		
REP S.A.	116,313	112,481
ISA Perú S.A.	13,544	15,056
Consorcio TransMantaro S.A.	272,408	83,968
Proyectos de Infraestructura del Perú –PDI–	6,642	4,333
ISA Bolivia S.A.	20,039	31,744
ISA Inversiones Chile Ltda.	590,938	–
ISA Capital do Brasil	1,197,825	1,217,155
Interconexión Colombia Panamá S.A. –ICP–	2,676	1,012
Empresa Propietaria de la Red –EPR–	12,200	13,017
Total investments in shares	2,232,585	1,478,766

All other issues mentioned in Article 446 of the Code of Commerce and Law 6 of 1995 are included in the financial statements, the Statutory Auditor's report and the CEO's management report.

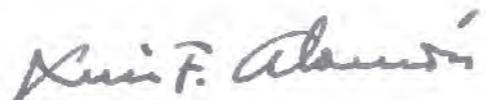
Certification of financial statements and other relevant reports

Medellín, February 18, 2011

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

In connection with the 2010 Annual Report of ISA and its companies, the undersigned, Legal Agent and Chief Accounting Officer of Interconexión Eléctrica S.A. E.S.P., in compliance with Article 37 of Law 222 of 1995, Law 964 of 2005, and Resolution 356 of 2007 of the Colombian General Accounting Office, hereby certify that:

1. The financial statements of ISA parent company, and the consolidated financial statements, as of December 31, 2010 and 2009, 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, as of the closing date.
2. That the financial statements and other reports relevant to the public, related to the fiscal years ended December 31, 2010 and 2009, do not contain defects, inaccuracies or errors that prevent ascertaining the true financial position and operations of ISA and its companies.


Luis Fernando Alarcón Mantilla
Chief Executive Officer

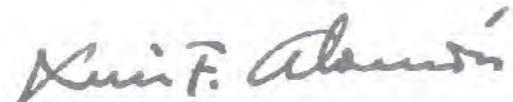

John Bayron Arango Vargas
Chief Accounting Officer
T.P. No. 34420-T

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
CEO


Olga Lucía López Marín
Information Director

US Dollars Consolidates Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 DECEMBER 2010 - DECEMBER 2009
 (In thousands of US Dollars translated at the exchange rate on closing dates)

	2010	2009
Cash flow from operating activities		
Net income	179,676	154,033
Add (less) – adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	358,517	281,036
Depreciation of property, plant and equipment	91,911	95,365
Amortization of deferred charges and other assets	204,564	178,567
Amortization of retirement pensions and fringe benefits	26,961	14,524
Allowance for doubtful accounts	1,587	2,456
Provision for inventory protection	-	3,356
Investment allowance	1,632	4,838
Income tax provision	221,769	236,754
Loss on sale and retirement of property, plant and equipment	1,664	7,771
Exchange difference revenue	(12,332)	(187,030)
Hedging operations valuation (revenue) expense	(12,569)	209,613
Recovery of provisions	(984)	(1,210)
Interest and commissions accrued	105,229	182,645
Changes in operating assets and liabilities:	1,167,625	1,182,718
Accounts receivable	(244,123)	(182,640)
Inventories	11,998	(16,582)
Deferred charges and other assets	(4,408,177)	(195,590)
Accounts payable	418,341	327,527
Labor liabilities	1,355	(1,344)
Accrued liabilities and estimated provisions	(151,497)	(223,110)
Collections for third parties	105,908	135,131
Minority interests	644,509	(203,569)
Other liabilities	1,246,179	(44,559)

US Dollars Consolidates Financial Statements

	2010	2009
Cash flow in other operations		
Payment of retirement pensions	(14,809)	(10,750)
Payment of taxes	(231,298)	(189,482)
Net cash (used in) provided by operating activities	(1,453,989)	577,750
Cash flow from investment activities		
Increase (decrease) in long-term investments	(124,518)	52,199
Acquisition of property, plant and equipment	(55,112)	(84,902)
Net cash used in investment activities	(179,630)	(32,703)
Cash flow from financing activities		
Interest received in cash	9,027	8,063
Interest paid in cash	(78,028)	(164,449)
Cash dividends paid	(90,803)	(78,403)
Increase in financial liabilities	725,039	279,509
Bond issues	2,056,230	135,993
Payment of financial liabilities	(523,086)	(476,752)
Bond payment/decrease	(362,380)	(172,925)
Share issues	-	187,943
Equity variations	(879)	(82,070)
Net cash provided by (used in) operating activities	1,735,120	(363,091)
Increase (decrease) in cash and cash equivalents - net	101,501	181,956
Cash and cash equivalents at the beginning of the year	531,260	315,455
Cash and cash equivalents at the end of the year	632,761	497,411

US Dollars Consolidates Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 2010 - DECEMBER 2009
 (In thousands of US Dollars translated at the exchange rate on closing dates)

	2010	2009
Assets		
Current assets		
Cash	176,194	227,092
Marketable investments	456,566	270,319
Accounts receivable – net	621,193	531,283
Inventories – net	8,186	43,933
Deferred charges and other assets	169,092	71,510
Total current assets	1,431,231	1,144,137
Non-current assets		
Long-term investments – net	318,032	183,195
Accounts receivable – net	625,244	427,791
Inventories – net	29,182	27,170
Property, plant and equipment – net	1,580,030	1,498,973
Deferred charges and other assets	7,933,993	3,674,514
Reappraisals	1,572,399	1,384,463
Total non-current assets	12,058,880	7,196,106
Total assets	13,490,111	8,340,243
Memorandum accounts		
Debit	2,241,541	1,672,898
Credit	1,562,477	923,800

US Dollars Consolidates Financial Statements

	2010	2009
Liabilities and shareholders' equity		
Current liabilities		
Outstanding bonds	249,075	41,903
Financial liabilities	159,343	394,201
Accounts payable	568,151	285,748
Labor liabilities	18,426	15,788
Accrued liabilities and estimated provisions	107,617	124,382
Other liabilities	986,226	168,280
Total current liabilities	2,088,838	1,030,302
On-current liabilities		
Outstanding bonds	2,631,226	1,305,022
Financial liabilities	1,189,365	499,375
Accounts payable	217,839	194,992
Labor liabilities	701	851
Accrued liabilities and estimated provisions	519,951	394,459
Other liabilities	744,436	190,441
Total non-current liabilities	5,303,518	2,585,140
Total liabilities	7,392,356	3,615,442
Minority interests	2,731,054	1,703,105
Shareholders' equity		
Subscribed and paid share capital	19,288	18,059
Capital surplus	755,237	707,117
Reserves	335,747	247,020
Net income	179,676	154,033
Cumulative translation adjustment	2,143	27,958
Equity revaluation	298,773	289,605
Revaluation surplus	1,349,746	1,176,819
Surplus from equity method	426,091	401,085
Total shareholders' equity	3,366,701	3,021,696
Total liabilities, minority interests and shareholders' equity	13,490,111	8,340,243
Memorandum accounts		
Credit	1,562,477	923,800
Debit	2,241,541	1,672,898

US Dollars Consolidates Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
 CONSOLIDATED INCOME STATEMENTS
 DECEMBER 2010 - DECEMBER 2009
 (In thousands of US Dollars translated at the exchange rate on closing dates)

	2010	2009
Operating revenues		
Electric energy transmission services	1,474,224	1,373,480
Connection charges	168,787	142,868
Dispatch and CND-MEM coordination	20,163	19,495
MEM services (STN, SIC, SDI)	20,333	13,691
Roads	86,049	-
Telecommunications	45,937	48,968
Other operating revenues	20,272	19,252
Total operating revenues	1,835,765	1,617,754
Operating costs and expenses		
Operating costs	582,459	509,854
Administration expenses	275,748	254,994
Total operating costs and expenses	858,207	764,848
Operating income	977,558	852,906
Non-operating revenues (expenses)		
Non-operating revenues	210,982	423,129
Non-operating expenses	(428,577)	(604,212)
	(217,595)	(181,083)
Income before taxes	759,963	671,823
Income tax provision	(221,769)	(236,754)
Income before minority interests	538,194	435,069
Minority interests	358,518	281,036
Net income	179,676	154,033

Detailed Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2010 – DECEMBER 2009

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

	Notes	2010	2009
Energy service		891,289	879,014
Other services		50,814	53,302
Returns, rebates and discounts in sale of services (db)		(132)	(209)
Sale of services	(21)	941,971	932,107
Wages and salaries		27,598	23,294
Contributions charged		27,191	19,712
Actual contributions		9,575	9,010
Contributions on payroll		903	844
General		25,533	22,821
Taxes, imposts and duties		637	741
Administration expenses	(23)	91,437	76,422
Allowance for protection of investments		2,493	7,424
Provision of accounts receivable		2,025	1,071
Provision for inventory protection		–	6,860
Provision for contingencies		7,860	4,470
Depreciation of property, plant and equipment		1,475	1,854
Amortization of goods delivered to third parties		–	–
Amortization of intangible assets		4,594	4,318
Provisions, depreciation and amortization	(23)	18,447	25,997
Public utilities		333,351	329,694
Other services		26,128	28,061
Cost of sales of services	(22)	359,479	357,755
Total operating costs and expenses		469,363	460,174
Operating income		472,608	471,933

Detailed Financial Statements

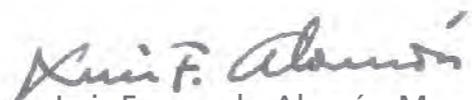
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

INCOME STATEMENTS

DECEMBER 2010 – DECEMBER 2009

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

	Notas	2010	2009
Financial revenues		38,251	15,266
Exchange difference adjustment		25,381	41,164
Income from equity method		110,137	143,635
Other regular revenues		1,036	5,878
Special revenues		3,520	11,726
Prior years adjustment		4,768	1,507
Other revenues	(24)	183,093	219,176
Interest		116,690	184,071
Commissions		514	644
Exchange difference adjustment		21,803	20,986
Financial expenses		42,556	6,728
Loss from equity method		15,908	3,148
Other regular expenses		3,008	6,487
Special expenses		–	6,437
Prior years adjustment		2,689	2,259
Other expenses	(24)	203,168	230,760
Non-operating income		(20,075)	(11,584)
Income before taxes		452,533	460,349
Provision for fiscal liabilities	(17.2)	108,637	145,471
Net income		343,896	314,878
Net income per share		310.47	292.18


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(See attached report of February 18 of 2010)
Designated by Ernst & Young Audit Ltda. TR-530

Detailed Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	Notes	2010			2009		
		Short term	Long term	Total	Short term	Long term	Total
Assets							
Cash		117	–	117	113	–	113
Deposits in financial institutions		3,213	–	3,213	7,595	–	7,595
Funds sold with repurchase agreement		–	–	–	100,115	–	100,115
Cash	(5)	3,330	–	3,330	107,823	–	107,823
Liquidity management investments in debt securities		81,343	–	81,343	423,550	–	423,550
Liquidity management investments in equity securities		2,914	–	2,914	53,809	2,065	55,874
Equity investments in non-controlled entities		–	26,810	26,810	–	26,147	26,147
Equity investments in controlled companies		–	3,098,254	3,098,254	–	2,393,185	2,393,185
Provision for investment protection (cr)		–	(12,302)	(12,302)	–	(10,232)	(10,232)
Investments and derivatives	(5) and (6)	84,257	3,112,762	3,197,019	477,359	2,411,165	2,888,524
Services rendered		6,749	–	6,749	7,284	–	7,284
Public utilities		164,454	2,449	166,903	164,355	7,296	171,651
Advances and pre-payments		3,469	–	3,469	2,699	–	2,699
Advances or credit balances for taxes and contributions		3,765	–	3,765	3,732	–	3,732
Funds given under administration		88,659	–	88,659	–	–	–
Deposits as guarantees		651	–	651	635	–	635
Other accounts receivable		50,475	10,775	61,250	6,268	15,760	22,028
Doubtful accounts receivable		10,142	–	10,142	7,605	–	7,605
Provision for accounts receivable (cr)		(9,954)	–	(9,954)	(8,855)	–	(8,855)
Accounts receivable	(7)	318,410	13,224	331,634	183,723	23,056	206,779
Materials to render services		2,519	61,312	63,831	2,678	61,392	64,070
Provision for inventory protection (cr)		–	(5,459)	(5,459)	(82)	(5,850)	(5,932)
Inventories	(8)	2,519	55,853	58,372	2,596	55,542	58,138
Land		–	19,665	19,665	–	19,697	19,697
Constructions in progress		–	17,403	17,403	–	66,323	66,323
Machinery, plant and equipment in assembly		–	9,119	9,119	–	11,739	11,739
Un-exploited property, plant and equipment		–	10,377	10,377	–	10,377	10,377

Detailed Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	Notes	2010			2009		
		Short term	Long term	Total	Short term	Long term	Total
Buildings		–	89,098	89,098	–	59,657	59,657
Plants, ducts and tunnels		–	1,524,859	1,524,859	–	1,470,477	1,470,477
Networks, lines and cables		–	2,146,339	2,146,339	–	2,097,961	2,097,961
Machinery and equipment		–	37,134	37,134	–	35,189	35,189
Furniture, fixtures and office equipment		–	13,044	13,044	–	12,892	12,892
Computer and communications equipment		–	24,272	24,272	–	23,772	23,772
Transport, traction and lifting equipment		–	1,845	1,845	–	1,845	1,845
Investment property		–	3,532	3,532	–	3,532	3,532
Accumulated depreciation (cr)		–	(1,472,764)	(1,472,764)	–	(1,369,881)	(1,369,881)
Allowance for protection of property, plant and equipment (cr)		–	(9,191)	(9,191)	–	(9,191)	(9,191)
Property, plant and equipment	(9)	–	2,414,732	2,414,732	–	2,434,389	2,434,389
Prepaid assets and services		5,777	–	5,777	6,752	–	6,752
Deferred charges		94,556	25,125	119,681	77,060	25,086	102,146
Works and improvements in others' property		–	461	461	–	538	538
Assets in possession of third parties		–	3,383	3,383	–	3,383	3,383
Accumulated amortization of assets in possession of third parties (cr)		–	(537)	(537)	–	(402)	(402)
Trust rights		–	1,184	1,184	–	–	–
Intangibles		–	401,254	401,254	–	387,116	387,116
Intangibles' accumulated amortization (cr)		–	(86,297)	(86,297)	–	(79,742)	(79,742)
Reappraisals	(11)	–	2,583,387	2,583,387	–	2,405,688	2,405,688
Other assets	(10)	100,333	2,927,960	3,028,293	83,812	2,741,667	2,825,479
Total assets		508,849	8,524,531	9,033,380	855,313	7,665,819	8,521,132

Detailed Financial Statements

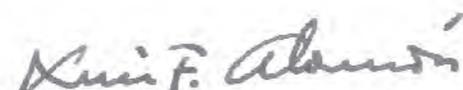
INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	Notes	2010			2009		
		Short term	Long term	Total	Short term	Long term	Total
Liabilities							
Long-term public credit domestic operations	(12)	230,000	1,159,698	1,389,698	136,667	1,152,365	1,289,032
Long-term public credit foreign operations	(13)	35,259	69,558	104,817	38,031	111,950	149,981
Public credit operations and central bank financing		265,259	1,229,256	1,494,515	174,698	1,264,315	1,439,013
Long-term domestic financing operations		–	218,884	218,884	–	218,884	218,884
Long-term foreign financing operations		–	45,553	45,553	–	48,653	48,653
Financing and derivatives operations	(13)	–	264,437	264,437	–	267,537	267,537
Acquisition of national assets and services		21,574	–	21,574	26,260	–	26,260
Acquisition of foreign assets and services		849	–	849	1,680	–	1,680
Interest payable		21,787	44,067	65,854	19,761	35,701	55,462
Creditors		47,195	–	47,195	47,336	–	47,336
Withholding and stamp tax		4,067	–	4,067	4,915	–	4,915
Taxes, imposts and duties payable		3,688	–	3,688	4,544	–	4,544
Value added tax - VAT		1,472	–	1,472	1,331	–	1,331
Advances and pre-payments received		–	20,153	20,153	–	11,985	11,985
Funds received under administration		73,297	–	73,297	28,743	–	28,743
Accounts payable	(15)	173,929	64,220	238,149	134,570	47,686	182,256
Salaries and labor benefits		6,097	1,334	7,431	6,207	1,609	7,816
Pensions and fringe benefits		359	–	359	359	–	359
Labor and social security liabilities	(16)	6,456	1,334	7,790	6,566	1,609	8,175
Provision for fiscal liabilities		36,134	–	36,134	73,682	–	73,682
Provision for contingencies		36,773	–	36,773	12,409	–	12,409
Provision for labor benefits		746	–	746	653	–	653
Provision for pensions		–	86,830	86,830	–	83,511	83,511
Miscellaneous provisions		18,653	48,112	66,765	17,505	37,308	54,813
Estimated liabilities	(17)	92,306	134,942	227,248	104,249	120,819	225,068

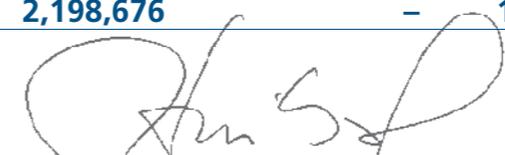
Detailed Financial Statements

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS
DECEMBER 2010 – DECEMBER 2009
(In millions of Colombian pesos)

	Notes	2010			2009		
		Short term	Long term	Total	Short term	Long term	Total
Collections for third parties		10	–	10	949	–	949
Advance revenues		12,897	–	12,897	9,627	–	9,627
Deferred credits		–	348,638	348,638	–	268,623	268,623
Other liabilities	(18)	12,907	348,638	361,545	10,576	268,623	279,199
Total liabilities		550,857	2,042,827	2,593,684	430,659	1,970,589	2,401,248
Institutional equity		550,857	2,042,827	2,593,684	430,659	1,970,589	2,401,248
Subscribed and paid share capital		–	36,916	36,916	–	36,916	36,916
Additional paid-in capital		–	1,428,128	1,428,128	–	1,428,128	1,428,128
Reserves		–	642,614	642,614	–	504,965	504,965
Year's results		–	343,896	343,896	–	314,878	314,878
Donation surplus		–	17,381	17,381	–	17,381	17,381
Revaluation surplus		–	2,583,387	2,583,387	–	2,405,688	2,405,688
Surplus from equity method		–	815,529	815,529	–	819,909	819,909
Equity revaluation		–	571,845	571,845	–	592,019	592,019
Total institutional equity	(19)	–	6,439,696	6,439,696	–	6,119,884	6,119,884
Liabilities + equity		550,857	8,482,523	9,033,380	430,659	8,090,473	8,521,132
Memorandum accounts	(20)						
Contingent rights		–	42,792	42,792	–	33,297	33,297
Fiscal debit accounts		–	3,207,692	3,207,692	–	2,481,375	2,481,375
Debit accounts (cr)	(20)	–	3,250,484	3,250,484	–	2,514,672	2,514,672
Contingent liabilities		–	947,883	985,482	–	999,359	999,359
Fiscal credit accounts		–	160,650	160,650	–	105,075	105,075
Control credit accounts		–	1,052,544	1,052,544	–	610	610
Credit accounts (cr)	(20)	–	2,161,077	2,198,676	–	1,105,044	1,105,044


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(See attached report of February 18 of 2010)
Designated by Ernst & Young Audit Ltda. TR-530

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