

BOARD OF DIRECTORS	
Principal Members	Alternate Members
Ministry of Mines and Energy Minister	Ministry of Mines and Energy Vice-minister of Energy
Ministry of Finance and Public Credit Vice-minister General	Ministry of Finance and Public Credit Director of Public Credit and National Treasury
Isaac Yanovich Farbaiarz	Ministry of Mines and Energy Vice-minister of Mines
Empresas Públicas de Medellín CEO (*)	Empresas Públicas de Medellín Energy Director (*)
Santiago Montenegro Trujillo (*)	Adriana Huertas Bonilla (*)
Luisa Fernanda Lafaurie Rivera (*)	Alejandro Linares Cantillo (*)
Bernardo Vargas Gibsone (*)	Carlos Felipe Londoño Álvarez (*)

(*) Independent members, as provided in Law 964 of 2005

MANAGEMENT	
Position	Name
Chief Executive Officer	Luis Fernando Alarcón Mantilla
Energy Transport Manager	Julián Cadavid Velásquez
Infrastructure Projects Manager	Germán Ortiz Plata
Corporate Strategy Manager	Gonzalo Maya Agudelo (A) Enrique Angel Sanint (A) <i>Ana Mercedes Villegas Mejía</i>
Corporate Finance Manager	Camilo Barco Muñoz
Administrative Manager	Carlota María Nicholls Estrada
Secretary General	Natalia Martínez Villa
Corporate Auditor	Jhon Jairo Vásquez López
Corporate Socio-Environmental Director	Martha Ruby Falla González
Corporate Image Director	Carmen Elisa Restrepo Vélez

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Message from the Management

Messrs. Shareholders:

We are pleased to share with you the management results for ISA and its companies for 2012, a year when we went on materializing opportunities for growth that contrasted with the emergence of new facts that challenged our competencies as an organization.

Prior to the exposition of results by business unit, we will dedicate a few paragraphs to presenting our achievements toward fulfillment of our Big Hairy Audacious Goal (BHAG) defined in 2006.

At that moment, ISA and its companies took up an important challenge in terms of growth, business diversification, and geographic presence. Our BHAG stood as a strategic proposal to guide management efforts, heralding our future through materialization of projects and initiatives that have decisively contributed to our continent's development. Along this period, ISA has been a pioneer among multi-Latin enterprises that transcended Colombian borders; it re-invented itself, entered new business opportunities, adopted better practices, and obtained ratings that have allowed it to finance its growth and internationalization.

In slightly over a quinquennium ISA diversified itself, consolidated its Electric Energy and Telecommunications Transport business, entered the Road Concessions business, and reinvented Markets Management and Operation. Through a conglomerate of initially

seven and later 30 companies, it expanded the presence it had in the Andean Community in the previous decade, and formalized its entrance in such important markets as Brazil, Chile, Argentina, and Central-America.

Our consolidated financial and economic results between 2006 and 2012 evidenced our transformation in this period. Assets grew by 100%, and operating revenues by 113%, EBITDA by 161%, and net income by 81%, results that translated into 70% share appreciation in the market and distribution among shareholders of around \$1 trillion worth of dividends.

Along the same period, our transmission grid grew by 23,830 km of circuit, representing 142% increase, and evidencing our consolidation as one of Latin America's major electric energy transporters.

At 2012 close, and four years before conclusion of the time frame defined by our BHAG, many of the expectations set in it have reached great advancement: of the USD3,500 million in revenue set as the goal for 2016, we obtained USD2,434 million (70%); of 80% generated outside of Colombia, we closed with USD1,664 million (68%); and of 20% that was to come from business units different from Electric Energy Transport, we obtained USD\$538 million (22%).

Additionally, we estimated ISA to be present in 50% of the energy exchanges between the power systems of Latin American countries, a figure that we have already reached, thanks to the international electric interconnections we participate in.

Also, we wanted to enter other related business units, and as a result of this initiative we are the largest inter-urban road concessionaire in Chile, and have provided state-of-the-art studies for the most important road construction project ever undertaken in Colombia, Autopistas de la Montaña.

We materialized the challenge contained in our BHAG of becoming the Andean Region's major data transporter with INTERNEXA's leadership in connectivity infrastructure and telecommunications solutions, thanks to consolidation of the continent's largest land continuous network that traverses seven countries, connecting the Atlantic and Pacific coastlines, and linking all of South America's telecommunications through 23,000 km of fiber optics.

As to development of the energy futures markets in Colombia and other countries, we set in motion, through XM, the energy derivatives negotiation system by participating in Derivex and the Cámara de Riesgo Central de Contraparte.

These valuable results have not stopped us from thinking up new challenges, or responding with initiative to more complex settings, or assertively understanding the natural evolution and dynamics of

the business we are immersed in. Thus, we at ISA do not exhaust our innovation capabilities, starting with resources that have been vital to our growth: appropriate strategic direction, highly capable human team that is recognized as pivotal to achieve results, a financially solid and highly reputed corporation that provides credibility and recognition, and management practices guided by ethics and excellence.

These new challenges we at ISA face today demand ampler and deeper strategic reflection; in response to such, the company's Board of Directors and Management have proactively sought support from McKinsey&Co to conduct along 2012 and 2013 analytic exercise of the validness of the definitions upon which we have grounded our strategy, and help us adopt initiatives that will allow us anticipated action in an ever more globalized and competitive world.

In the advancement of this study, recognition is given to ISA's meaningful growth and diversification, always consistent with the guidelines of the previous plan, a fact that has allowed it to position itself as the leading group with most presence in Electric Energy Transport in Latin America. In this context, consolidation of growth and positioning achieved are proposed as the general direction of the new strategic definition so as to avail of the scale achieved and ensure competitiveness for the next growth cycle.

To this end, our efforts will re-focus on two paths: On one hand, achievement of synergies that ensure the capture of value and

strengthen internal capabilities; on the other, the search for higher efficiency in current operations that will show in financial results and better growth proposals, so the final result will be higher emphasis on increased profits for ISA and its companies.

Let's now retake our presentation of the results of our management efforts in 2012:

In the Electric Energy Transport business unit, we highlight our entrance to the Chilean market, after winning biddings for three projects with a length of 743 km of double-circuit lines at 500 kV, which will consolidate us as that country's second electric energy transporter. In Peru, operation start-up of Zapallal – Trujillo, 500 kV (530 km) megaproject, corresponding to the second segment of the energy highway connecting the country's Central and Northern regions. In Brazil, acquisition by CTEEP of EVRECY, a firm owning three transmission lines at 230 kV (154 km) and through which we expanded our presence to 16 States. In Colombia, the bidding awarded to ISA to construct and operate the Termocol substation at 230 kV (Magdalena Province) and the associated transmission lines. And in Central America, the progress (94%) of the Central American Electrical Interconnection System (SIEPAC) project, a 1,795-km line that we hope will be fully energized in 2013.

On this date, we operate 40,665 km of high-voltage grid and 74,040 MVA of transformation capacity. In 2012 we put into service 1,235 km of lines and 5,120 MVA, which demanded investment close to USD485 million and will represent additional annual revenues of around USD50 million. Additionally, we have made investments for USD2,500 million that will increase the network by 6,400 km of circuits and 13,500 MVA of transformation to bring in annual revenue of around USD240 million.

Performance indicators of the transmission network of ISA and its companies outdid the goals set for 2012 by each country's regulating entities, showing the rigor and excellence of the processes we implement. Particularly in Colombia, these indicators were achieved, despite the fact that during the year, 82 towers of ISA's grid were downed, 24 more than in 2011; at year close, 98% of these structures had been recovered at a cost of \$14,500 million.

As to our Telecommunications Transport business unit, it is worth highlighting that consolidation of the content strategy has resulted in augmented efficiency for the operators, allowing the users more expedite access to them. INTERNEXA currently has two data centers in Brazil, one in Medellin (Colombia), one in Lima (Peru), with another one in Santiago (Chile), soon to join in. Additionally, INTERNEXA started commercial operation of its subsidiaries in Argentina and Brazil; it incorporated 2,076 km of fiber optics to the regional network in Peru, so consolidating 4,674

km in that country, linking the most distant points of its geography, and standing as the only neutral alternative in a highly concentrated market, and it added 109 km of fiber to the South ring in Chile and 605 km linking the cities of São Paulo and Río de Janeiro in Brazil.

In the Road Concessions business unit, we highlight the advances of INTERVIAL CHILE, a company that outdid the projections, showing around 8% growth in traffic flow and revenue from tolls. In that same country, concessionaire Ruta del Maipo implemented an electronic toll collection system, with an investment nearing USD22 million, and given the traffic increase south of Santiago, it is currently negotiating with the Ministry of Public Works construction of a third lane on each side. During the period, we completed reconstruction of 100% of the works deriving from the earthquake of February 2010, and we were fully reimbursed by the insurers.

Meanwhile, in Colombia, ISA received from the National Infrastructure Agency (ANI) the amount of \$39,526 million as payment for the studies conducted along the evaluation stage of the segments of the Autopistas de la Montaña project, and therefore, we transferred to that entity the copyrights on the studies.

With respect to the Smart Management of Real Time Systems, we highlight the work of XM in the National Interconnected System (SIN) and administration of the Wholesale Energy Market (MEM) complying with Colombia's regulatory demands, despite variable climatic conditions, terrorist attacks to the infrastructure, and

the system's constraints. XM also conducted a new firm-energy auction in order to improve reliability and ensure coverage of electric energy demand in Colombia between 2017 and 2022.

Before finishing our balance related to business units, it is important to dedicate some additional space to detailed recounting of the events in 2012 regarding the Panama Colombia Electric Interconnection (ICP) and the early termination of Concession Contract 059/2001, corresponding to affiliate CTEEP, information that you will all the same find in full along this report.

In August of 2012, ICP decided to postpone the auction to allocate financial rights for interconnection capacity access, in view of the impossibility to reach the financial, technical, and socio-environmental conditions that were basic for the project's viability. Since then, ICP has been working on strategic revision of the project's definition, so as to find viability to its construction.

CTEEP, ISA's first and largest investment in Brazil, was affected by a power sector regulatory change concluding on December 4, 2012, with the signing of an additional clause to Concession Contract 059/2001, between CTEEP and the Federal Government. As part of the process, the Federal Government determined that the value of the compensation of the company's assets, corresponding to the new investments (made after May of 2000) was BRL2,890 million, a figure consistent with the analyses conducted by our consultants. Finally, upon subscription of this additional clause, that extends

the concession for 30 years starting January 1, 2013, CTEEP will receive net annual income of BRL515 million for administration, operation and maintenance of the assets.

Although aspects remain to be defined in the CTEEP process, like recognition of the investments made prior to May of 2000 and the improvements made and not amortized, our decision to extend the contract considered Brazil's growth potential and the capability of CTEEP's associates of facing transformation processes like the one currently ongoing in their country's power sector. In 2013, CTEEP started a new path according to the new sector reality, focused on the permanent search for higher productivity, excellence in operational performance and the company's financial health, all aspects permitting the company mitigation of impacts from the new scenario and construction of its future.

This fact, added, among others, to the behavior of macroeconomic variables, fiscal changes in Chile, and recognition under Colombian accounting standards of 100% of the loss in INTERVIAL CHILE (as compared to 60% applied in 2011), were determining in the financial results of ISA and its companies for 2012.

Consolidated revenues reached \$4.3 trillion, representing 1.5% reduction from 2011; although the companies managed to increase their results in their currencies of origin, this decrease arose upon consolidation in pesos. Consolidated EBITDA was \$2.9 billion, 4.1% less than in 2011, with 67.5% EBITDA margin, whereas net income stood at \$272,938 million (19% less than in 2011).

Consolidated assets showed 3.3% decrease with respect to 2011, arising from the effect of revaluation of the Colombian Peso versus the US Dollar, Real and Chilean Peso; however, assets (in their currency of origin) grew due to incorporation of SERRA DO JAPI (Brazil), higher investment levels from construction projects in Peru, the inflow of resources from issuance of CTEEP bonds, and increase of accounts receivable at CTEEP for recognition of the compensation.

As part of the uncertainty generated by the early termination of CTEEP Concession Contract 059/2001 ISA's stock, that had showed a relatively stable behavior along the first semester, was noticeably affected as of September, experiencing 13.14% drop. The share closed at \$9,600, for a 14.29% fall for the period.

For their part, corporate risk ratings and ratings for domestic and international bond issues, granted by specialized agencies, ratified our financial strength and solidness.

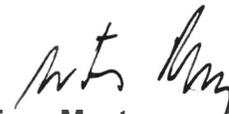
ISA and its companies have a foundation on an excellent organizational management that allows optimization of resources, transfer of best practices and achievement of synergies, led by a human team highly committed to performance and advancement of our enterprises.

Consistent with the commitment to corporate sustainability, we at ISA and its companies seek that each action carried out will contribute to the sustainable development of the setting where we have a presence, facilitating business viability. During 2012, we

advanced in definition of sustainability practices that will improve our competitiveness; we implemented a strategy of awareness and formation in Human Rights with our stakeholders, strengthened the culture of ethics and launched the Anti-fraud Code.

We thank: those who have contributed to the achievement of such results; you, Messrs. Shareholders, who keep on considering ISA worthy of your confidence and your investment; our associates, who have faced with tenacity and responsibility the challenges of ever more defying settings; the societies of the countries in which we have a presence that interact in a relentlessly decided manner in dynamics of accord and dialogue that go hand in hand with our management endeavors; the States in their different instances in Latin America that trust in us as responsible investors; our customers, who stimulate us to continue our innovation efforts to offer higher quality products and services; and our suppliers, who regard us as their allies to achieve development.

We present this document to you with the firm conviction that you will find in it the information necessary to contextualize the management endeavors of 2012. The presentation breaks down thematically by business unit, country and company, in a dynamic layout that we hope will contribute to a better understanding of who we are currently. We put these results to your consideration, and we ratify our commitment to managing with dedication the initiatives springing from the new challenges that the future has in store for us.



Santiago Montenegro Trujillo
Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla
CEO



*Report
from ISA's
Board
of Directors*

In compliance with the provisions contained in the Bylaws and the Code of Good Governance, in my capacity as Chairman of the Board of Directors of Interconexión Eléctrica S. A. E.S.P. – ISA–, I hereby present to you the following information regarding the period April 2012 – March 2013.

COMPOSITION OF ISA'S BOARD OF DIRECTORS

On March 31 of 2012, the Shareholders' Meeting designated positions and persons to make up the Board of Directors. The persons elected are renowned for their moral solvency and knowledge and expertise.

BOARD OF DIRECTORS	
Principal Members	Alternate Members
Ministry of Mines and Energy Minister	Ministry of Mines and Energy Vice-minister of Energy
Ministry of Finance and Public Credit Vice-minister General	Ministry of Finance and Public Credit Director of Public Credit and National Treasury
Isaac Yanovich Farbaiarz	Ministry of Mines and Energy Vice-minister of Mines

BOARD OF DIRECTORS	
Principal Members	Alternate Members
Empresas Públicas de Medellín CEO (*)	Empresas Públicas de Medellín Energy Director (*)
Santiago Montenegro Trujillo (*)	Adriana Huertas Bonilla (*)
Luisa Fernanda Lafaurie Rivera (*)	Alejandro Linares Cantillo (*)
Bernardo Vargas Gibsone (*)	Carlos Felipe Londoño Álvarez (*)

(*) Independent members, as provided in Law 964 of 2005

The following members hold public positions in the national government, and thus have links with the State, the controlling shareholder of ISA:

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

In session 719 of 27 April, 2012, the members of the Board of Directors unanimously appointed Santiago Montenegro Trujillo as Chairman of the Board.

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.

The Board of Directors' members have received the remuneration set by the Shareholders' Meeting for attending the Board and Committee meetings established at 4.5 monthly statutory minimum wages per meeting.

At December 31, 2012, 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.

OPERATION OF THE MEETINGS

Within the mentioned period, the Board met on 14 occasions, 12 of them as face-to-face meetings, and two, as special non face-to-face

meetings. Average length of each meeting was five hours, and every item on the respective agreed agenda was dealt with.

Most relevant issues attended by the Board were:

- Strategic updating project.
- Termination of the agreement with Agencia Nacional de Infraestructura (ANI) for the Autopistas de la Montaña project.
- Early termination of CTEEP's concession contract 059/2011.

The Secretary of the Board, no less than three days before the session, made available to the members of the Board, the documentation related to the topics to be dealt with at the meeting and any additional information requested.

At the beginning of the meetings, the Secretary verified the quorum required. The number of members necessary to form a quorum and to decide was present at each meeting. 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.

BOARD OF DIRECTORS ATTENDANCE			
Principal members	Number of meetings	Alternate members	Number of meetings
Minister of Mines and Energy	12	Vice-minister of Mines	12
Vice-Minister General of the Ministry of Finance and Public Credit	14	Director of Public Credit and National Treasury of the Ministry of Finance and Public Credit	12
Isaac Yanovich Farbaiarz	13	Vice-Minister of Mines	11
EPM's CEO	14	EPM's Energy Director	14
Santiago Montenegro Trujillo	12	Adriana Huertas Bonilla	8
Luisa Fernanda Lafaurie Rivera	13	Alejandro Linares Cantillo	12
Bernardo Vargas Gibsone	12	Carlos Felipe Londoño Álvarez	14

Minutes approved have been signed by the Chairman and the Secretary, and they are kept in consecutive order in the book duly numbered by the Medellín Chamber of Commerce, and remain under custody at the Company's central archives.

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.

In this regard, it is worth listing the following cases:

- The Minister of Mines and Energy and the Vice-Minister of Energy left the premises when the situation of the El Bosque Substation was to be analyzed.
- Officials of Empresas Públicas de Medellín –EPM–, recused themselves and left the premises when issues regarding UPME bids and ISA's strategic updating project were going to be analyzed.
- The Vice-minister of Finance recused himself when analyzing the termination of the contract with ANI for the Autopistas de la Montaña project.

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

The committee met six times during the period. Its members are the Director of Public Credit and National Treasury at the Ministry of Finance and Public Credit, the Director of Energy of EPM, Adriana Huertas Bonilla, Alejandro Linares Cantillo and Carlos Felipe Londoño Álvarez. 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 six times during the period. Its members are the Vice-minister General of the Ministry of Finance and Public Credit, the Vice-Minister of Energy of the Ministry of Mines and Energy, the Vice-Minister of Mines of the Ministry of Mines and Energy, Santiago Montenegro Trujillo and Carlos Felipe Londoño Álvarez.

It presented, among others, the following recommendations to the Board of Directors: hiring of Mckinsey&Co for the strategic updating project and subsequent implementation; evaluation of the CEO.

New Business Committee

Its members are the Minister of Mines and Energy, the Vice-Minister of Energy of the Ministry of Mines and Energy, the Vice-Minister General of the Ministry of Finance and Public Credit, Isaac Yanovich Farbaiarz, Santiago Montenegro Trujillo, Luisa Fernanda Lafaurie Rivera y Bernardo Vargas Gibsone. Its functions are analyzing and recommending investment initiatives included in ISA's growth strategy and monitoring businesses under execution.

During the period, this Committee met 18 times to analyze and contribute guidelines on business opportunities in the different sectors and markets where ISA has an interest.

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.

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 February 11 and 22 of 2013 using an 11-people sample equivalent to 84.5% 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:

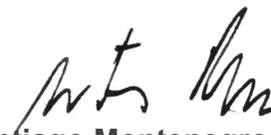
- Individual performance of Board members: 90%.
- Group performance: 88%.
- Performance and participation of the Management: 76%

Standing out among the Board of Directors' strengths are commitment, qualification, seriousness, information analysis responsibility and rigor, and the depth of discussions. Its experience, academic background and diversity make of it a strong group knowledgeable of the different administrative disciplines.

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

Besides its self-evaluation, the Board was rated according to the results of the indicators of the corporate integral and top level management charts. Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 74.44% and compliance with top level was 57.88%, both above the lower goal.

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



Santiago Montenegro Trujillo
Chairman of the Board of Directors



Report on Compliance with and Advancement of the Good Governance Code

In compliance with the provisions contained in the Bylaws and the Code of Good Governance, we present the following report:

SHAREHOLDERS' MEETING

The notice for the Regular Shareholders' Meeting of March 30 of 2012 was published in two newspapers, one of wide national circulation, and another local.

Likewise, on March 27 in national-circulation newspapers, the company reminded shareholders of the date set for the meeting and published information regarding representation by proxy for the meetings.

Concurrently, ISA posted on the company's website, the meeting convening notice, the agenda, the motions to be considered therein, as well as the ticket for the Board of Directors and 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. The meeting was broadcast live via Internet streaming.

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

For information of shareholders, an abstract of minutes 101 corresponding to the regular meeting held on March 30 of 2012 was posted on the company's website.

THE ADMINISTRATION

The Shareholders' Meeting of March 30, elected the Board of Directors for the April 2012 – March 2013 period. All members designated expressed their acceptance in writing, a fact that was also filed with the Chamber of Commerce of the corporation's domicile.

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

According to the bylaws, the Chief Executive Officer, the area managers, the deputy managers and the directors are part of the administration, Information about the professional qualifications and experience of the company's administrators is available on the website, Corporate Governance section.

The CEO is evaluated according to the results of the indicators of the corporate integral management chart, top and first levels. Taking into account the weights per perspective, objective and indicator, compliance with the corporate integral management chart was 74.44%, compliance with top level was 57.88% and compliance with first level was 67.84%, above the lower goal.

In its February session, and upon opinion from the Board Committee, ISA's Board of Directors approved evaluation of performance of not only its Chief Executive Officer, but also its team along 2012:

"So as to achieve a full vision of the managerial performance of Luis Fernando Alarcón and his team, the diverse aspects comprising their tasks and responsibilities, as well as the results and their impact presented by the administration, were considered, both in the medium and the long term. Thus, the most representative indicators of the financial, operating and organizational results presented by the management were analyzed in comparison with the goals set for the year 2012

Such indicators show financial results below the projection for the year, and good results as regards to productivity, service levels, and

human talent. The Board Committee members also considered the relevant facts of last year that affected ISA's results, namely the Brazilian Government's decisions involving the power sector, like early renewal of the concessions, under more restrictive conditions; revaluation of the Colombian Peso versus the Real; the juridical decisions that prevented ISA's continuation of the Autopistas de la Prosperidad project; the postponing of the auction for the interconnection with Panama; and the circumstances that affected the advance of projects like that of El Bosque, among others.

They also positively valued ISA's arrival to Chile's energy transmission market, the subsequent creation of INTERCHILE, a company with the potential to become a good support for ISA's growth and profitability in both the medium and the long term, as well as strengthening of the group as Latin America's main energy transmission company. Likewise, they highlighted the support work from the management group to the consultant firm hired to aid the business group's strategic affairs, in accordance with the Board of Directors' recommendation the previous year.

The aforementioned elements and the opinions issued initially by the Board Committee and later amply ratified by the plenary session of the Board of Directors of February 22, led to recognition of the Chief Executive Officer's performance and of the management group's leadership and capability of reaction to attenuate last year's adverse situations.

Finally, strong consensus exists among the Board of Directors' members regarding the importance that it must have for the administration to recognize the need for business change and transformation, according to the challenges posed by the present and future of ISA's strategic sectors and markets, and the lessons of the previous year, that stand as a call for strengthened risk management systems. Upon consideration of these aspects and the group's strengths, full confidence exists that the CEO will lead, boost and supply the administration with the necessary means to properly guide common efforts with the Board of Directors so as to reach the strategic goals for the benefit of ISA and the country."

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

To negotiate shares of ISA, administrators must have authorization from the Board of Directors, as provided in Decision 60 of 2006 of the Board of Directors. ISA does not use special mechanisms for payment or remuneration in shares to employees and managers.

CONTROL

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

External control bodies

ISA submitted reports requested by the following external entities:

- National General Accounting Office
- National General Auditing Office.
- Colombian Financial Superintendency
- Superintendency of Domiciliary Public Utilities
- Ministry of Finance and Public Credit
- Public Management Administrative Department
- National Planning Department
- National Statistics Administrative Department

Fast & ABS Auditores Ltda. acted as ISA's external auditor of performance and results for the period 2011-2012. Its report issued in April of 2012 and published in El Colombiano daily on July 29, 2012, stated that the internal control system effectively complied with the control goals set, that the company's risk level is low, that the company's methodology to identify and administer risks

is adequate, and that no situations were observed indicating the existence of financial viability problems. Said report was presented to the Superintendency of Domiciliary Public Utilities.

The firm Ernst & Young Audit Ltda. carried out the statutory auditing for the period between April 2012 and March 2013. In compliance with its legal duties, the firm will present to the Shareholders' Meeting a report on the corporation's performance, financial statements and administration.

The following procedures were carried at the Chamber of Commerce of Medellín: presentation of financial statements, renewal of the mercantile register and single roster of proponents, filing of the minutes of the Shareholders' Meeting, election and acceptance of the Board of Directors' members, statutory auditor and legal representatives and their alternates, and updating of ISA's shareholding participation in its companies.

Credit-rating agencies ratified the financial strength and solidness of ISA and its companies.

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

The Statutory Auditor's report, the External Auditor's opinion and the ratings of risk rating agencies are published on the company's website for information of shareholders and investors.

Internal control bodies

Evaluations conducted by the Corporate Audit office did not find any evidence of significant or material deviation that may jeopardize the business continuity of ISA and its companies; this opinion goes in line with the evaluations of external control bodies who issued favorable opinions about the internal control system. In the same way, the activities developed by the Corporate Audit Committee contributed to strengthening of the Internal Control System.

STAKEHOLDERS

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

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

Shareholders and investors

At December 31, 2012, ISA had 43,986 shareholders and subscribed and paid-in capital of 1,107,677,894 outstanding shares. Shareholding and dividends paid are published in this report and on the website.

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

- It kept the website updated as to the company's most relevant facts.
- It presented the financial statements in English and Spanish quarterly and through face-to-face meetings and webcast sessions, with simultaneous translation, to the financial community.
- It used relationship marketing strategies such as emails, digital and printed newsletters, and dispatches of fiscal certificates and monthly statements.

ISA has a shareholder attention center with average service level of 99%.

Suppliers

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

- 1,466 contracts were signed with 824 suppliers of goods and services for \$347,000 million, including VAT.
- It published on the website 91 procurement processes that exceeded 100 monthly statutory minimum wages.
- It verified its suppliers and their managers were not included in the international and national risk lists (OFAC, UN, Attorney General, etc.), complying with the mandate of the Money Laundering and Terrorism Financing Risk Administration System.
- It evaluated 282 companies (445 contracts) and sent them reports on the results of their performance.
- It pre-qualified 26 suppliers to be hired in emergency situations.
- It issued the Suppliers' Newsletter quarterly.
- It conducted satisfaction evaluation by the suppliers in their relation with ISA, showing 90.8% rating.

RELATIONS WITH THE CONTROLLING SHAREHOLDER

ISA has signed inter-administrative agreements with the State, its majority shareholder; at 2012 closing the following contracts were in force:

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 and amended in December of 2012 to include the Olaya Herrera-Pizarro/Mosquera stretch, for total value of \$260,332 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 hydroelectric power plant and the substation, subscribed on December 23 of 2010, for \$10,193 million.

RISKS

ISA gives compliance to the Integral Risk Management Policy through the systematic application of the stages of identification, assessment, management, monitoring, consolidation, communications and

disclosure of its risks, and through report of its management results to respective instances.

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

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

Additionally, ISA and its companies, committed to adoption of good governance practices, have devised mechanisms aiming at prevention of money laundering and terrorism financing in their operations, efforts that have resulted in reasonable protection against these risks and their impact.

INFORMATION DISCLOSED TO THE PUBLIC

ISA, through its website, keeps the public opinion abreast of the company's developments.

Information not posted on the website can be requested in writing to the Chief Executive Officer, stating the reasons and purpose. It must be taken into account that reserved or confidential information, or

information posing a risk to the corporation's business, or affecting third parties' rights, shall not be disclosed by ISA.

COMPLIANCE WITH THE GOOD GOVERNANCE CODE

Along 2012, the Good Governance Code underwent no reforms, and its compliance was monitored through a verification mechanism. The information supplied on the website, the reports to supervision and control bodies, the Code's verification mechanism report, and the reports to the Board of Directors constitute the central axis for verification of compliance with the Code.

No findings compromising compliance with the Good Governance Code commitments arose after annual audits by the Corporate Audit Office and the Statutory Auditor Office. Minor observations, corresponding to 3% of the Code's aspects, referred to periodic updating, in accordance with the company's normal procedural changes.

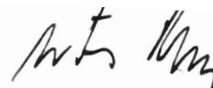
Additionally, there were no reports of non-compliance with the Code from either shareholders or the general public through phone lines and electronic mailboxes.

Ethics Line (Toll-Free):
01 8000 941341
lineaetica@isa.com.co

Toll-Free Line for Shareholder Attention:
Nationwide: 01 8000 115000
From Medellín 57 (4) 3602472
accionesisa@isa.com.co

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

Thank you very much,



Santiago Montenegro Trujillo
Chairman of the Board of Directors



Luis Fernando Alarcón Mantilla
CEO



About us

ISA IN LATIN AMERICA

ISA, directly and through its 30 subsidiaries and affiliates, is currently developing important linear infrastructure projects that boost the continent's progress and improve the life quality of the inhabitants of Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama and Central America.

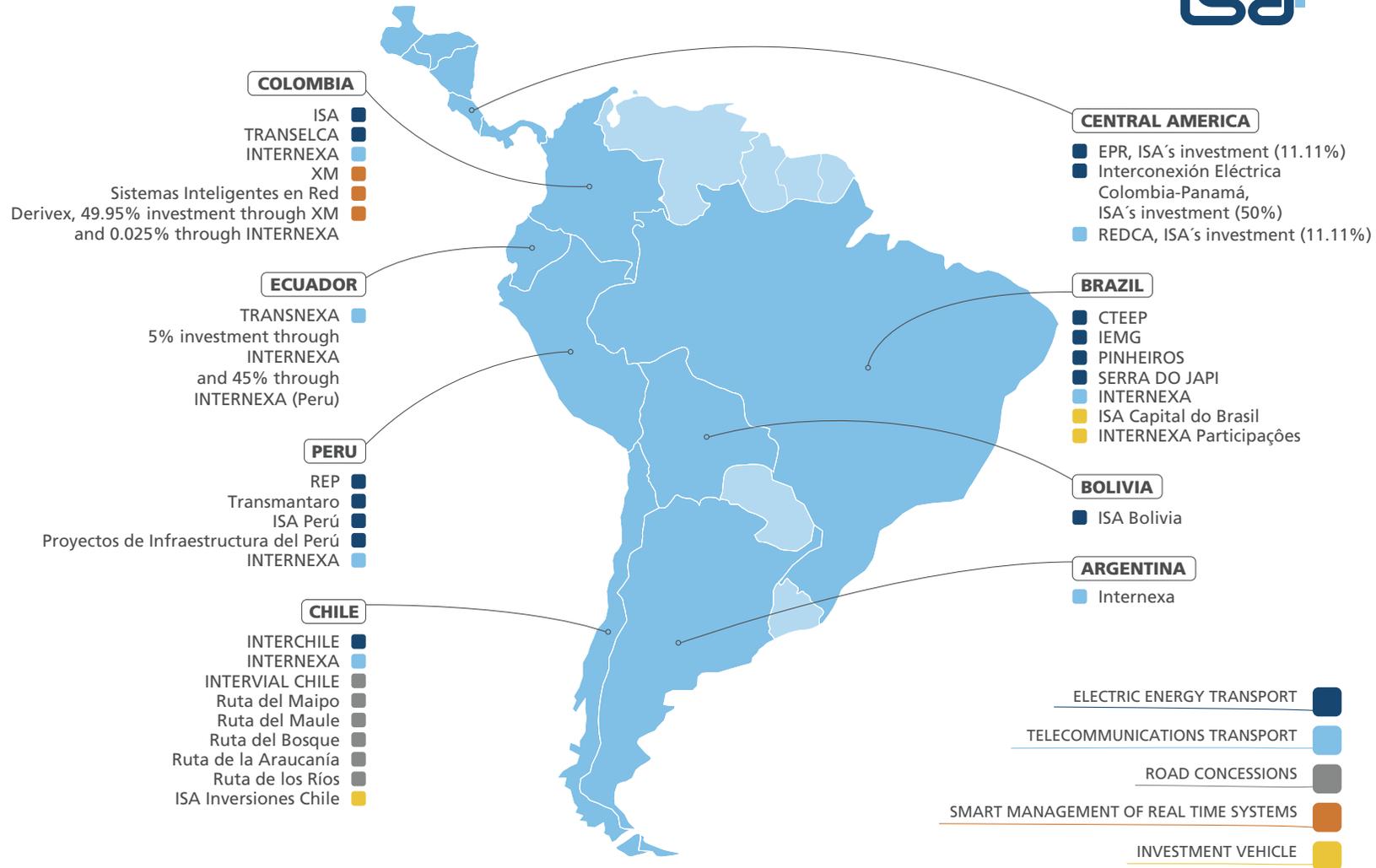
For such purpose, its activities are focused on the businesses of Electric Energy Transport, Telecommunications Transport, Road Concessions, and Smart Management of Real Time Systems.

For about 45 years, efficient and reliable delivery of its services has characterized the company in a framework of respect for Human Rights and protection of the environment, in order to favor competitiveness and regional sustainability, improvement of life quality, and development of the societies where it conducts its activities, all thanks to a human team of 3,686 highly qualified and committed associates.

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



ISA IN LATIN AMERICA BUSINESS UNITS AND COMPANIES



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 business success.

Four corporate values that define their will to be and to do, bolster their trust and credibility, their form of behavior, and the way they want to achieve recognition. These values are:

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

CODE OF ETHICS

This Code is the guiding reference for 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 to consolidate trust relations and define the global character of the organization.

ISA and its companies develop strategies that will allow the perpetuation of ethical values; among such are the activities developed in 2012 aiming at strengthening the culture of ethics in its companies, by means of awareness sessions with all the associates and the other stakeholders.

They also implemented their ethics committees and the ethical line, key mechanisms for implementing the Code. In the case of the line, communication channels were created, such as the email address, website, and 01 800 toll-free line, which facilitate access to the stakeholders. These forms of access are managed by third parties, so as to guarantee transparency and confidentiality, while their reports are timely taken care of by the companies' ethics committees.

ISA's Code of Ethics is published on its website.

ANTI-FRAUD CODE

The Anti-fraud Code formalizes the strategic will of ISA and its companies regarding fraud, sets a culture of zero tolerance to it and establishes homologated corporate guidelines and responsibilities for its prevention, detection, investigation and response in every country where they are present.

In 2012, the Code was presented to stakeholders and the printed media. Also, some of the companies initiated a stage of disclosure of the Code to associates, suppliers and customers in the different interaction spaces.

Through these practices, ISA and its companies place themselves at the vanguard in corporate governance issues, evidencing their commitment to such type of initiatives that are promoted even via international agreements.

ISA's Anti-fraud Code is published on its website.

COMMITMENTS TO THE STAKEHOLDERS

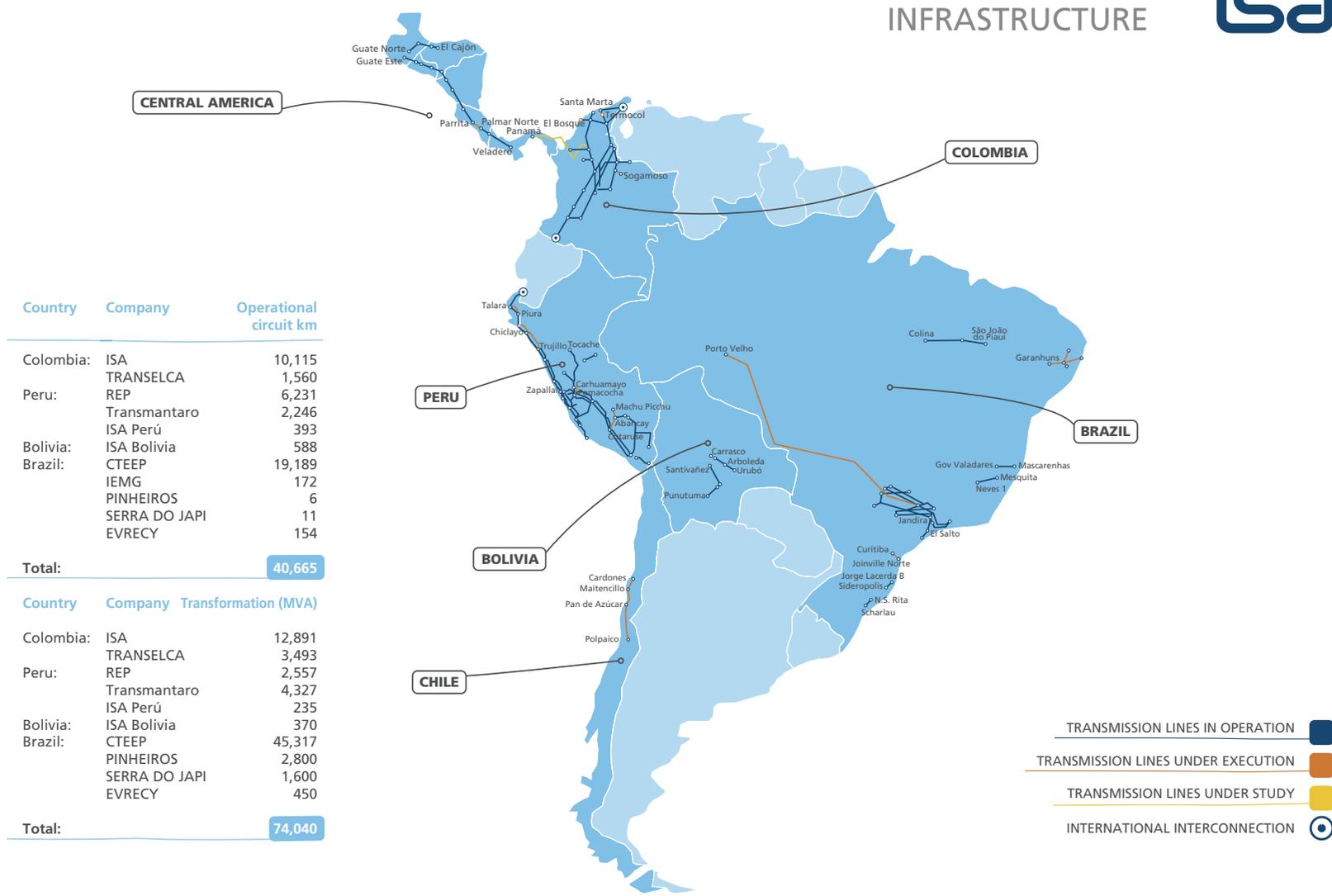
ISA and its companies recognize and value its stakeholders and incorporate them into their strategic model by formulating commitments to each of them.

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



Electric Energy Transport Business Unit

ELECTRIC INFRASTRUCTURE



Country	Company	Operational circuit km
Colombia:	ISA	10,115
	TRANSELCA	1,560
Peru:	REP	6,231
	Transmantaro	2,246
	ISA Perú	393
Bolivia:	ISA Bolivia	588
Brazil:	CTEEP	19,189
	IEMG	172
	PINHEIROS	6
	SERRA DO JAPI	11
	EVRECY	154
Total:		40,665

Country	Company	Transformation (MVA)
Colombia:	ISA	12,891
	TRANSELCA	3,493
Peru:	REP	2,557
	Transmantaro	4,327
	ISA Perú	235
Bolivia:	ISA Bolivia	370
Brazil:	CTEEP	45,317
	PINHEIROS	2,800
	SERRA DO JAPI	1,600
	EVRECY	450
Total:		74,040

- TRANSMISSION LINES IN OPERATION ■
- TRANSMISSION LINES UNDER EXECUTION ■
- TRANSMISSION LINES UNDER STUDY ■
- INTERNATIONAL INTERCONNECTION ⊙



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

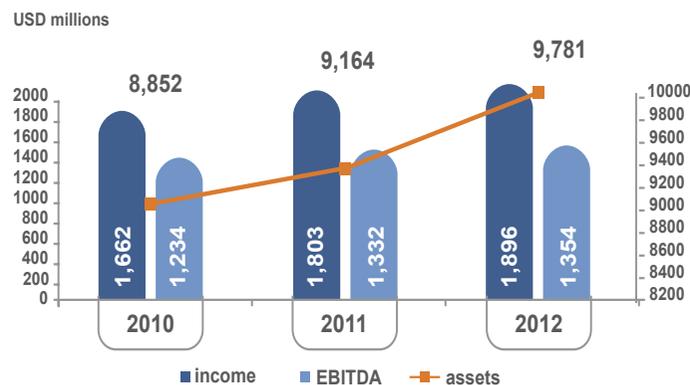
ISA and its subsidiaries and affiliates are one of the largest international transporters of electric energy in Latin America, with 40,665 km of high voltage circuits and 74,040 MVA of transformation capacity, expanding, operating and maintaining a high-voltage transmission network in Colombia, Peru, Bolivia Brazil and Chile; and international interconnections between Venezuela and Colombia, Colombia and Ecuador, and Ecuador and Peru.

In order to keep their leadership as electric energy transporters and to consolidate their outstanding position in Latin America, ISA and its companies continue taking part in bid processes endorsed by national governments; they also undertake construction of large projects, 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.

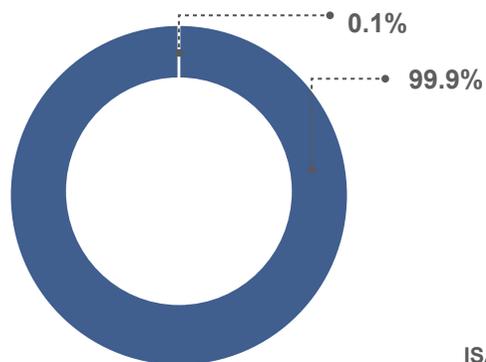
As a result of this effort on 2012, ISA and its companies started commercial operation of 1,235 km of high-voltage circuits and 5,120 MVA of transformation capacity, requiring USD485 million in investments and representing additional annual revenues of USD50 million.

ELECTRIC ENERGY TRANSPORT BUSINESS GROWTH



CHILE

SHAREHOLDING STRUCTURE



ISA ■
ISA Inversiones Chile □

ELECTRIC INFRASTRUCTURE		
INTERCHILE	Investment approx. value USD 800 million	
Projects	circuit km	Voltage level
Cardones – Maitencillo Line and associated substations	265	500 kV
Maitencillo - Pan de Azúcar Line and associated substations	418	500 kV
Pan de Azúcar – Polpaico Line and associated substations	804	500 kV
Total	1,487	



Chile becomes the first foreign country in which the company is present in three business: Road Concessions, through INTERVIAL CHILE, Telecommunications Transport, with INTERNEXA, and, now, Electric Energy Transport with INTERCHILE.

ISA arrived to the Chilean power sector after winning three projects in the bidding process opened by the Toll Department of the Economic Load Dispatch Center of the Central Interconnected System in Chile.

This bid, awarding ISA the design, financing, construction, operation and maintenance of three double circuit transmission lines and associated substations, will allow to reinforce the Central Interconnected System –SIC– from Norte chico, between the Metropolitan region and Atacama, guaranteeing, in the mid-term, timely electric supply coverage with high quality standards.

These projects, which will consolidate ISA as the second electric energy transporter in Chile, will require investments of nearly USD800 million, will generate annual revenues of USD63 million and will be under the responsibility of the new subsidiary, INTERCHILE. ISA will transfer to the new company, all good practices that have allowed ISA to play an outstanding role as international energy transporter in Latin America.

These projects that will start construction in 2013 and operation in five more years, will strengthen the Chilean power system and

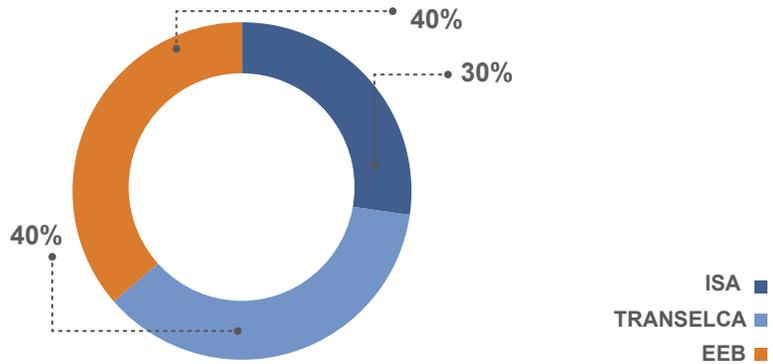
improve quality and reliability of service delivery with state-of-the-art technology for world leading operation of substations.

The entrance into the Chilean electric sector is excellent news, taking into account that ISA had been willing to enter this market for some years, a strong economy market, with stable investment rules, legal security and large requirements of energy supply.

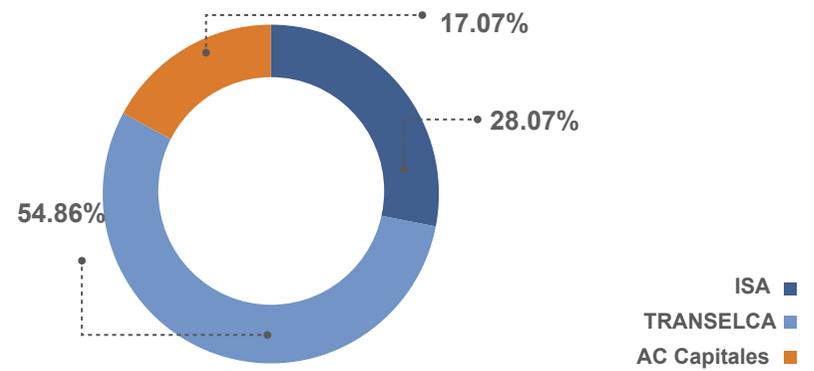


PERU

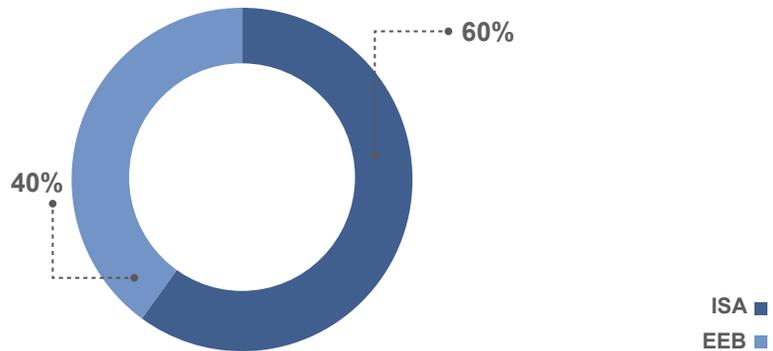
SHAREHOLDING STRUCTURE



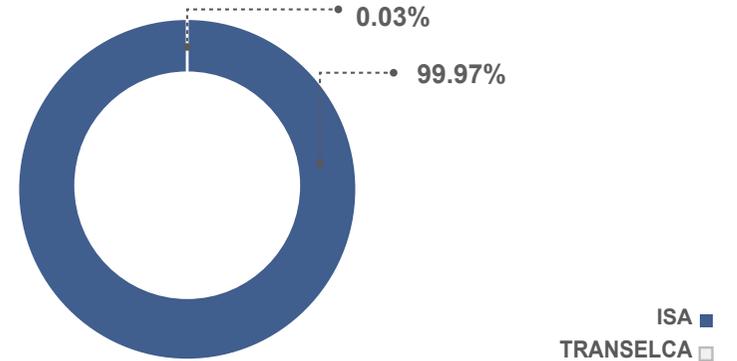
SHAREHOLDING STRUCTURE



SHAREHOLDING STRUCTURE



SHAREHOLDING STRUCTURE PROYECTOS DE INFRAESTRUCTURA DEL PERÚ -PDI- *



(*) PDI, a subsidiary engaged in electric infrastructure project construction for ISA's companies.



ELECTRIC INFRASTRUCTURE					
Companies	Infrastructure in operation		Infrastructure under construction Investment approx. value USD 360 million		
	Transmission (circuit km)	Transformation (MVA)	Transmission (circuit km)	Transformation (MVA)	
REP	6,231	2,557	20	140	
Transmantaro	2,246	4,327	956	945	
ISA Perú	393	235			
Total	8,870	7,119	976	1,085	

Consorcio Transmantaro

With an investment of USD207 million, mega-project Zapallal – Trujillo at 500 kV, entered into operation, a part of the second segment of the energy highway at 500 kV connecting Central and Northern regions of Peru. This project included construction of 531 km of circuits and working in five substations, adding 2,000 MVA of transformation capacity to the system.

This is the largest and more important work built in this country in order to reinforce the National Interconnected Electric System –SEIN–, allowing to serve the growing demand for electric energy in the Northern region, lowering the risk of electricity shortages and optimizing electricity generation dispatch from the Central region.

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

ELECTRIC INFRASTRUCTURE UNDER CONSTRUCTION		
Projects	Benefits	Commissioning date authorized by MEM *
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	2013
Public Bidding: Pomacocha – Carhuamayo 220 kV transmission line and associated substations	Increase transmission capacity for the Central and Northern zones of the country, boosting the system's reliability by forming a ring among associated substations.	2013
Public Bidding: Trujillo - Chiclayo 500 kV line and associated substations	Permits timely and reliable supply in the country's Northern region	2013
Public Bidding: Machupicchu - Abancay - Cotaruse 220 kV transmission line and associated substations	Adapts SEIN in Southern region for connection of new hydro generation developments.	2015

* Ministry of Mines and Energy (MEM) of Peru

Red de Energía del Perú –REP–

The second circuit of the Trujillo Norte – Guadalupe – Chiclayo Oeste 220 kV transmission line entered into commercial operation increasing by 200 MVA the transformation capacity of Guadalupe, Chiclayo Oeste and Huacho substations. These projects will supply the growing demand for electric energy in the Northern region, mainly to serve mining and industrial sectors.

With the purpose of maintaining its leadership, REP and the Ministry of Energy and Mines of Peru (MEM) signed new agreements to carry out projects to expand its transmission network. These projects will require investments for USD35.4 million, related to expansions 12, 13 and 14 and will be built by PDI:

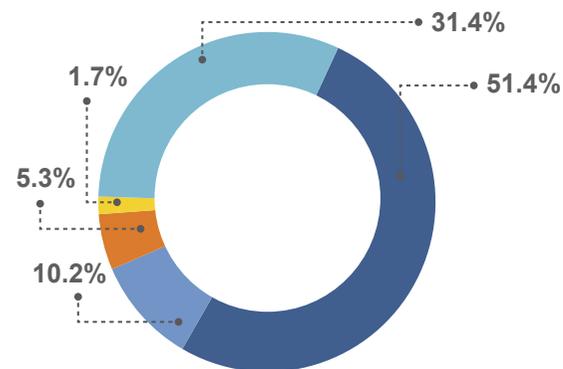
ELECTRIC INFRASTRUCTURE UNDER CONSTRUCTION		
Projects	Benefits	Commissioning date authorized by MEM
Expansion 11: Increase of short-circuit tolerance uprating of Pomacocha - Pachachaca 220 kV line and expansion of Pomacocha and Tintaya substations	Increases power transfer capacity in the country's Northern region	2013
Expansion 12: Expansion of transformation Puno 138 kV (40 MVA) substation and configuration change of Ayaviri 138 kV substation.	Increases transformation capacity to serve growing demand in the country's Southern region	2013
Expansion 13: Pariñas 200 kV substation; uprating of Talara - Pariñas - Piura line; expansion of Piura Oeste substation	Permits connection of Talara wind farm (30 MW) to SEIN in the Talara substation and increases transmission capacity in the Northern region of the country	2014
Expansion 14: Reque substation and expansion of Trujillo Norte substation 220/138 kV (100 MVA)	Permits connection of Puerto Eten thermal plant (200 MW) and serving growing demand in the country's Northern region	2014

With investments for USD240 million, the Peruvian companies of ISA entered into commercial operation in 2012, projects adding up 720 km of circuits and 2,200 MVA of transformation capacity to SEIN, representing annual revenues of approximately USD30 million. For this reason, ISA continues to be the largest high-voltage energy transporter in this country with 8,870 km of circuits and 7,120 MVA of transformation capacity.



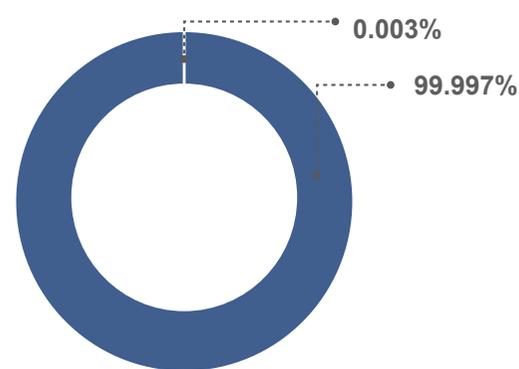
COLOMBIA

SHAREHOLDING STRUCTURE



- The Nation
- EPM
- Ecopetrol
- EEB
- Privates

SHAREHOLDING STRUCTURE



- ISA
- Others

ELECTRIC INFRASTRUCTURE					
Companies	Infrastructure in operation		Infrastructure under construction Investment approx. value USD 240 million		
	Transmission (circuit km)	Transformation (MVA)	Transmission (circuit km)	Transformation (MVA)	
ISA	10,115	12,891	219	2,250	
TRANSELCA	1,560	3,493	27	150	
Total	11,675	16,384	246	2,400	



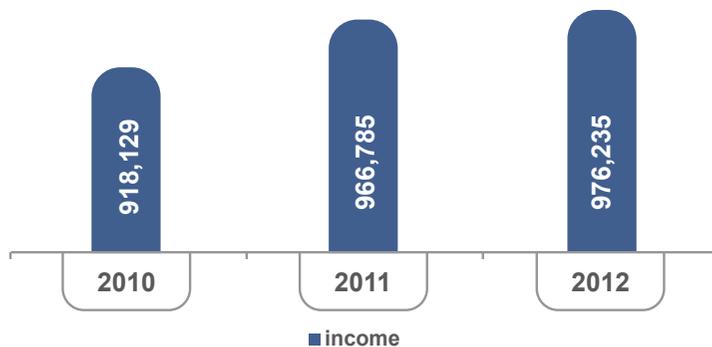
Interconexión Eléctrica S.A. –ISA–

With 70.1% ownership of the National Transmission System –STN–, ISA keeps its leadership in the Colombian electric sector, consolidating as the largest energy transporter in the country and the only one with national coverage.

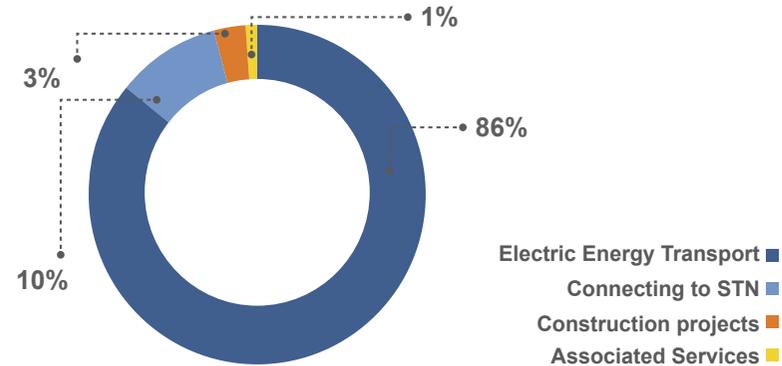
The company offers a complete service portfolio through a commercial department integrated between ISA and TRANSELCA: electric energy transport to market agents; connection to STN to generators, grid operators, regional transporters and large consumers; project construction for third parties; ancillary services related to maintenance and electricity; and energy studies, among others.

NET SALES

\$ millions



SHARE OF NET SALES



Electric Energy Transport Projects

Three projects are under construction by ISA, adding 195 km of circuits and 1,050 MVA of transformation capacity to the STN that will generate annual revenues of USD7.5 million:

UPME Bid 02 of 2010 – Termocol

In 2012 ISA was awarded the public bidding opened by the Mining and Energy Planning Unit (UPME) to design, supply, build, operate and maintain Termocol substation at 230 kV (Magdalena Province) and the double circuit associated transmission lines at 220 kV. The

project will generate annual revenues of approximately USD0.6 million, giving greater reliability to the electric system and allowing Termocol (202 MW) thermal plant to be connected to the STN. The project is under construction according to schedule and is expected to enter into commercial operation in August 2013.

UPME Bid 02 of 2008 – El Bosque

ISA is responsible for the construction, assembly, commissioning, administration, operation and maintenance of El Bosque substation at 220 kV and its associated transmission lines, project that will increase energy supply reliability and serve demand growth in the Cartagena area (Bolívar province). The project's commissioning date established in UPME bidding terms was May 2011; however, the construction of the project was delayed due to problems with authorizations by the Municipality of Cartagena and issuance of the environmental license, granted by the Ministry of the Environment in March 2012, factors that caused the company to pay compensations set by regulation.

At the end of 2012, meeting requirements established in the environmental license awarded by the Environmental Licenses National Agency –ANLA–, and as a proof of its good will and commitment to offering Cartagena a project in harmony with sustainable development, ISA signed an agreement with the Ministry of Mines and Energy, the Municipality of Cartagena and the Attorney General Office for the underground construction of a segment of line,

at the moment crossing the Perimetral Way, which will be totally built by November 2018.

Due to this project characteristics, affecting rural and urban areas, ISA has been carrying out a social-environmental integrated management process in order to prevent, mitigate, correct and compensate impacts generated by this type of projects.

El Bosque substation building process ended in 2012 and the entry into commercial operation of the project is expected for the second semester of 2013, taking into account that the line construction work progress is at 90% at December 2012.

UPME Bid 04 of 2009 – Sogamoso

ISA is responsible for the construction, assembly, commissioning, administration, operation and maintenance of Sogamoso substation at 230/500 kV (1,050 MVA) and the associated transmission lines (168 km), in order to increase system reliability in the Northeast region of the country and to allow Sogamoso power plant (800 MW) to be connected to the STN. The date defined in the selection process documents for the entry into commercial operation of the project is June 2013. However, there have been delays in the construction due to difficulties in obtaining the environmental license, reason why the project will not enter into commercial operation at the date defined in the bidding process. Due to this situation, the company will ask the Ministry of Mines and Energy

for an extension. If it is granted, the new date will give the company a longer time to finish construction, reducing the possibilities of having to pay compensations.

Corresponding procedures before the environmental authority are currently underway, and necessary authorization is expected in order to start project construction and achieve commissioning as soon as possible. By 2012 closing date, the project presented 49% progress.

STN Connection Projects

With an investment of USD63 million, ISA has the following projects under construction:

- **Cerromatoso substation expansion (Sucre Province):** Design, supply, construction, operation and maintenance of the connection and associated bays for a third transformer 500/110/34.5 kV (150 MVA) in order to increase reliability in the North of Antioquia province and in the South of Córdoba province.
- **Purnio substation expansion (Caldas Province):** Design, supply, construction, operation and maintenance of a connection bay at 230 kV to increase reliability in La Dorada region.

- **Chivor substation expansion (Boyacá Province):** Design, supply, building, operation and maintenance of a new substation at 115 kV and increase of transformation capacity 230/115 kV (150 MVA), in order to supply Casanare Province's increasing energy demand.
- **Jamondino substation expansion (Nariño Province):** Design, supply, construction, operation and maintenance of a second transformer at 230/115 kV (150 MVA) and associated bays in order to supply increasing energy demand in the region.
- **Chinú substation expansion (Córdoba Province):** Design, supply, construction, operation and maintenance of the third transformer 500/110 kV (150 MVA) and associated bays in order to supply increasing energy demand in Sucre, Córdoba and South of Bolívar provinces.
- **Sogamoso Connection (Santander Province):** Design, supply, construction, operation and maintenance, in Santander province, of the Sogamoso hydroelectric power plant (800 MW) connection to the new substation at 230 kV (21 km).

Project construction for third parties

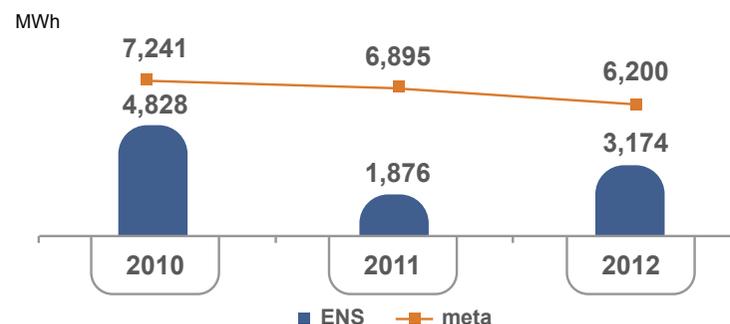
Additionally, ISA has under construction several infrastructure projects for its customers with a value of approximately USD180 million.

INFRASTRUCTURE PROJECTS FOR CLIENTS			
Projects	Benefits	Customers	Commissioning
Expansion of Sucre Province electric distribution grid	With FAER resources expands electrification coverage in La Mojana region (Sucre province)	Ministry of Mines and Energy	2012
34.5 kV electric interconnection and associated substations in Chocó Province	Electric interconnection in Choco Province from Istmina municipality to Paimadó and San Miguel	DISPAC	2012
Mitú trust	Construction of 34.5 kV electric interconnection between Mitú hydroelectric plant and the substation	Financiera Energética Nacional -FEN-	2012
Piedecuesta 115 kV substation	Connection of Piedecuesta substation to Bucaramanga - San Gil 115 kV transmission line	ESSA	2013
Popayán - Guapi 115 kV line and associated substations; Olaya Herrera - Pizarro / Mosquera 115 kV line	With FAZNI resources improves energy service in Cauca and Nariño Provinces	Ministry of Mines and Energy	2014
Jamondino (Colombia) – Pomasqui (Ecuador) 230 kV alternate line	Connects Ipiales airport to the STN in the Province of Nariño	Department of Civil Aeronautics	2014

Grid performance

Management indicators of ISA’s transmission grid exceeded the goals set for 2012 confirming the rigor and excellence with which each of the business processes is performed. Availability and continuity of energy supply indicators are as follows:

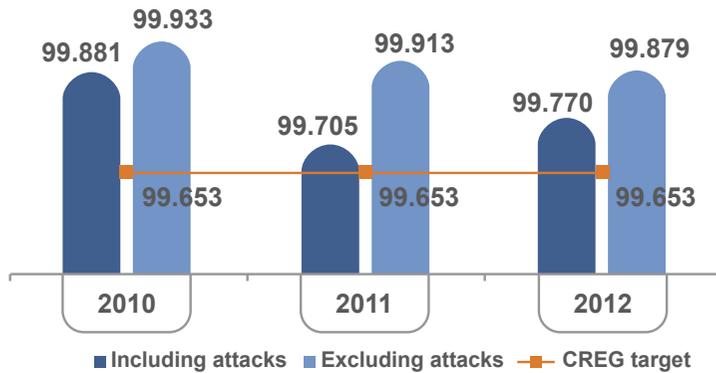
UNSERVED LOAD



During 2012, Unserved Load (ENS, for its Spanish initials) amounted only to 0.005% of SIN's total demand (59,370 GWh) as a result of facts where ISA was responsible, without taking into account terrorist attacks. 80.2% of ENS was due to scheduled maintenance activities, coordinated with affected customers.

ISA'S NETWORK AVAILABILITY

%



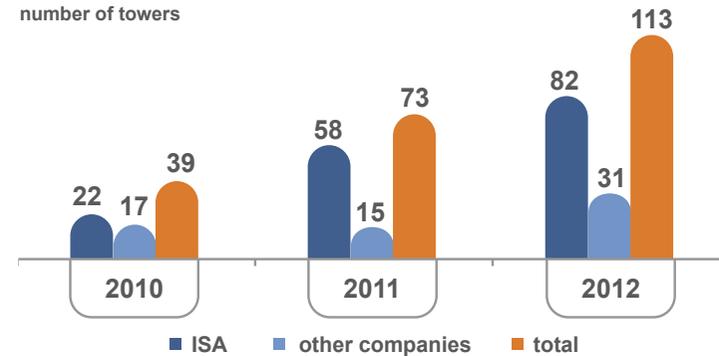
Total average availability of ISA's transmission assets exceeded the goal set by the Energy and Gas Regulatory Commission (CREG).

Terrorist attacks to electric infrastructure

During 2012, 82 towers of ISA's transmission grid were destroyed, 24 more than in 2011 and 60 more than in 2010. 94% of attacks took place in Cauca, Antioquia, Arauca and Guajira provinces. Most of the attacks happened during August, amounting to 40 transmission towers affected.

SIN'S TOWERS DAMAGED

number of towers



With the decided support of the National Government, the Armed Forces and the power sector's companies, ISA carried out the necessary tasks for guaranteeing service availability. By the end

of 2012, 98% of the company's infrastructure that was affected by terrorist attacks had already been recovered. The average time to recover damaged structures was 10.8 days per tower, shorter than the time of the last two years. In 2012 the cost of recovering affected infrastructure amounted to \$14,535 million.

Technological development

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

- Improvement in the grounding systems in Los Palos – Caño Limón transmission line and reduction in over-voltages in this line using anti-theft cables, artificial grounds, conductive cements and lightning protection (lightning arresters).
- Development of a substation control and supervision system integrating technologies from different suppliers, unifying communication protocols in order to ease operation and maintenance, using the Substation Automation System (SAS).

- Implementation of the Substation Equipment Management Automatic System (SAGES): first phase of the project was finished in Ancón Sur, Purnio and San Carlos 230 and 500 kV substations; second phase of the project was implemented in Páez, Ocaña 230 and 500 kV and Primavera 230 and 500 kV substations. This tool, working as a remote operation system is very effective because it simplifies and eliminates specialized personnel traveling to substations to perform configuration, installation and test activities.

TRANSELCA

With a share of 10.22% in STN, TRANSELCA is the second largest company, among 11 transmission companies in the country. In 2012, TRANSELCA commissioned the following projects:

- **Santa Marta substation expansion (Magdalena Province):** Developed in 10 months, the project increased transformation capacity in Santa Marta substation at 220/110 kV, connecting Puerto Nuevo to the STN.
- **Fundación substation expansion (Magdalena Province):** A new transformer at 220/110 kV entered into commercial operation with its associated bays, increasing transformation capacity by 100 MVA in order to improve reliability in the area.

- **Nueva Barranquilla substation adaptation (Atlántico Province):** Included the recovery of power, control and protection equipment in Nueva Barranquilla substation in order to connect it to the Nueva Barranquilla – Juan Mina transmission line at 110 kV with its associated substation.

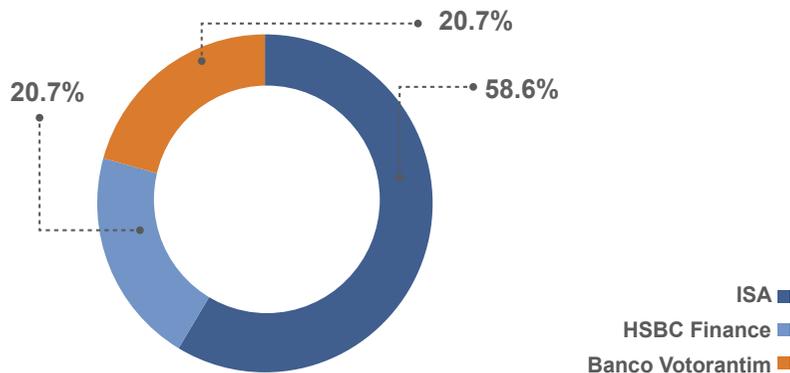
Additionally, the connection to the STN of coal fired Gecelca 3 power plant (164 MW) to Cerromatoso substation (Córdoba Province) is under construction. The project, which must enter into commercial operation in April 2013, requires the construction of a new substation at 110 kV in the free economic zone, a double circuit transmission line (14 km) and the expansion of Cerromatoso substation at 110 kV.

BRAZIL

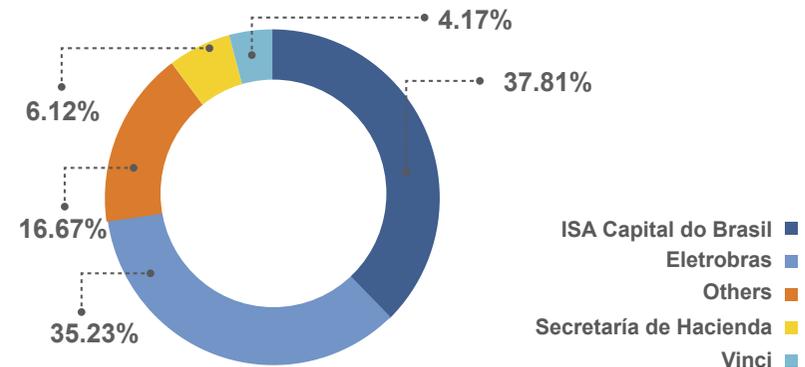
Controlled companies

SHAREHOLDING STRUCTURE

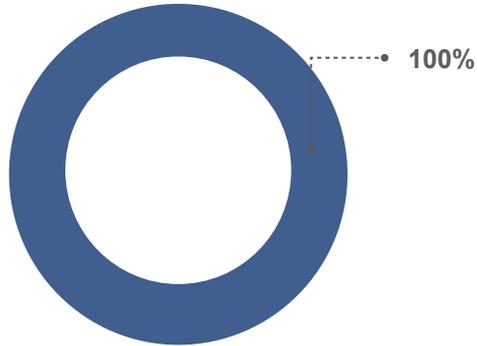
ISA CAPITAL DO BRASIL



SHAREHOLDING STRUCTURE TOTAL SOCIAL CAPITAL

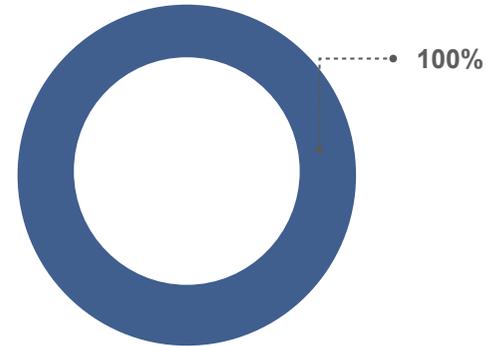


SHAREHOLDING STRUCTURE



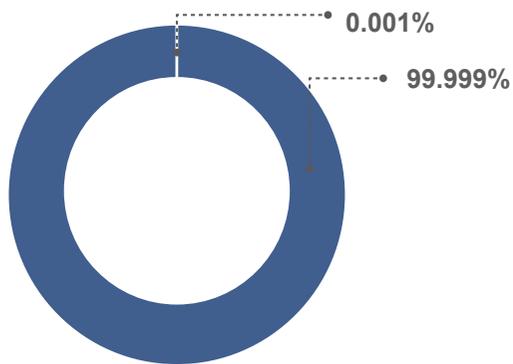
CTEEP ■

SHAREHOLDING STRUCTURE



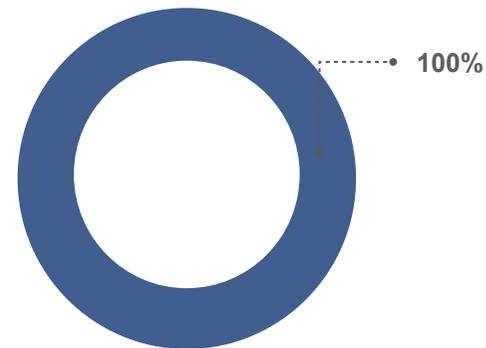
CTEEP ■

SHAREHOLDING STRUCTURE



CTEEP ■
Others □

SHAREHOLDING STRUCTURE



CTEEP ■



ELECTRIC INFRASTRUCTURE				
Companies	Infrastructure in operation		Infrastructure under construction Investment approx. value USD 100 million	
	Transmission (circuit km)	Transformation (MVA)	Transmission (circuit km)	Transformation (MVA)
CTEEP	19,189	45,317	399	1,002
IEMG	172			
PINHEIROS	6	2,800		800
SERRA DO JAPI	11	1,600		
EVRECY	154	450		
TOTAL	19,378	49,717	399	1,802

Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

With an investment close to USD100 million CTEEP added 347 km of transmission lines and 143 MVA of transformation capacity to the Brazilian electric system through reinforcements and connections in the State of São Paulo.

The company also negotiated before the Agência Nacional de Energia Elétrica –ANEEL– a series of expansions to reinforce its transmission network. These projects, amounting to 267 MVA of transformation capacity and 138 km of circuits will require investments for USD40 million.

Interligação Elétrica Pinheiros–PINHEIROS–

With an investment of USD25 million Atibaia II substation at 345/138 kV entered into commercial operation to expand by 400 MVA the transformation capacity of São Paulo State.

Additionally, the commissioning of Itapeti substation at 345/88 kV is scheduled for the third quarter of 2013, adding 800 MVA of transformation capacity to the electric system.

Interligação Elétrica Serra do Japi–SERRA DO JAPI–

With an investment of USD90 million, the company entered into commercial operation Jandira and Salto substations at 440 kV,

adding 1,600 MVA of transformation capacity and 10 km of circuits to the electric system. These projects will help to improve energy supply in the Northern region of Greater São Paulo.

EVRECY

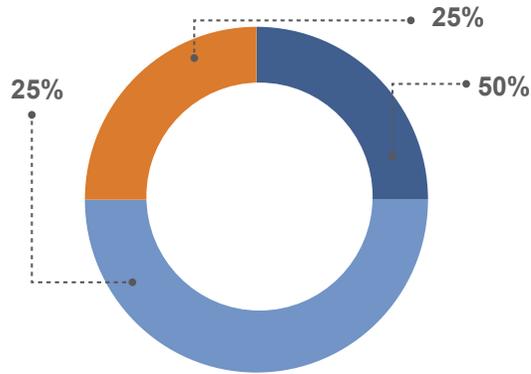
CTEEP acquired the totality of shares of this company, amounting to USD30 million. The concession contract ends in 2025.

EVRECY assets are located in the states of Espírito Santo and Minas Gerais states, including three transmission lines at 230 kV (154 km), Governador Valadares – Conselheiro Pena, Conselheiro Pena – Aimorés and Aimorés – Mascarenhas, and Mascarenhas substation at 230 KV (450 MVA). These assets generate annual revenues of USD5 million.



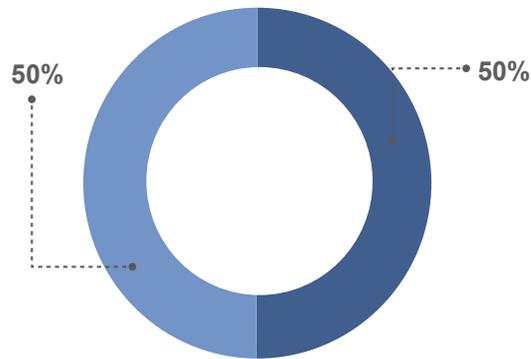
Inversiones de CTEEP

SHAREHOLDING STRUCTURE



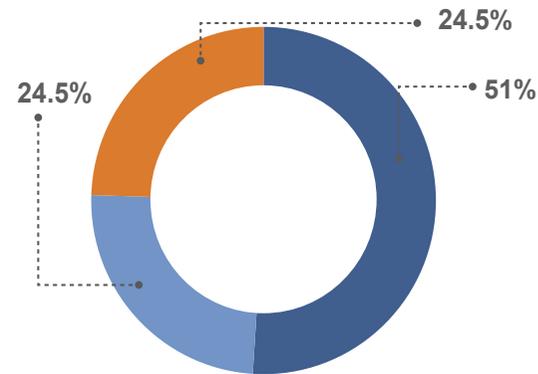
CTEEP ■
Isolux ■
CYMI ■

SHAREHOLDING STRUCTURE



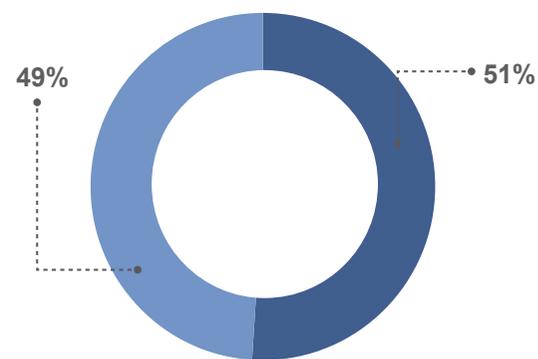
CTEEP ■
CYMI ■

SHAREHOLDING STRUCTURE



CTEEP ■
FURNAS ■
CHESF ■

SHAREHOLDING STRUCTURE



CTEEP ■
CHESF ■

ELECTRIC INFRASTRUCTURE				
Companies	Infrastructure in operation		Infrastructure under construction Investment approx. value USD 1,000 million	
	Transmission (circuit km)	Transformation (MVA)	Transmission (circuit km)	Transformation (MVA)
IENNE	720			
IESUL	108	750	100	
IE MADEIRA			2,375	6,100
IE GARANHUNS			838	2,100
TOTAL	828	750	3,313	8,200

Interligação Elétrica Sul –IESUL–

With an investment of USD8 million, the company added 50 km of circuits to the electric system by commissioning Jorge Lacerda – Siderópolis transmission line at 230 kV, located in Santa Catarina State, to serve the growing energy demand in the region.

In the third quarter of 2013, and with an investment of USD20 million, the company expects to enter into commercial operation the Joinville Norte – Curitiba transmission line at 230 kV (100 km) between Santa Catarina and Paraná States.

Interligação Elétrica do Madeira –IE MADEIRA–

One of the most important electric projects in Brazil is under construction by the company; it will connect Santo Antônio (3,150 MW) and Jirau (3,450 MW) hydroelectric power plants to the electric system. Both plants belong to Rio Madeira Hydroelectric Complex (Rondônia State), the largest energy project in the Amazon region.

The project requires an investment of approximately USD900 million and will generate annual revenues of USD100 million. It includes the Porto Velho (Rondônia) - Araraquara 2 (São Paulo)

HVDC transmission line at 600 kV (2,375 km), the Porto Velho CA/CC conversion substation (3,150 MVA) at 500/600 kV and the Araraquara CC/CA inverter substation (2,950 MVA) at 600/500 kV. The project is scheduled to enter into commercial operation in 2013.

Interligação Elétrica Garanhuns –IE GARANHUNS–

In the states of Paraíba and Pernambuco, two substations at 500 kV are under construction which will add to the Brazilian electric system 2,100 MVA of transformation capacity and 838 km of circuits in four transmission lines at 230 and 500 kV. The project is scheduled to enter into commercial operation in 2014 and will require an investment of nearly USD85 million.

Finally, during 2012, CTEEP and the companies in which it has a stake in Brazil, entered into commercial operation projects that were under construction with an investment of approximately USD250 million, adding to the Brazilian electric system 580 km of circuits and 3,800 MVA of transformation capacity.

Thanks to EVRECY acquisition, ISA strengthens its involvement in Minas Gerais and enters into Espírito Santo State, extending to 16 the number of States where the company is operating in Brazil.

CTEEP Concession Contract 059/2001

CTEEP, ISA's first and largest investment in Brazil, was affected by a power sector regulatory change concluding on December 2012, with the signing of an additional clause to Concession Contract 059/2001, between CTEEP and the Federal Government.

Changes originated in announcement by Brazilian President, Dilma Rousseff, of the Provisory Measure MP 579 of September 11, 2012, which sought reduction of electric energy tariffs for consumers and promotion of competitiveness of the national industry, anticipating to 2013 termination of electric sector concessions originally to expire between 2015 and 2017; this in exchange for compensation of non-depreciated assets (exactly as consigned in the contracts), and future recognition of an annual payment for operation and maintenance of assets under concession.

MP 579 affected a large group of generation, distribution and transmission companies. To the last group belong a series of concessions amounting to 85,000 km of transmission lines, where 13,723 km are operated by CTEEP. It is worth mentioning that this measure does not affect the rest of companies and investments of ISA in Brazil.

The issue of MP 579, which affected seriously the Brazilian electric sector, initially took CTEEP's Administration Council, based on economic and financial studies hired with the prestigious Getulio Vargas Foundation, to consider not renewing Concession Contract 059/2001 and continue operating under the same conditions until 2015. Among other reasons, CTEEP expressed that it was necessary to make adjustments to MP 579, such as to compensate investments in assets not yet amortized or depreciated existing as of May 2000, acknowledgment of improvements and tax neutrality over compensated values.

Upon consideration of the impact on the affected companies, the Brazilian government modified MP 579 by issuing the MP 591, of November 30 of 2012 recognizing the companies' right of compensation for non-depreciated existing assets as of May 31, 2000 previously registered by the concessionaires and recognized by ANEEL. This new proposal, based on integrated analysis performed by experts in different subjects, was approved in the CTEEP Special Shareholders' Meeting of December 3, 2012. Next, on December 4, 2012 CTEEP subscribed with the Federal Government an additional clause to Concession Contract 059/2001, extending it for 30 years, beginning on January 1, 2013.

On January 2012, Provisory Measures 579 and 591 were ratified by means of Law 12783, signed by the President of Brazil.

Such Law stipulates conditions about renewing concessions for electric energy generators, distributors and transmitters, and lowers sector fees and tariffs. Additionally, the Law establishes compensation conditions for new investments (after May 2000), as well as compensations for the existing system assets (before May 2000).

Assets compensation corresponding to CTEEP's new investments totals R\$2,890 million, an amount that is in line with the analysis performed by the consultants hired in Brazil. Payment terms agreed were: 50% upfront (received on January 18, 2013); the remaining 50% payable in 31 monthly installments indexed to IPCA + 5.59% (January 2013 to June 2015).

In order to determine the assets compensation of existing system provided in MP 591, ANEEL requested concessionaires to send information regarding existing system's transmission facilities whose assets are registered and not depreciated as on May 31, 2000 Methodology and terms of payment will be defined in the regulation to be issued by the Ministry of Mines and Energy.

Finally, after the extension to the contract as from January 1, 2013, CTEEP will receive net annual revenues for BRL515 million for asset's administration, operation and maintenance.

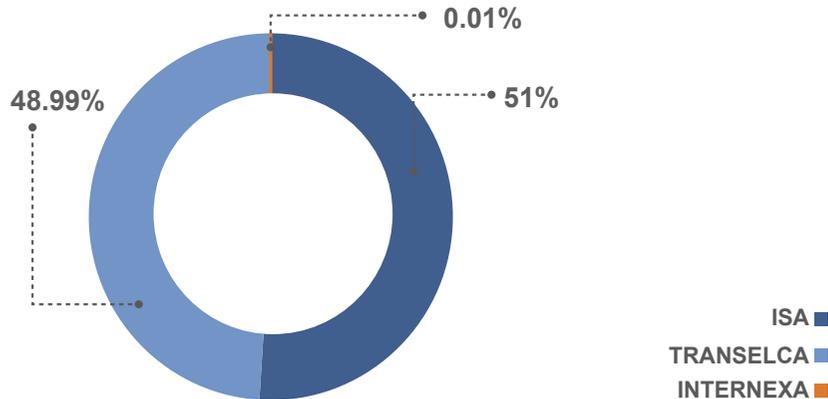
The decision to extend the contract took into account Brazil's potential growth and CTEEP associates' ability to deal with transformation processes like the one the electric sector is actually facing, keeping the essence of its objective: "bringing energy to people".

In 2013, CTEEP started a new path according to the new sector reality, focused on the permanent search for higher productivity, excellence in operational performance and the company's financial health, all aspects permitting the company mitigation of impacts from the new scenario and construction of its future.



BOLIVIA

SHAREHOLDING STRUCTURE



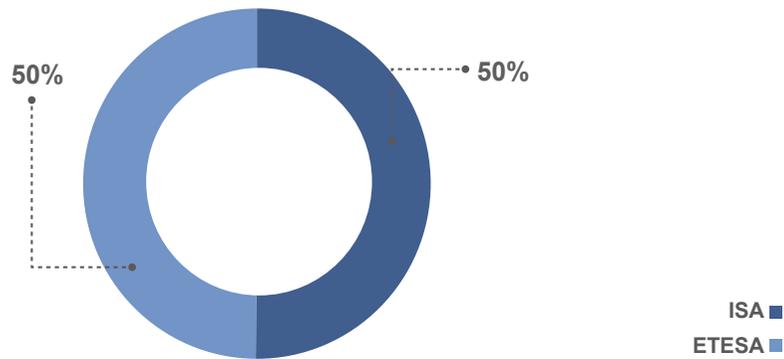
ELECTRIC INFRASTRUCTURE		
Company	Infrastructure in operation	
	Transmission (circuit km)	Transformation (MVA)
ISA BOLIVIA	588	370

ISA keeps investments in this country and meets the service level goals agreed with regulatory entities. Additionally ISA is on the alert about new growth possibilities that may arise from the Bolivian Expansion Plan.

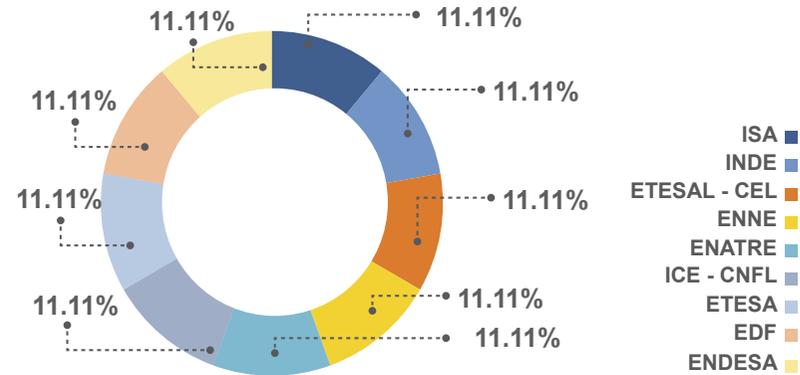


CENTRAL AMERICA

SHAREHOLDING STRUCTURE INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ -ICP-



SHAREHOLDING STRUCTURE



ELECTRIC INFRASTRUCTURE			
Companies	circuit km in operation	circuit km under construction	circuit km under study
ICP			600
EPR (SIEPAC)	1,658	137	

Interconexión Eléctrica Colombia – Panamá –ICP–

The company keeps on working in order to make viable, build and operate the transmission line between the two countries, uniting markets of the Andean Community and Central America.

During 2012, priority was given to generate conditions to carry out the auction to allocate financial rights for interconnection capacity access, allowing ICP to receive revenues. However, after exhausting efforts by the parties involved in the process, in August 2012 the auction was postponed, taking into account the impossibility to achieve some basic conditions for the project viability, related to financial, technical, and social-environmental issues.

Taking into account the importance of this project for the region's development and the integration of electricity markets, ICP is working on the strategic revision of the project definition, of the technical and environmental studies and of regulatory issues in order to identify and solve problems that in 2012 jeopardized the electric interconnection project construction.

In meeting held in Santiago de Chile in the frame of the first summit of the American and Caribbean States Community (CELAC),

the presidents of Colombia and Panama highlighted bilateral cooperation in different fields and, especially Ricardo Martinelli, Panama's president, expressed his interest in making progress as soon as possible in the interconnection issue, with the objective of lowering energy costs in his country.

Empresa Propietaria de la Red –EPR–

The company is making progress developing the Electric Interconnection System for Central America (SIEPAC), including the construction of a transmission line at 230 kV (1,795 km) and works in 15 substations in order to integrate a safer and higher capacity electric network in Central America, consolidating, this way, the Regional Electric Market (MER) and contributing to lower energy costs in the region.

The line project is in its final construction phase and 13 out of 14 segments are in commercial operation. Only 130 km of the Parrita - Palmar (Costa Rica) segment, are delayed due to difficulties in the rights of way management process. The project is scheduled to be fully commissioned during 2013 with an investment of approximately USD500 million.

ELECTRIC INFRASTRUCTURE		
Countries	Stretches	Commissioning
Costa Rica - Panama	Río Claro - Veladero	Dic/10
Nicaragua - Costa Rica	Ticuantepe - Cañas	Nov/11
El Salvador - Honduras	15 de septiembre - Aguacaliente	Nov/11
Guatemala - El Salvador	Aguacapa - Ahuachapán	Ene/12
El Salvador	Ahuachapán - Nejapa	Feb/12
El Salvador	Nejapa - 15 de Septiembre	Mar/12
Honduras	San Buenaventura - Torre 43	Mar/12
Costa Rica	Cañas - Parrita	Abr/12
Nicaragua	Sandino -Ticuantepe	May/12
Guatemala	Guate Norte - Panaluya	May/12
Honduras -Nicaragua	Aguacaliente - Sandino	Jun/12
Guatemala - Honduras	Panaluya - San Buenaventura	Jun/12
Costa Rica	Palmar Norte - Rio Claro	Ago/12
Costa Rica	Parrita - Palmar Norte	Ago/13

Best practices

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. It is for this reason that energy transport companies support their network operation and maintenance management on strict and

excellent processes, safe to people, and both environmentally balanced and socially responsible.

In order to evaluate these levels, the company has, among others, the following transmission network quality indicators:

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

SERVICE QUALITY INDICATORS							
Country	Colombia		Peru			Bolivia	Brazil
Company	ISA	TRANSELCA	REP	Transmantaro	ISA Perú	ISA Bolivia	CTEEP
Network availability (%)	99.879	99.707	99.540	99.790	99.880	99.445	99.996
Unserved load (MWh)	3,174	3,037	4,287	2,247	200	1,286	1,285

In order to guarantee excellence and rigor in service provision, ISA and its companies adopt national and international standards in order to implement the best practices. Following, are some of the most important practices with the corresponding results achieved during the period:

- By means of internal auditing, maintenance processes in TRANSELCA, ISA Bolivia and REP have been evaluated to measure their maturity and homologation. The results will allow closing existing gaps.
- Knowledge about planning and maintenance evaluation processes was transferred to subsidiaries.
- Management indicators for ISA and its companies were unified with the objective of identifying best practices to be adopted.
- ISA took part in the International Transmission Operations & Maintenance Study –ITOMS– benchmarking process. Operation and maintenance best practices from energy transport companies from all around the world were identified.
- Maintenance activities workflow from Colombia, Peru and Bolivia were unified in SAP.
- Progress was made on research projects in subjects like Non-interruptive Maintenance (TcT, for its Spanish initials), rust and on-line supervision of inductive and lightning equipment

Additionally, ISA and its companies promote and lead a series of initiatives related to competencies development and technology reinforcement, with the Technical Conference 2012, standing among them. Since 2000, this event is held every two years and is considered the most important academic opportunity to share practices and learning proposals among ISA's companies.

The Conference was held in October 2012 with more than 400 attendants (associates, experts, suppliers and customers), 136 papers presented by associates, a specialized technical exhibition and 13 national and international lecturers taking part. The Conference's main subject was learning and development, a trend ISA has understood to be the boost for continuous improvement in order to achieve results.

OUTLOOK

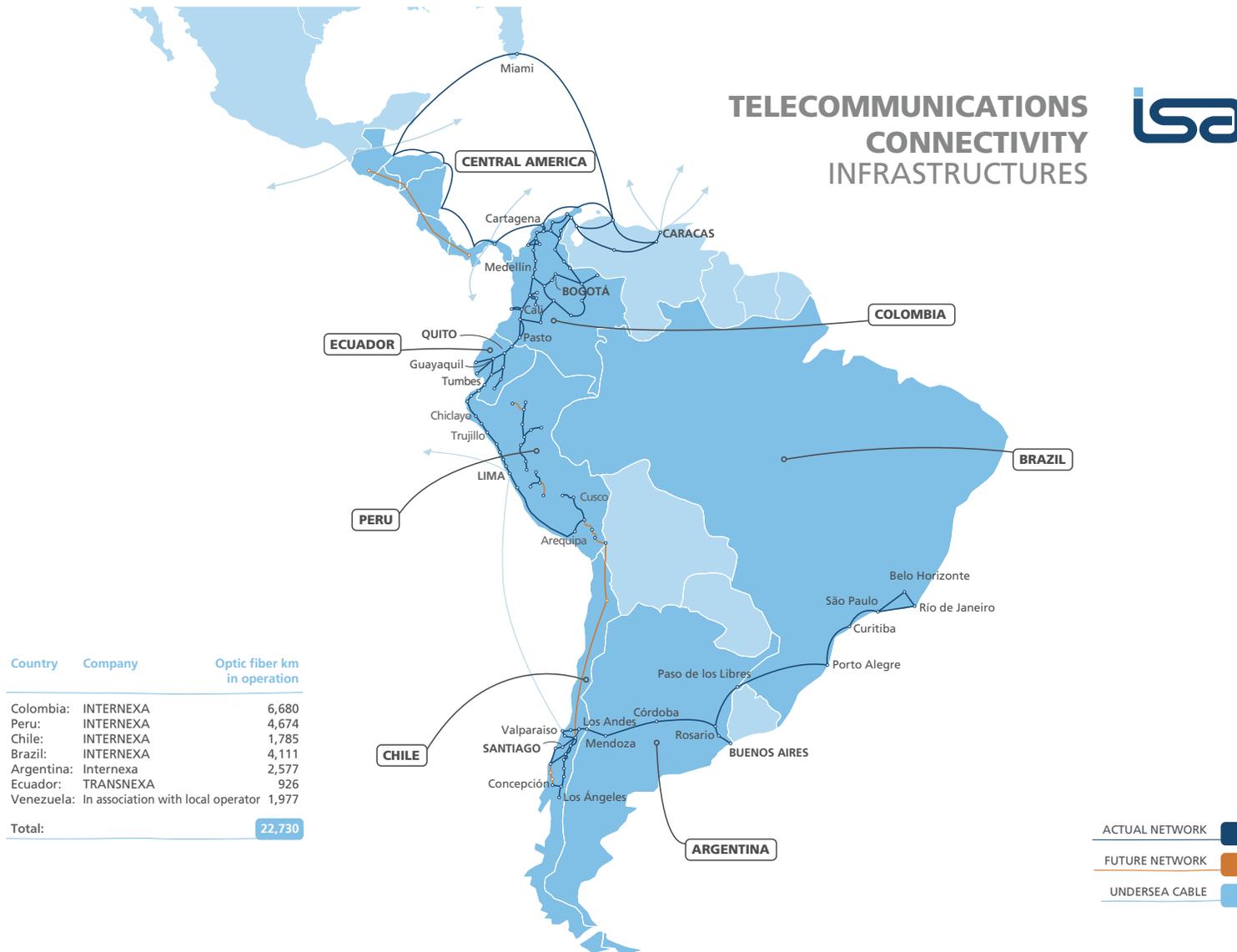
ISA will continue to consolidate as the leading group with the highest international presence in Electric Energy Transport in Latin America. Additionally, ISA will be recognized for its efficiency adopting world class practices.

Its growth will be focused on seizing new business opportunities in the most profitable segments in the markets ISA is present (Colombia, Peru, Brazil and Chile), giving priority to its resources, achieving synergies with its assets, in order to add value for its shareholders in reinforcement projects of transport networks, new connections to the network, acquisitions and assets integration and new expansion projects.



Telecommunications Transport Business Unit

TELECOMMUNICATIONS CONNECTIVITY INFRASTRUCTURES



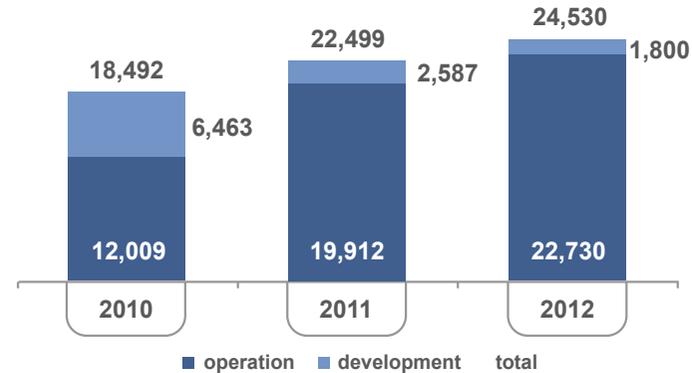
Telecommunications is one of the most thriving and promising commercial activities of modern economy and under this name are companies engaged in media, content, Internet access, fixed line telephony, mobile telephony, data transmission and others.

ISA participates in this business unit through its subsidiary INTERNEXA, a company that has managed to lay out a fiber optics network consolidating it as a telecommunications provider with the largest continuous land network in the continent, crossing seven countries, connecting the Pacific and the Atlantic coasts and linking telecommunications all along South America.

INTERNEXA is a leading telecommunications provider of solutions and connectivity infrastructure in Latin America dedicated to the “carrier’s carrier” business. With 22,730 km of continuous fiber optics, it offers connection to approximately 85 cities in Venezuela, Colombia, Ecuador, Peru, Chile, Argentina, Brazil, and very soon, with a 1,800 km network, it will connect Central American countries, consolidating, this way, a 24,530 km network. The land networks are complemented with access to seven undersea cable heads and INTERNEXA is the owner of transport capacity in ARCOS 1-CFX undersea cable.

GROWTH OF TELECOMMUNICATIONS CONNECTIVITY INFRASTRUCTURE

fiber optics km.



The land network has physical and logical loops – different paths allowing information to reach its destination using different ways, thus minimizing the risk of interruption – supported on state-of-the-art technology and access to undersea cables in critical regions, allowing it to offer its customers 99.98% service availability (length of time when services are available), a value that is above international standards. The infrastructure is mounted on electricity transport networks, giving its services high availability, ruggedness and confidence.

Content strategy

Being aware that giving universal access to broadband and having immediate availability of content produced both internationally and locally are key factors in improving people's life quality, INTERNEXA has developed a strategy that will allow the company to become a leader in Latin America in the field of relevant digital content distribution.

INTERNEXA's land fiber optics network, open to operators, is unique and opens opportunities for the large scale development of a content industry in South America, increasing efficiency of service providers and giving customers fast access to content, decreasing the distance to its destination information has to travel.

In order to achieve this goal, the company configured data centers where relevant digital content, previously hosted in the USA and Europe have been migrated and are now available in Latin America thanks to agreements signed with important Content Delivery Networks (CDNs) (companies distributing digital content used on the network and building information mirrors in these data centers).

As far as CDNs are connected to the network, operators offer content to their customers with access times considerably shorter than when hosted outside of the region

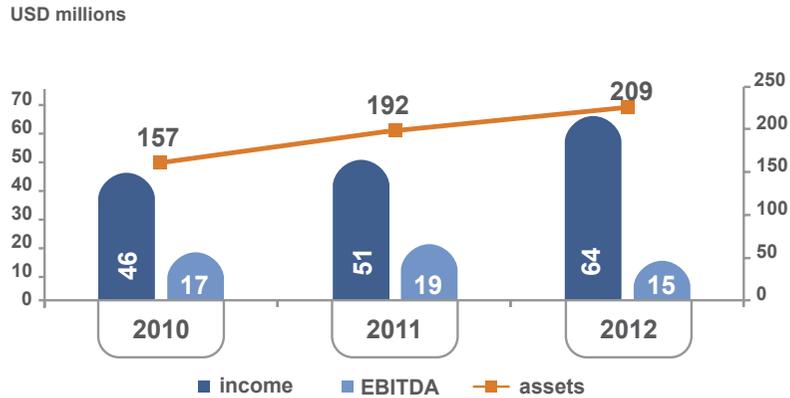
INTERNEXA currently has two data centers in Brazil, one in Medellin (Colombia), one in Lima (Peru), with another one in Santiago (Chile), soon to join in.

New products

During 2012, INTERNEXA launched in the regional market the following products:

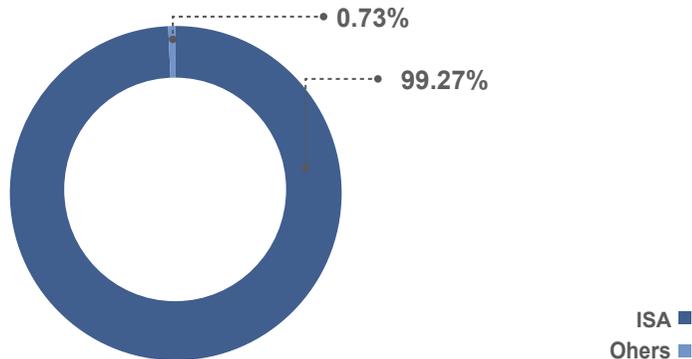
- **INTERNEXA IP ACCESS NG ("New Generation"):** Offers access to the Internet global network using, through a dedicated connection, a state-of-the-art generation platform.
- **INTERNEXA CARRIER ETHERNET:** State-of-the-art data transport technology allowing customers to grow its network capacity in a flexible way, according to their requirements.
- **INTERNEXA MANAGEDSERVICES:** Product integrating a portfolio of value added solutions for corporate customers, converting INTERNEXA as the most appropriate provider, given their location and type of business. It includes, among others, integrated telecommunications, video-conference, tele-presence, data centers and business continuity services.

TELECOMMUNICATIONS TRANSPORT BUSINESS GROWTH



COLOMBIA

SHAREHOLDING STRUCTURE



The company operates a 6,652 km network extended over seven fiber optic loops, covering the main cities of the county. The network is integrated with microwave links to serve minor cities providing better redundancy and coverage conditions. In 2012, INTERNEXA reinforced the Northern Region adding additional 28 km of fiber optic cables.

The company offers connection to Maya, Emergia, Panamerican and Arcos 1–CFX undersea cables land has a Carrier Class access to Internet platform with direct link to the main service providers in the United States.

This network consolidates Colombia as the most mature market for INTERNEXA and the largest information transport capacity system.



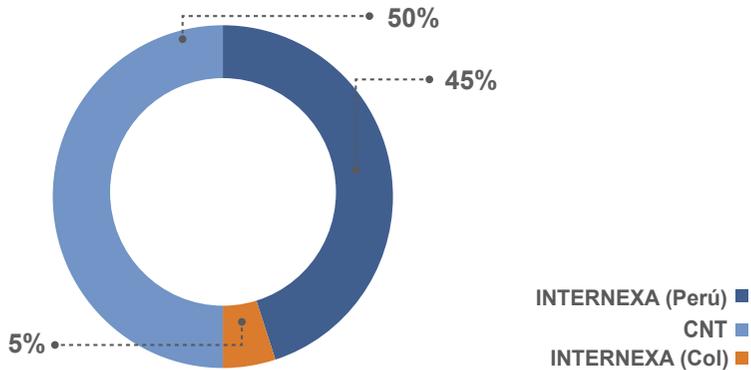
Additionally, after Brazil, Colombia is the second largest area of relevant digital content migration strategy concentration, thanks to the CDNs located at the Medellin data center.

VENEZUELA

INTERNEXA operates in Venezuela through a reciprocal distribution agreement signed with the local operator CANTV, using a 1,977 km fiber optics network and providing services to companies in Caracas, Maracaibo and Barquisimeto, among other cities.

ECUADOR

SHAREHOLDING STRUCTURE



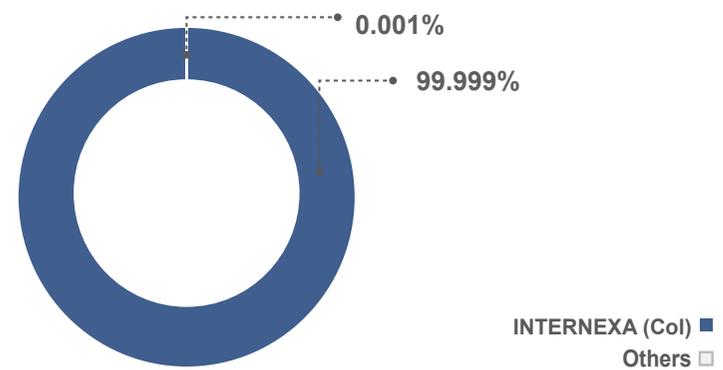
TRANSNEXA has a 926 km fiber optics network, deployed over high voltage electric transmission lines providing data transport services to the main telecommunication operators in this country.

The network has a central loop connecting Guayaquil and Quito, offering connections to Colombia and Peru and integrating Ecuador with the rest of the world.

INTERNEXA made progress strengthening its relationship with the new shareholder, Corporación Nacional de Telecomunicaciones (CNT), looking to enhance the company's growth capacity, shown in a 32.5% revenues increase with respect to 2011.

PERÚ

SHAREHOLDING STRUCTURE



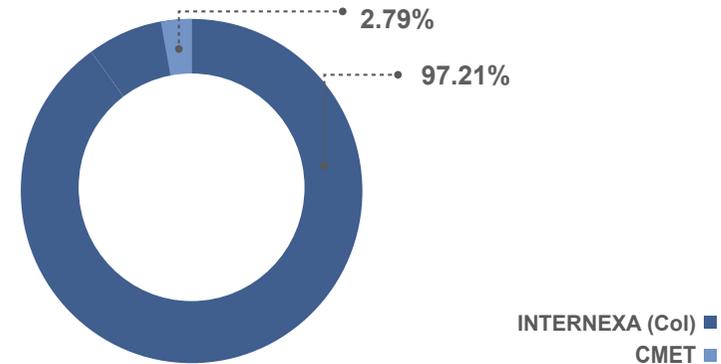
In the Northern Region, the company has a land fiber optics network providing connection between Lima, Trujillo and Tumbes (border with Ecuador). This network is integrated with satellite connectivity services provided by Intelsat 814 and with the SAC undersea cable in Lima.

In the Central and Southern Regions, INTERNEXA is deploying a fiber optics network over the electric infrastructure in order to allow connecting Lima with the Sierra and jungle regions, offering cities like Cusco, Pucallpa, Arequipa and Ayacucho, among others, access to high-speed and state-of-the-art technology telecommunication networks, guaranteeing this way the broadband development in the country. During 2012 progress was made incorporating 2,076 km of fiber optic cables between these cities, offering access to the most distant places in the country.

Finally, a 4,674 km network was completed, connecting the most distant places in the country, being the only neutral alternative in a concentrated market. Thanks to this network expansion, INTERNEXA has managed to consolidate its operation in the country, reaching its break-even point and increasing three times its number of customers and twice its revenues during the last two years.

CHILE

SHAREHOLDING STRUCTURE



INTERNEXA has a fiber optics network between Valparaíso and Bío Bío regions to provide services to Santiago, Viña del Mar, Valparaíso, Rancagua, Talca and Concepción, among others cities. This is the first fully ringed land telecommunications network in the country, providing an integrated operation with the large regional transport network.



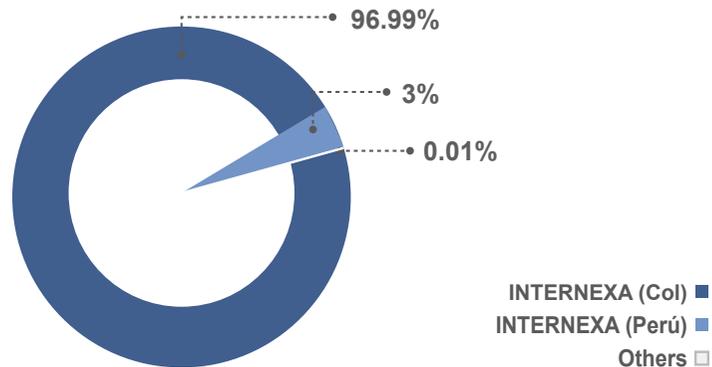
During 2012 INTERNEXA added 109 km of fiber optic cables and continued to ring the network in the south of Chile to be fully built during the first quarter of 2013. This way, the country will have three totally closed rings in the central region, making up a totally redundant and secure network in a geologically unstable area with large seismic risk.

Finally, INTERNEXA operates in this country 1,785 km of fiber optics and has a connection to the SAC undersea cable in order to connect Chile with Peru.

ARGENTINA

SHAREHOLDING STRUCTURE

Internexa

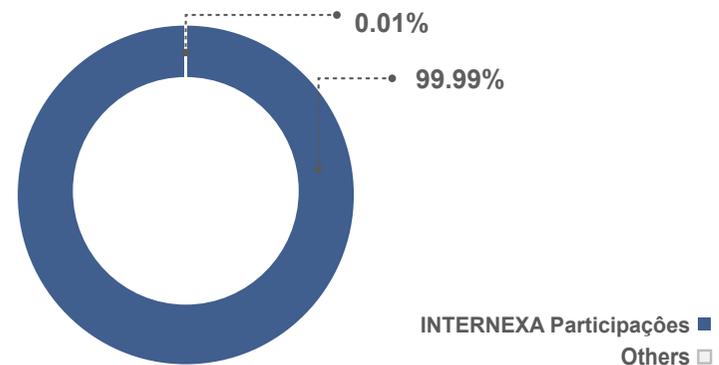


With 2,577 km of fiber optics networks connecting Chile with Brazil, crossing Mendoza, Cordoba and Buenos Aires, INTERNEXA started commercial operations in 2012 in this country. Additionally, INTERNEXA signed agreements with undersea cable operators in order to generate a second channel of redundancy in its interconnection with Brazil.

In relation to the content strategy, INTERNEXA connected to the Cámara Argentina de Bases de Datos (CABASE), a corporation joining together Internet access service providers, telephony, data center solutions and online content providers, among others. CABASE hosts the Argentinean NAP (Internet traffic interchange point).

BRASIL

SHAREHOLDING STRUCTURE



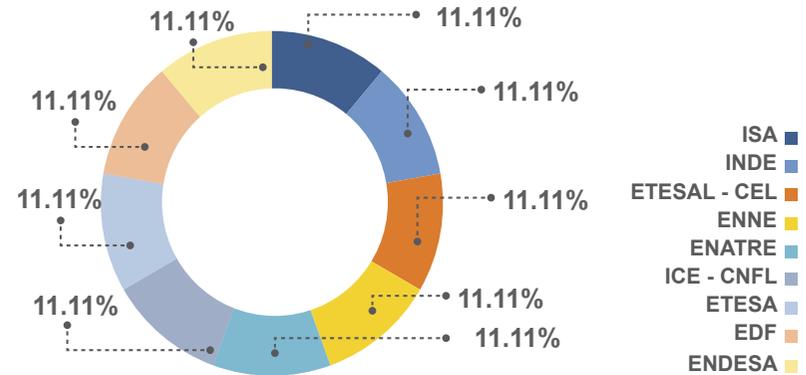
In 2012, INTERNEXA reinforced the network in Brazil with a 605 km ring connecting São Paulo to Rio de Janeiro in a direct way (previously they were connected via Belo Horizonte), generating this way a triangle which gives full backup in the highest demand area in the country. This way, a 4,111 km long fiber optics network was consolidated.

Additionally, the company started commercial operation in this country and built a control center in order to monitor its own network, supporting the tasks of the integrated control center that operates from Colombia for the whole region.

On the other side, Brazil is the regional leader in the digital content migration strategy to Latin America with data centers in São Paulo and Belo Horizonte and having agreements with most of international CDNs.



CENTRAL AMERICA SHAREHOLDING STRUCTURE



Empresa Propietaria de la Red (EPR) part of the SIEPAC Project, invested in the construction and operation of a fiber optics network for data, voice and video transmission. For this purpose, EPR founded the Red Centroamericana de Fibras Ópticas (REDCA), a private-State corporation whose main objective is to develop, design, fund, build, maintain, operate and commercially exploit fiber optic networks and to interconnect telecommunication systems in the region. The fiber optics network being built over the electrical infrastructure will have a length of approximately 1,800 km.

At the end of 2012, 94% of SIEPAC's electrical infrastructure has been built, and it is expected that once totally finished, ISA, through INTERNEXA, will join REDCA laying fiber optics from Guatemala to Panama, connecting, in a later phase, Colombia with the rest of the regional network using undersea technology.

OUTLOOK

ISA will continue to confirm its leadership as open networks operator for all telecommunications market players, having the largest land continuous network in Latin America. For this purpose, INTERNEXA will continue expanding its value offer, looking for new markets that help improve connectivity options and consolidating its presence in Brazil.

INTERNEXA will develop, interconnect, operate and commercialize information transport infrastructure, allowing creation of an Internet ecosystem in Latin America through specialized products, and appropriating asset management integrated solutions for this type of companies.



Road Concessions Business Unit

ROAD INFRASTRUCTURE



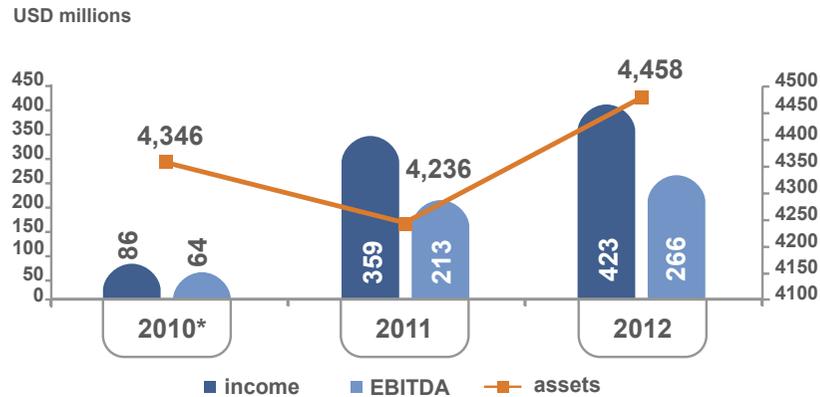
Country	Concessions	Road km in operation
Chile:	Ruta del Maipo	237
	Ruta del Maule	193
	Ruta del Bosque	161
	Ruta de la Araucanía	144
	Ruta de los Ríos	172
Total:		907

ROAD INFRASTRUCTURE IN OPERATION ■



ISA structures, designs, constructs, operates and maintains road infrastructure. For operation and maintenance, it considers standards previously established by the business regulators in each of the countries where ISA is present; it also supports its work on processes that guarantee operational excellence and safety for users.

ROAD CONCESSIONS BUSINESS GROWTH

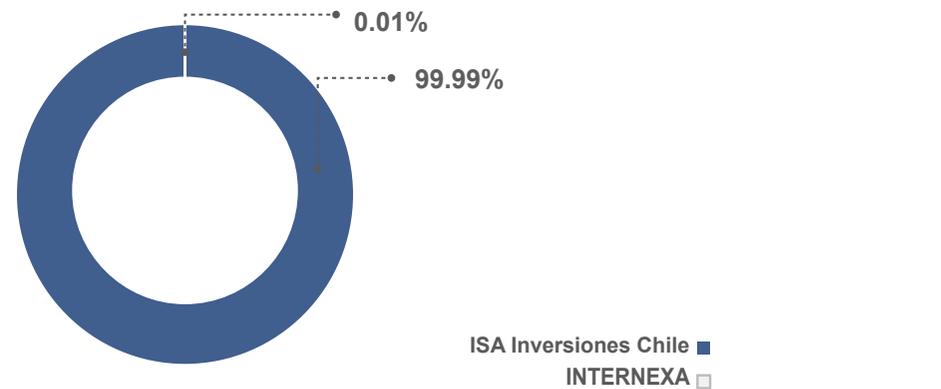
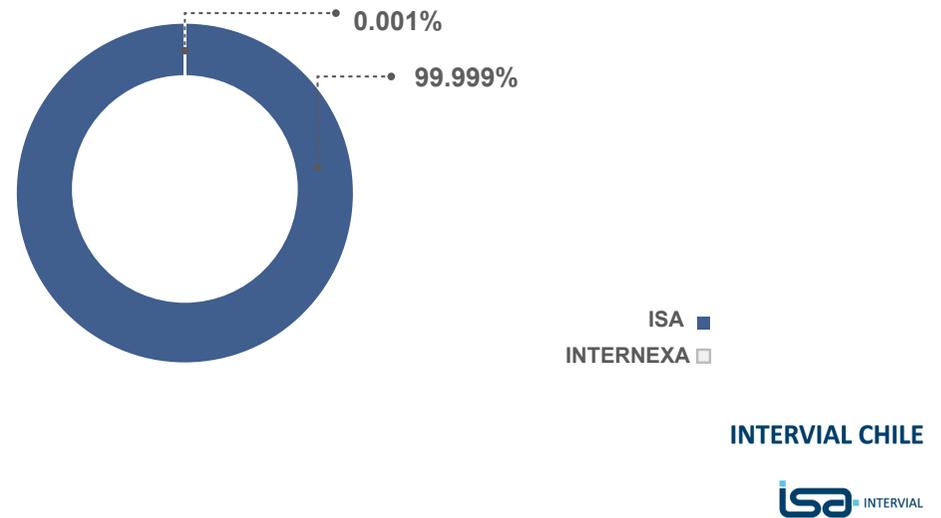


(*) In 2010 only includes revenues and EBITDA for three months.

CHILE

SHAREHOLDING STRUCTURE

ISA INVERSIONES CHILE



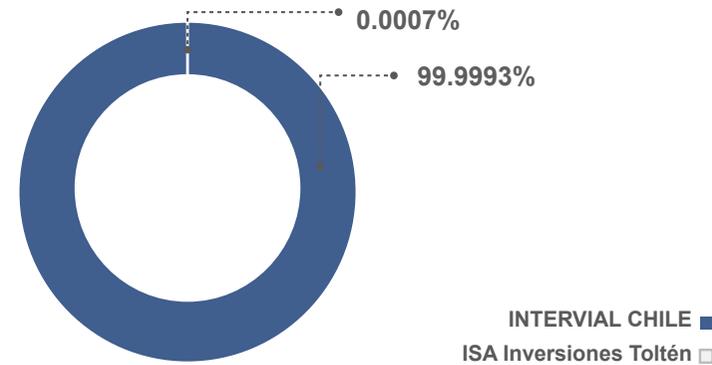
INTERVIAL CHILE, through its five concessionaires, is the largest operator of interurban roads in the country and is responsible for the control, operation and management of five adjacent concessions, extended along Ruta 5 Sur, from Santiago to Rio Bueno city, covering six important regions of the country, all having great impact on economic sectors like agro-industry, fishing, forest and tourism.

Ruta 5 has 11 concessions, nine under commercial exploitation (1,716 km) and two under construction (245 km). Five of them (907 km) are operated by INTERVIAL CHILE.

RUTA DEL MAULE



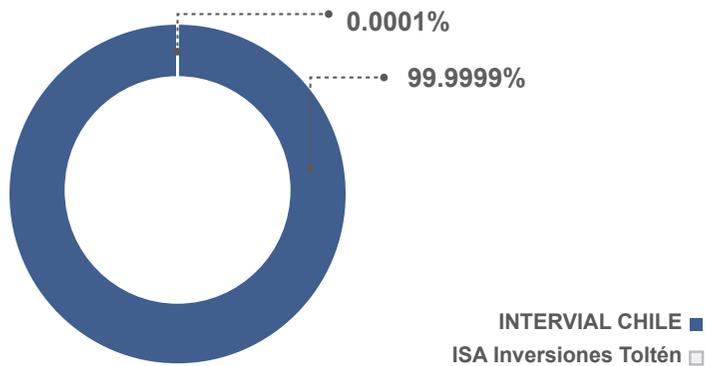
SHAREHOLDING STRUCTURE



RUTA DEL MAIPO



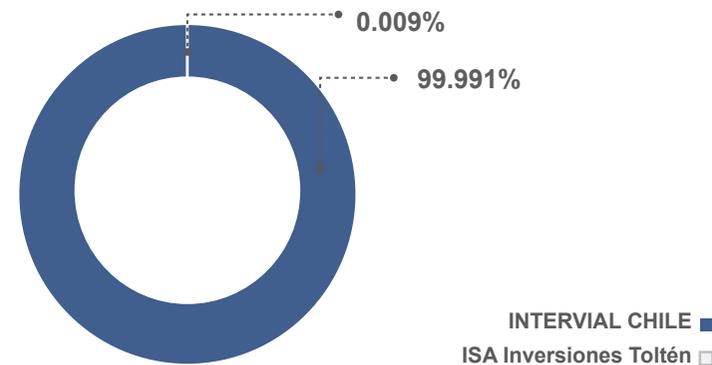
SHAREHOLDING STRUCTURE



RUTA DEL BOSQUE

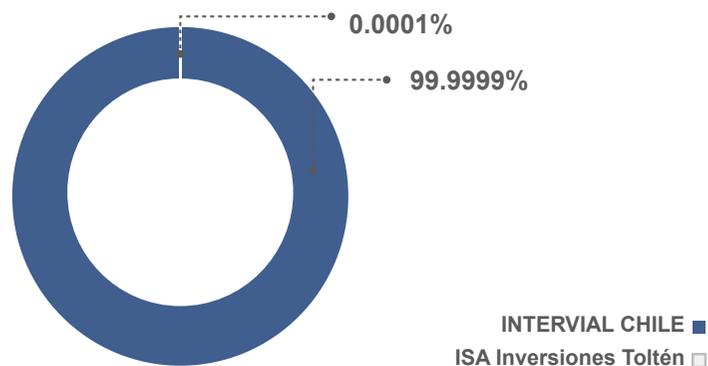


SHAREHOLDING STRUCTURE



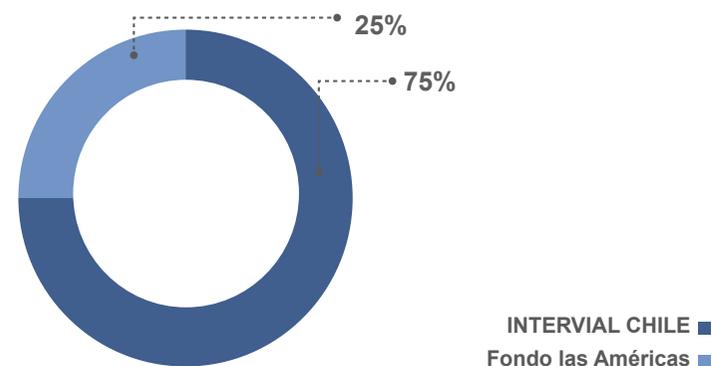
RUTA DE LA ARAUCANÍA

SHAREHOLDING STRUCTURE



RUTA DE LOS RÍOS

SHAREHOLDING STRUCTURE



ROAD INFRASTRUCTURE						
Concessionaires	Ruta del Maipo	Ruta del Maule	Ruta del Bosque	Ruta de la Araucanía	Ruta de los Ríos	Total
Stretch	Santiago -Talca	Talca - Chillán	Chillán - Collipulli	Collipulli - Temuco	Temuco - Río Bueno	Santiago - Río Bueno
Length (km)	237	193	161	144	172	907
Trunk roads tolls	3	2	2	2	2	11
Lateral tolls	39	16	16	8	5	84
Service areas	4	4	3	3	4	18



INTERVIAL CHILE's roads are designed to operate at 120 km/h and have 293 bridges, 368 structures, (among them grade crossings, junctions and other elements), 188 pedestrian walkways, and 95 toll plazas, with a transit of more than 92 million vehicles during 2012.

In order to help users, concessionaires have available services and infrastructure such as emergency centers, S.O.S. signposts, tow trucks, ambulance, patrols, control areas, service areas, truck parking lots, etc. In order to have a fluent and timely communication with users and the community, there are real-time information panels, a website and Twitter accounts, among others, available to obtain information about the state of roads, weather conditions and specific advice for a safer trip.

Traffic and revenues

In 2003, concessionaires, with the exception of Ruta de los Ríos, joined the Revenue Distribution Mechanism (MDI), converting as a variable the concession's term, and defining the concession's end as the moment when a certain present value of expected revenues is reached.

According to concession contracts, the Ministry of Public Works (MOP) recognizes an annual subsidy for those stretches with low traffic flow, applicable to Ruta del Bosque and Ruta de los Ríos.

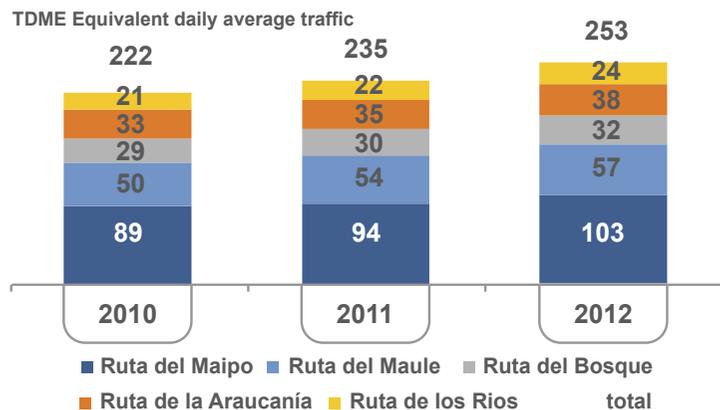
Additionally, concessionaires with a good safety management policy, decreasing the number of accidents and fatalities compared to a base year, are authorized by the MOP a raise in tariffs of up to 5%, known as the Road Safety Bonus (PSV). With the exception of Ruta del Maule, PSV is not part of the regulated income base taken into account for the MDI.



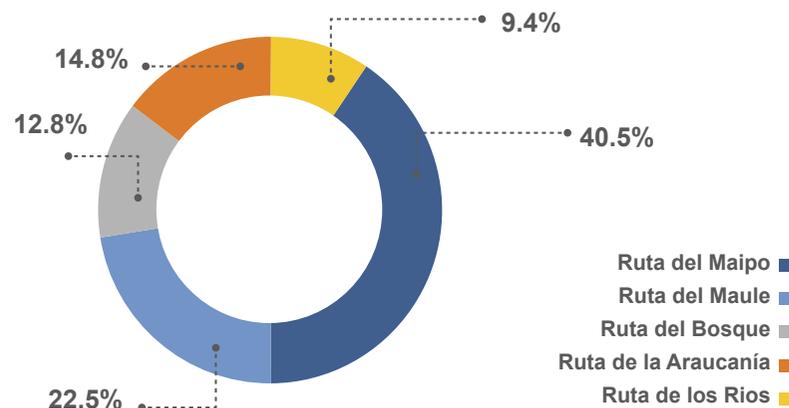
ROAD SAFETY BONUS (PSV) (PERCENTAGE %)				
Concessionaires	Year of application			
	2010	2011	2012	2013
Ruta del Maipo	5	5	5	5
Ruta del Maule	5	5	5	5
Ruta del Bosque	3.61	2.77	4.16	3.13
Ruta de la Araucanía	3.73	2.24	2.04	3.38
Ruta de los Ríos	3.46	1.63	0.5	1.41

From 2009, annual traffic and toll revenues show a growing trend, exceeding forecasts, confirming thus the good conditions of the Chilean economy during the last few years.

TRAFFIC GROWTH (TDME)

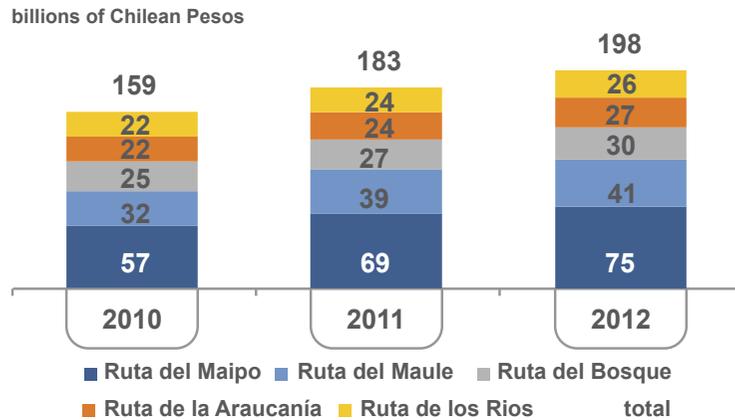


TRAFFIC COMPOSITION 2012

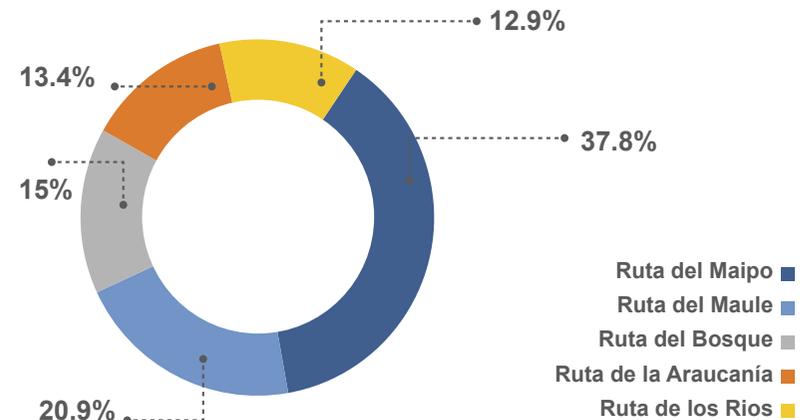


Traffic on the five concessionaires during 2012 increased by 7.9% compared to 2011, with the largest increments in Ruta del Maipo (8.7%) and Ruta de la Araucanía (8.9%). It is worth mentioning that the traffic compound annual growth rate since 2009 has been 8.6%.

REVENUE GROWTH



2012 REVENUE MIX



Additionally, concessionaires' revenues, in their original currency, increased by 8.4%, compared to 2011, showing the largest increments in Ruta del Maipo (9.1%) and Ruta de la Araucanía (10.5%).

Tele-toll

Ruta del Maipo implemented an electronic toll collection system, allowing users to pay tolls on a monthly basis without having to stop at the toll booth to pay cash.

This system entered into commercial operation in mid 2012, covering all concessionaires' tolls (three trunk roads and 39 side roads). In order to use the system, vehicles must have a mobile device (TAG) to allow the car to pass tolls in a "non stop" mode in tele-toll roads or in a "stop and go" mode in mixed roads. Additionally, a Tele-toll Management Center and a call center to solve users' queries were implemented.

The project required an investment of approximately USD16.3 million in infrastructure and USD5.7 million in TAGs sold to the users. It took 12 months to implement the system.

Third lanes

Annual traffic increase to the South, between Santiago and Rancagua has been of nearly 3%, with a daily average of 35,000 vehicles. For this reason, the company has considered the need of increasing capacity of the actual roads adding a third lane to the concession on both directions. The project includes the following works:

- A 7 km third lane on both directions.

- Moving the Angostura toll, the largest in the country with the largest number of booths.
- Building a new headquarters building for the concessionaire and control for the new toll.

Earthquake recovery

In July 2012, the MOP received in operation works at Rio Claro Bridge, ending this way the reconstruction works after the earthquake that struck the country in February 2010. Additionally, all concessionaires received full compensation from the insurance companies.

Maintenance and safety works

Concessionaires carry out yearly routine and major maintenance plans in order to increase road lifetime and to guarantee high standards in service and in road safety. During 2012, major maintenance costs amounted to USD22 million and routine maintenance costs amounted to USD15 million.

COLOMBIA

Autopistas de la Montaña Project

On January 28 of 2010, ISA and the National Institute of Concessions (INCO) (called today Agencia Nacional de Infraestructura (ANI)) subscribed an inter-administrative agreement to prepare the relevant studies of the evaluation phase of the Autopistas de la Montaña Project and later, prepare the design of Project's Phase III. Additionally, and under a concession scheme, the contract included scheduling and construction of works, financing, land title management, operation, maintenance, preservation and commercial exploitation of actual and future roads to be built.

After ending the project's first phase and taking into account the fiscal contributions defined in the contract, ISA concluded that the project viability required larger than stipulated equity and funding contributions. Given the contractual impossibility of making new contributions, ISA declared the contract's early termination based on not fulfillment of the initial financial conditions agreed upon in the contract's original scope.

As a consequence of such declaration, ANI and ISA subscribed the mutual liquidation agreement of the inter-administrative contract and ISA received on December 28, 2012, the amount of \$39,526 million for the studies conducted in the evaluation stage of the road corridors of Autopistas de la Montaña, and accordingly, transferred to ANI the copyrights on the studies.

OUTLOOK

ISA keeps its intention of growing and consolidating the Roads Concessions Business Unit, and leveraged on the know-how acquired during the last few years, it is studying different business opportunities in Colombia and in Chile.

INTERVIAL CHILE will develop new works requested by the MOP and will evaluate taking part in new business opportunities in this country.

In Colombia, ISA is getting prepared to take part in Fourth Generation Concessions.



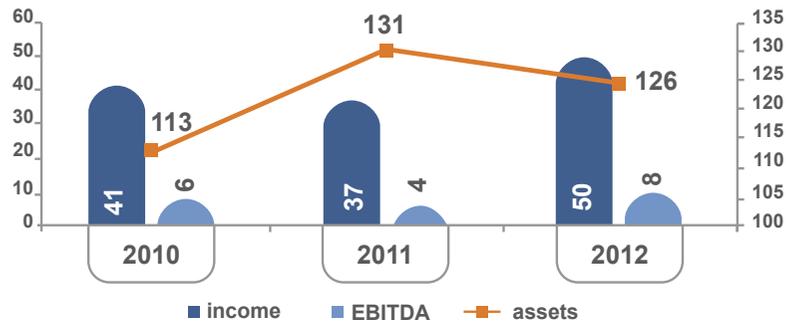
Smart Management of Real Time Systems Business Unit

XM's experience and knowledge in operation of the power system and administration of the electricity market, permits it to offer through its companies, to the power, financial, transport and traffic sectors intelligent solutions based on the technology and knowledge acquired.

Based on its competencies, the company offers supervision, coordination and value added information by means of real-time intelligent systems associated with transactional infrastructure and platforms for goods and services markets.

SMART MANAGEMENT OF REAL TIME SYSTEMS BUSINESS GROWTH

USD millions

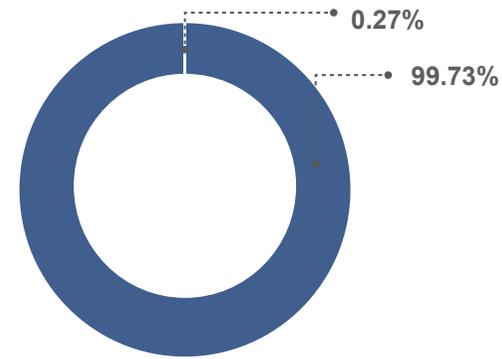


POWER SECTOR



■ filial de isa

SHAREHOLDING STRUCTURE



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



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

Energy Generation

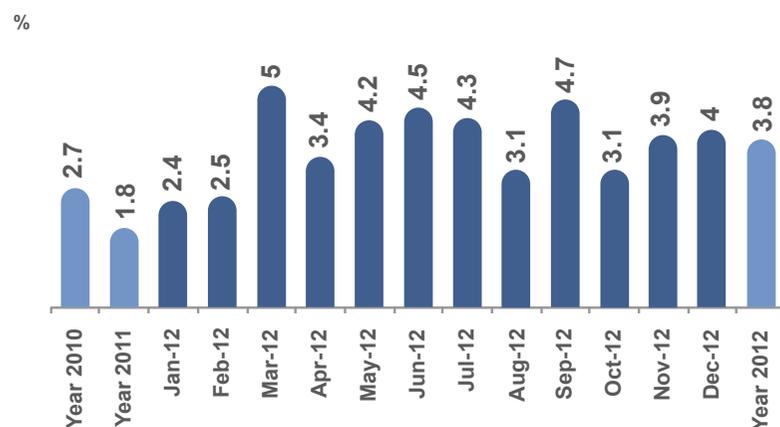
During 2012, SIN operation and MEM administration were highly impacted by very changeable weather conditions: the final phase of La Niña phenomenon 2011-2012, with high rainfall in some regions of the country, and a second half of the year with low rainfall, influenced by a trend variation in some weather variables in the Tropical Pacific zone, with similar characteristics to those of El Niño phenomenon. SIN's reservoirs showed similar values to those of an average year (56,446 GWh), mainly due to this blend of weather conditions.

ENERGY GENERATION					
Resources	2010 (GWh)	2011 (GWh)	2012 (GWh)	%	% Variation
Hydraulic	38,089	45,583	44,924	74.9	-1.4
Thermal	15,591	9,384	11,506	19.2	22.6
Minor	2,986	3,337	3,213	5.4	-3.7
Co-generators	223	317	347	0.6	9.4
Total	56,888	58,620	59,989	100	2.3

As of December 31, the SIN had an effective net installed capacity of 14,361 MW to supply an energy demand of 59,370 GWh and a power demand of 9,504 MW.

SIN'S NET EFFECTIVE CAPACITY					
Resources	2010 (MW)	2011 (MW)	2012 (MW)	%	% Variation
Hydraulic	8,525	9,185	9,185	64	0
Thermal	4,089	4,545	4,426	30.8	-2.6
Minor	621	635	693	4.8	9.2
Co-generators	55	55	57	0.4	4.6
SIN's total	13,290	14,420	14,361	100	-0.4

VARIATION IN ENERGY DEMAND



Energy demand reached 59,370 GWh, with an increase of 2,220 GWh, the largest increase in the last five years, equivalent to a growth rate of 6.8% in unregulated market demand (industry and commerce), mainly boosted by mines and quarries exploitation, and an increase rate of 2.3% in regulated demand (residential and small businesses).

Behavior of the electric market

The Administrator of the Commercial Settlement System (ASIC) provides services to agents trading in the market.

MARKET AGENTS		
Activity	Registered	Trading
Generators	50	44
Traders	92	64
Network operators	30	26*
Transmitters	11	9*

* Agents to whom STN, STR and ADD Usage Charges are liquidated

The number of delivery points increased by 24%, mainly due to 1,200 regulated consumers of special zones registered by the com-

pany Energía Social de la Costa. By the end of 2012, there were 7,189 delivery points of regulated consumers, 5,422 of unregulated consumers and 403 for public lighting.

Total energy purchased and sold in the MEM was \$10,900,000 million, with an increase of \$1,400,000 million compared to the amount negotiated in 2011 (\$9,500,000 million).

Invoicing collection through accounts administered by XM totaled \$3,120,000 million for the SIC and charges for use of the National Transmission System (LAC NTS).

MARKET BEHAVIOR				
	2010	2011	2012	Variation (%)
Wholesale Energy Market (MEM) transactions				
Total market transactions (\$1,000,000 million)	10.1	9.5	10.9	15
Purchases in the energy pool (\$1,000,000 million)	2.4	1.3	1.9	47
Average price in the pool (\$/kWh)	130	76	116	52
Average price in contracts (\$/kWh)	110	118	121	2
Account Settling and Clearing (LAC)				
STN usage charges (\$1,000,000 million)	1.19	1.35	1.25	-7
FAER, FAZNI, FOES, PRONE funds (\$ million)	176,794	194,681	196,620	1

International Electricity Transactions –TIE–

Between 2003 and 2012, Colombia exported to Ecuador 10,984 GWh, amounting to USD895 million. Additionally, Colombia imported 240 GWh, amounting to USD9.4 million.

INTERNATIONAL ELECTRICITY TRANSACTIONS –TIE–				
Year	Energy (GWh)		Value (USD thousand)	
	Exports	Imports	Exports	Imports
2010	797.7	9.7	73,812	565
2011	1,294.6	8.2	92,996	231
2012	236.1	6.5	24,151	243

In 2012, 478.4 GWh were exported to Ecuador, 92% more than in 2011 (248.8 GWh).

Energy auctions

Colombia continued working on reliability issues in order to guarantee the supply of electric energy demand between 2017 and 2022 by means of a new firm energy auction, administered by XM, for projects with longer construction terms.

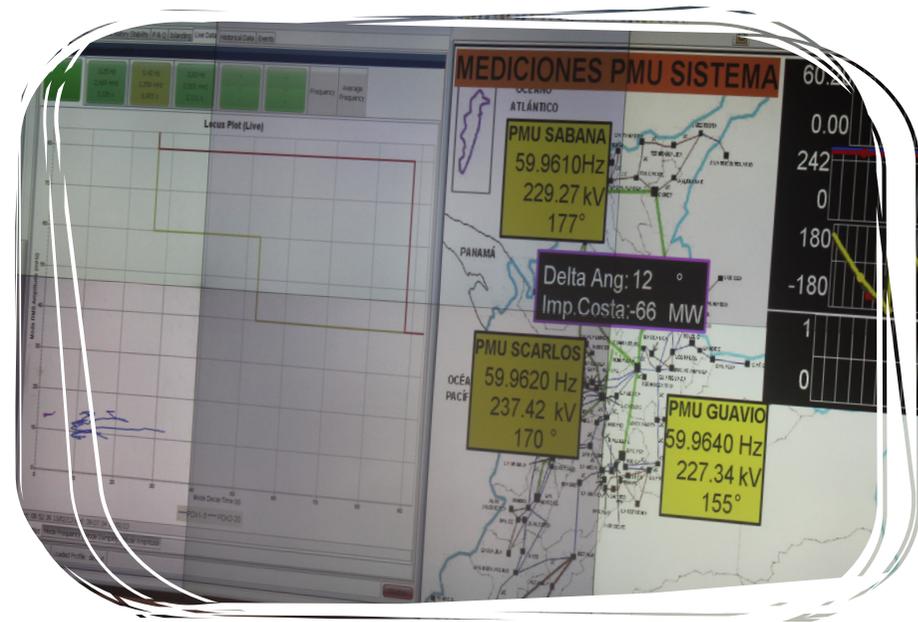


This auction allocated 6.9 TWh/year, represented by two new generation projects: Termonorte and Porvenir II. Two projects under construction, Sogamoso and Pescadero-Ituango, increased their firm energy obligations allocated in the 2008 auction.

The auction mechanism offers all generators the Firm Energy Obligations (OEF) required to supply demand in a given period, giving each company, during a determined term, a fixed and known remuneration in Dollars per MWh. In return, all generators are bound to deliver to the Energy Pool a pre-established amount of energy when the market shows signs of shortages.

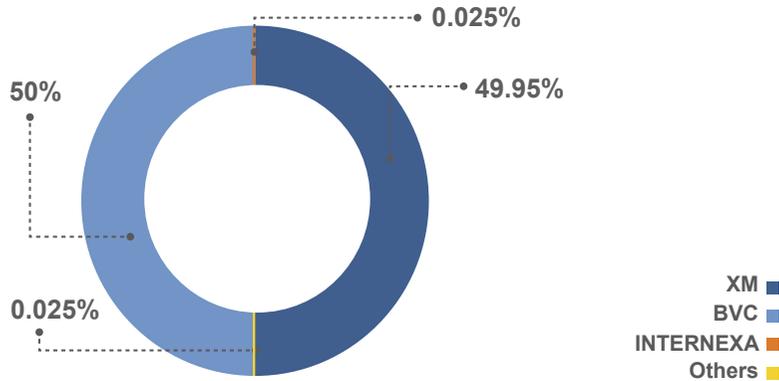
FIRM ENERGY OBLIGATIONS AUCTION							
Plant	Company	Province	Type	MW	GWh/year	USD/MWh	Year
Termonorte	Termonorte	Magdalena	Thermal	88	619	14.9	2017
Porvenir II	Producción de Energía	Antioquia	Hydraulic	352	1,445	11.7	2018
Sogamoso	Isagén	Santander	Hydraulic	820	1,440	15.7	2016
Pescadero-Ituango	EPM Pescadero-Ituango	Antioquia	Hydraulic	1,200	3,482	15.7	2021
Total				2,460	6,986		

These projects will not only generate the necessary energy to guarantee that demand in Colombia can be attended, even in critical conditions, like those of El Niño phenomenon, but will play an important role in the economy because of the direct and indirect effects produced by their construction.



FINANCIAL SECTOR

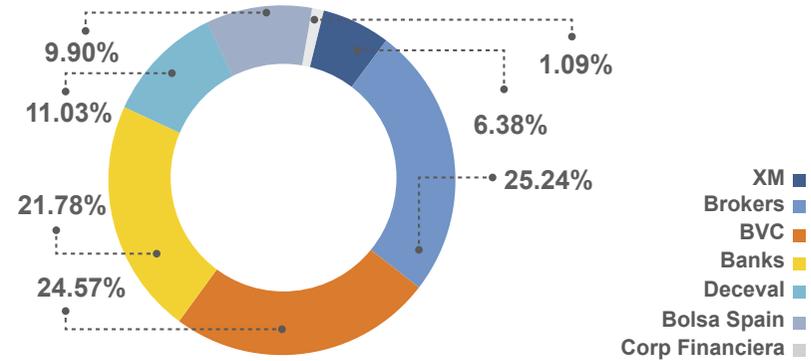
SHAREHOLDING STRUCTURE



Derivex

Derivex is the company administering the negotiation and recording system of energy derivatives in Colombia, offering the electric sector an organized market allowing to trade instruments for market and credit risk hedging through compensation and settlement of derivatives traded in the Cámara de Riesgo Central de Contraparte (CRCC), acting as a counterpart for all trading.

SHAREHOLDING STRUCTURE



Energy derivatives are a complement to MEM bilateral trading, covering risks from price variations in the energy pool, but with the advantage of trading under standardized conditions, thus encouraging a better market liquidity. Additionally, all operations are backed by the CRCC, therefore minimizing the risk of electric market agents not fulfilling their obligations.

Since Derivex entered into commercial operation until November 2012, 736 monthly future contracts have been traded, supported on the price of 360,000 kWh, and 4,606 mini monthly contracts of 10,000 kWh, amounting to a total 311 GWh traded.

At the moment, Derivex has 11 clearing and trading members, offering services of intermediary agents between the electric market, Derivex and the CRCC.

Cámara de Riesgo Central de Contraparte (CRCC)

It settles and clears hedging instruments traded in Derivex and, at the same time, acts as counterpart, guaranteeing the fulfilling of all operations by means of a security scheme.

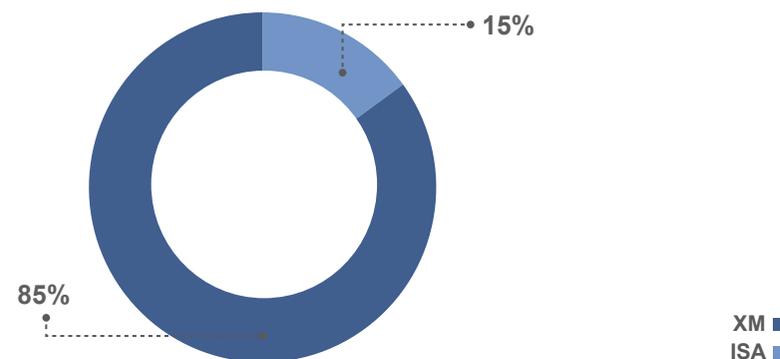
The guarantee system is based on a market-adjusted valuation, on backup institutions and on a significant amount of capital contributed by members, implying a better solvency for the market. This results in efficiency when setting prices for all those who could be affected by variations in electric energy prices.

The company offers instruments for hedging on variations of energy price, exchange rate, interest rate, stock exchange index and some share's quotes.

After four years in operation, CRCC results have been very positive. It has now 40 members and, in 2012, traded daily an average of 6,825 equivalent contracts.

TRAFFIC AND TRANSPORT SECTOR

SHAREHOLDING STRUCTURE SISTEMAS INTELIGENTES EN RED



SISTEMAS INTELIGENTES EN RED –SIR–

The company operates the Traffic Control Center (CCT), part of Medellín Mobility Intelligent System (SIMM).

Using traffic, supervision and information specialized tools, SIR supervises and coordinates CCT operation. Additionally, SIR integrates state-of-the-art technology to the Municipality of Medellin's systems, like the traffic lights network, the early alert system and the emergency management system, among others. This initiative will help to lower traffic accident indexes and improve public transport performance in the city.

SIR, as part of its management processes, has been consolidating the use of communication with the community using real time information panels and social networks. The objective of these mechanisms is to generate reliable and value-added real-time information, helping customers to use the road network and improve their journeys.

OUTLOOK

XM, besides operating SIN and administering MEM in Colombia, something the company will continue doing with high levels of quality and efficiency, will focus its innovation ability on infrastructure management or in goods and services markets requiring information processing with high value added, strongly based on information and communications technology. Additionally, the company will develop services for electric transmission operators' management systems in electric markets and in on-line energy efficiency, developing intelligent networks.



Corporate management

MANAGEMENT OF INTANGIBLE ASSETS

The fundamental aim of intangible assets management is having the human talent, culture, organization, and information technology that business sustainability and growth call for.

Human talent management

The Human Management Policy establishes reciprocal commitment between businesses and associates to create a work atmosphere of mutual trust, based on respectful, clear, equitable and fair work relations in order to achieve integral development of people and companies.

ISA and its companies recognize that encouragement and achievement of objectives hinge on human talent. Through this resource, ISA and its companies look for availability of skills, talents and know-how that will allow them to develop the activities required by their business strategy.

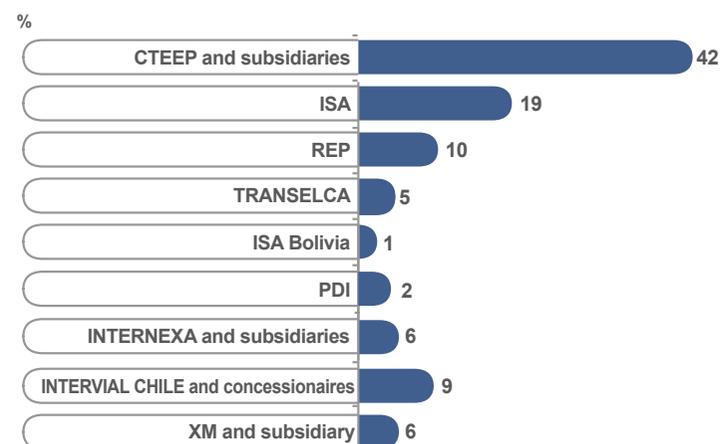
Also, they are committed to the professional and personal development of their workers, framed by a strategy that seeks to attract, take care of, retain and develop the best human talent, taking into consideration its importance for business growth and productivity.

So as to compare the results of ISA and its companies with the best practices at the international level, the results of PricewaterhouseCoopers' benchmarking study "Human Capital Indicators of Latin America's Organizations, year 2012", are used.

Workforce

Along 2012, the workforce at ISA and its companies had on average 3,719 workers; along the period, 484 people joined the workforce, while 233 quit. At December, 3,686 partners were working at the different companies.

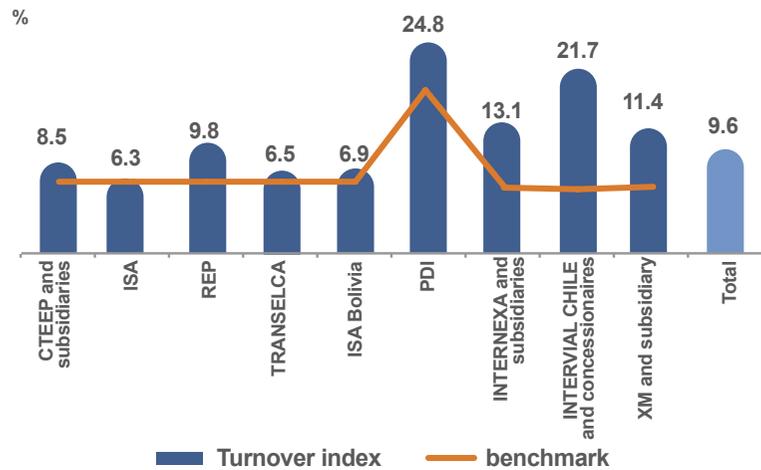
DISTRIBUTION PLANT AVERAGE



CTEEP and its subsidiaries showed the largest percentage of personnel hirings and retirements (25% and 26%, respectively). The number of departures on the average payroll was 6.3%.

Turnover index (*) went from 6.3% in 2010 to 9.6% in 2012. Values above the industry's benchmark were observable in the companies PDI (24.8%), and INTERVIAL CHILE and its concessionaires (21.7%).

TURNOVER INDEX



(*) Turnover index is calculated as the average of hirings plus departures over average workforce.

Talent maps and succession plan

ISA and its companies ensure development of their managerial and technical talent through actions that permit achieving their business results and securing corporate sustainability.

For such, they spot out personnel with high potential for development and carry out proactive retention and development actions to ensure permanence of required talent.

The coaching process for the management group was redesigned along the year, and their development plans were adjusted, so as to make them ready for the new challenges. That is why 81% of directive staffers at ISA and its companies have a successor ready to immediately take over, or within one-or-two-year periods.



SUCCESSION PLAN FOR MANAGERS				
Business Units	Companies	Managerial positions	Managers with prepared successor ≤ 2 years	Defined successors (%)
Electric Energy Transport	ISA	35	31	88.6
	CTEEP	31	23	74.2
	REP	21	19	90.5
	TRANSELCA	16	11	68.8
	ISA Bolivia	4	2	50
Telecommunications Transport	INTERNEXA	28	20	71.4
Smart Management of Real Time Systems	XM	18	18	100
	Total	153	124	81

Work was carried out along the year to identify technical talent for the business units. Excluding CTEEP and REP, 45% of critical technical positions have a successor ready to take over.

Organizational learning

ISA and its companies developed an educational plan worth USD2.8 million (22% over 2011), for an average USD787.2 per person (15% more than in 2011). Figures obtained outdo benchmarks in all other business lines.

FORMATION PLAN							
Business Units	Companies	Formation hours (hours/person)		Investment (USD/person)		Coverage (% persons with formation)	
		Indicator	Benchmark	Indicator	Benchmark	Indicator	Benchmark
Electric Energy Transport	ISA	68	45	1,623	307	88	82
	CTEEP and subsidiaries	65		1,014		92	
	REP	27		595		85	
	TRANSELCA	70		533		94	
	ISA Bolivia	26		369		93	
	PDI	24	18	496	278	80	91
Telecommunications Transport	INTERNEXA and subsidiaries	61	39	345	417	24	81
Road Concessions	INTERVIAL CHILE and concessionaires	48	45	476	307	83	82
Smart Management of Real Time Systems	XM and subsidiary	63	45	1,207	434	69	84

The trainships program is a learning effort designed to develop, socialize, spread, and transfer knowledge, as well as to adopt best strategic practices, so as to boost the organizational learning curve. In 2012, 16 trainships took place: eight in ISA, five in REP, one in CTEEP, one in ISA Bolivia and one in PDI.

Additionally, two trainships in factory were developed for eight workers of ISA and its companies: one in ABB (Brazil) to know the features of series 670 relays: parameterization, functioning, operation, versatility and software; and the other in Alstom (England) to deepen knowledge in analysis, design, and evaluation of protection, maintenance and management of electrical protections.

Organizational climate

ISA and its companies keep constant interest in identification of their associates' satisfaction level, because they consider that adequate work atmosphere is determining to human talent development, productivity, and achievement of objectives.

Organizational climate evaluation is carried out each year in order to know their associates' perception regarding work aspects, and in 2012, 93% of partners participated in this evaluation effort.

This evaluation includes four dimensions: commitment, company's effectiveness, individual effectiveness, and recognition of work.

The four dimensions contemplated breakdown into seventeen factors that measure autonomy, communication, benefits, workload, job satisfaction, perception of both immediate superior and high management, commitment, remuneration, development possibilities, and workload equity, among others.



EVALUATION OF ORGANIZATIONAL CLIMATE				
Business Units	Companies	2010	2011	2012
Electric Energy Transport	ISA	72%	68%	75%
	CTEEP and subsidiaries	56%	57%	62%
	REP	71%	71%	74%
	TRANSELCA	76%	74%	78%
	ISA Bolivia	76%	77%	80%
	PDI	59%	61%	69%
Telecommunications Transport	INTERNEXA and subsidiaries	72%	68%	73%
Road Concessions	INTERVIAL CHILE and concessionaires		59%	65%
Smart Management of Real Time Systems	XM	83%	82%	81%
	SIR			92%
Total		65%	64%	69%

Results-measuring scale is classified as: clear strength, over 75%; moderate strength, between 50% and 75%; opportunity for improvement, between 20% and 50%; and alert, under 20%.

Management of organizational capital

Its goals are to generate organizational solutions with value added, searching for optimization, organizational efficiency, and utilization of international standards and to connect networks and mobilize knowledge for the growth and sustainability of ISA and its companies.

Integrated Management System (SIG)

Consistent with their intention to apply international standards that will decisively contribute to raise competitiveness levels, ISA and its companies progressed in adoption of ISO and OHSAS standards, for which they continued integral management of aspects of quality, safety, occupational health, environment, and process information safety.

It is worth highlighting that in 2012, REP obtained certification of its Integrated Management System for Electric Energy Transmission Service.

INTEGRATED MANAGEMENT SYSTEM (SIG)					
Business Units	Companies	ISO 9001	ISO 14001	OHSAS 18001	ISO 27001
Electric Energy Transport	ISA		(1)	(1)	
	CTEEP				
	REP		(1)	(1)	
	TRANSELCA				
	ISA Bolivia				
	PDI				
Telecommunications Transport	INTERNEXA				
Road Concessions	INTERVIAL CHILE and concessionaires				
Smart Management of Real Time Systems	XM				

(1) "Construction of Infrastructure Projects" process pending

Certified	
In process	

Lean Six Sigma (LSS)

LSS methodology was implemented in 2009, a tested and structured tool for problem solving, closing of gaps and continuous

improvement. The purpose of this initiative is adoption of tools for simpler, error-free processes that lead to achievement of results expected.



At 2012 closing, 51 projects had been developed in ISA and its companies, nine process mapping and five replicas in subsidiaries. Likewise, 22 Black Belts have been trained, of whom two are Master Black Belts.

Information technology management

IT management in ISA and its companies has allowed scale economies obtained through joint negotiations and IT services management under a unified model. It has also guaranteed good alignment of IT plan formulation with strategic direction, enabling high business competitiveness in the market.

The following projects were executed during the year:

- Redefinition of technological architecture for business unit's intelligence solutions and installation of the SAP Business Object solution to be implemented as of 2013.
- Acquisition of SAP Business Planning and Consolidation solution to buttress in each company the budget and financial planning processes and allow their ulterior consolidation.
- Implantation of administration of trusts in SAP for Transmantaro in the Zapallal - Trujillo and Trujillo – Chiclayo projects.
- Software implementation for automatic rating of electric equipment.

- Mobile device implementation for maintenance management, by means of SARIM tool.
- Technology leverage for the performance of the network territorial observatories.

CORPORATE COMMUNICATION MANAGEMENT

Along 2012, corporate communication management aimed at strengthening the reputation of ISA and its companies, through segmented strategies targeting key audiences accessed through conventional means and social networks. Likewise, a measurement model of reputation among their key audiences was constructed to assess in 2013 reputational management in ISA, CTEEP, REP, ISA Bolivia, XM, INTERNEXA and Ruta del Maipo (concessionaire of INTERVIAL CHILE).

Taking into account the dynamics of ISA's business, the changing environments of its business activities and the high level of sensitivity aroused by impact associated with infrastructure projects, there was increased exposure to risks that compromised its reputation. For follow-up of this dynamics, and implementation of actions aimed at protecting the reputation of ISA and its companies, the companies conducted permanent monitoring of how they were perceived by opinion leaders, media, and general public; additionally ISA updated

the Communication Manual for Mitigation of Risks and Reputation Crisis.

The new media are fundamental in terms of construction and protection of reputation, attainment of higher reach levels and communication frequency with key audiences as well as opening of new spaces for dialogue and interaction.

As a result of a diagnosis of social networks with the most reach and influence among its stakeholders, ISA entered Twitter (@ISA_Avanza), LinkedIn (Interconexión Eléctrica S.A.), Facebook (ISA Avanza) and Youtube (ISA Avanza Channel), with highly satisfactory results in terms of contacts and interactions.

CORPORATE AUDIT MANAGEMENT

The internal control system at ISA and its companies is based on the international standard Committee of Sponsoring Organizations of the Treadway Commission (COSO). Its use aims at: guaranteeing reasonable achievement of corporate goals; strengthening trust in the integrity of the information delivered to the different stakeholders; and adequate monitoring and timely response to the normal risk of business, corporate governance instruments and transparency practices.

Corporate audit systematically carries out, in ISA and its companies, evaluations of their internal control systems with the impartiality, objectivity and independence necessary to carry out its functions, in accordance with international auditing principles and practices.

In complying with this duty, it arranges work plans with each company's audit committee members, who, according to the risk levels and specificities, offer guidance and strategies to follow.

Audits to business units' specific issues, as well as evaluations to managerial, technological and financial process, were carried out along 2012.

Evaluations conducted did not find any evidence of significant or material deviation that may jeopardize the business continuity of ISA and its companies; this opinion goes in line with the evaluations of external auditors and statutory auditors who issued favorable opinions about the internal control system.

Evaluation of the maturity level of the internal control of ISA and some of its companies was conducted with assistance of Deloitte&Touche, which, in the light of international standard COSO concluded that the internal control practices for this type of companies has reached appropriate maturity levels.

Consolidation of instruments like the Anti-fraud Code, the Ethics Code, and the Money Laundering and Terrorism Financing Risk

Administration System is also highlighted since they will increase security levels of ISA and its companies with respect to the risks to which they relate.

Advance in the consolidation of the collaborative network made up since 2011 by EPM Group, ISAGEN and ISA helped strengthening organizational auditing and control processes. Outstanding among the achieved goals are: innovations in audit methodologies for fraud-risk evaluation, infrastructure projects management, information security, and securing of remote sites.

Also related to this network, training processes were structured by means of specialized conferences that helped strengthen the companies' auditors and managers in issues of control and corporate governance.

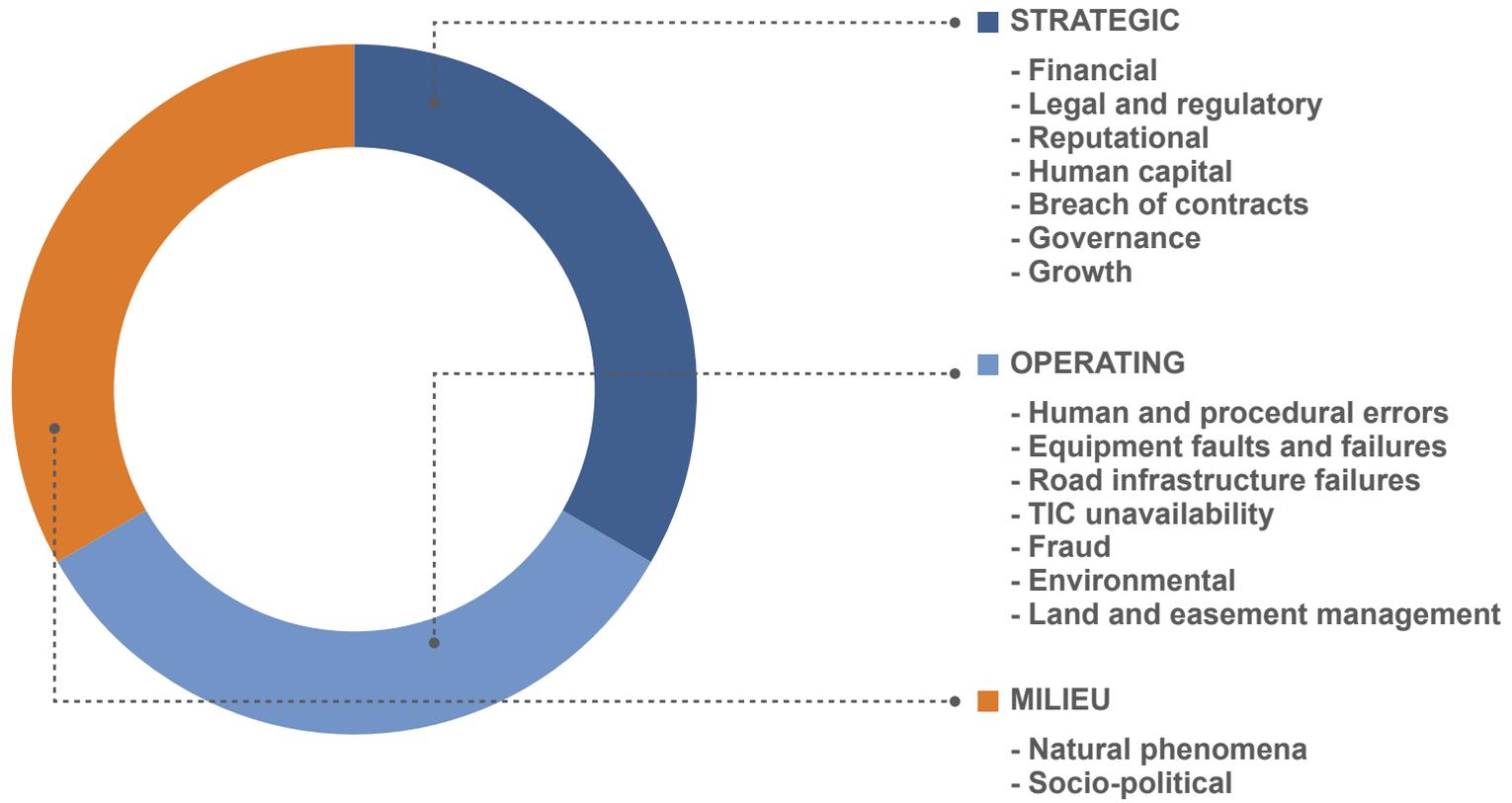
RISK MANAGEMENT

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

Each company has its own risks map and evaluates it on the probability of occurrence and seriousness of consequences on fundamental resources (financial, human, information and reputation), prioritizing the most relevant for the development of its operations and achievement of the strategy. Likewise, it monitors its condition and defines and implements measures to improve its management. The companies periodically present the advances of their management and the main events that have materialized.

The risks map of ISA and its companies consolidates 16 risks, classified under the categories of strategic, operational, and of the milieu.

RISK MAP



Priority risks identified in 2012 were:

Financial: Includes market, liquidity, credit and counterparty.

The most relevant materialization of this risk was the negative variation of the Producer's Price Index (IPP) (-2.95%), index to which revenues from use of the STN in Colombia are indexed, which caused their decrease, affecting compliance with financial goals.

Additionally, revaluation of the Peso against the Real, the Dollar and the Chilean Peso generated variations in the financial statements, due to the effect from translation of the financial statements of companies abroad that are expressed in currencies different from the Peso.

Main administration actions:

- Permanent analysis of macroeconomic variables.
- Estimation of Earnings at Risk (EaR) and Cash Flow at Risk (CfaR) using financial risk quantification methodologies.
- Debt management operations and structuring of natural and synthetic hedging operations.

- Study and application of price readjustment formulas for supplies and raw materials.
- Evaluation of the effects of macroeconomic variables volatility on structuring of bids and financial condition.

Legal and regulatory framework: Impact of changes or voids in legislation, case law or regulatory frame; increased demands from regulators, supervisory and controlling entities; differences in application or interpretation of regulation among entities or between entities and the companies.

A resolution issued in Colombia in 2012, modifies layout of service quality and non-operating assets, setting more restrictive availability goals and defining a more demanding methodology for calculation of unserved load. Likewise, a resolution issued in Brazil modifies calculation of one variable portion of revenues, giving rise to assets of the existing system's basic network perceiving higher remuneration in case of unavailability. Additionally, CTEEP was affected by the proposal from the Brazilian Government for early termination of existing electric sector concessions.

Main administration actions:

- Permanent analysis of regulatory and normative changes.
- Direct relations and through the industry associations with the regulators.
- Judicial and out-of-court actions.
- Legal and environmental management program for ISA and its companies.
- Consultation with external advisors to interpret and apply regulation.

Reputational: Understood as any unfavorable public opinion resulting in credibility loss for ISA and its companies among their key audiences.

Some events that augmented the exposure of ISA and its companies in the media and before the public opinion, making its reputation more vulnerable were: construction of El Bosque (Cartagena-Colombia) Project, the automobile traffic congestion on Ruta del Maipo (Chile) brought about by increased traffic levels bound for South of Santiago, and the temporary shutdown of Bolívar substation (Cartagena- Colombia), among others.

Main administration actions:

- Application of communication manuals for mitigation of reputational crisis and risk, as well as relations with the media.
- Design and implementation of corporate communication strategies.
- Monitoring of corporate reputation among opinion leaders, media, and general public.
- Awareness campaigns among associates on the importance of reputation.

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

The main events representing materialization of this risk were:

- Termination of the inter-administrative contract signed between ISA and the Instituto Nacional de Concesiones (INCO) (current Agencia Nacional de Infraestructura (ANI)) for the Autopistas de la Montaña Project.
- Early termination of CTEEP's concession contract 059/2011.

- Postponement of auction to allocate financial rights for Colombia – Panama interconnection capacity access, due to impossibility to achieve some basic conditions for the project viability.

Main administration actions:

- Analysis of milieu in target countries.
- Follow-up and evaluation of compliance with business plan and management of companies.
- Ex-post evaluation of bids and business.
- Follow-up of action plans related to early termination of CTEEP Concession Contract 059/2001.

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

This risk materialized in Colombia with the abduction and assassination of a worker of ISA, increased attacks on the electric infrastructure, and theft of structures. In Brazil, the political decision by president Dilma Rousseff to reduce electric energy tariffs for consumers, in order to boost competitiveness of the

national industry, through early termination of the electric sector concessions originally set to expire between 2015 and 2017, among them CTEEP Concession Contract 059/2001.

Main administration actions:

- Permanent analysis of social, 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.
- Social-environmental management programs.
- Corporate viability strategy amidst Colombia's conflict.

FINANCIAL MANAGEMENT

According to Decree 2784 of 2012, issued by the Ministry of Trade, Industry and Tourism, ISA, as issuer of securities, was classified in Group 1, which mandates it to fully apply International Financial Reporting Standards (IFRS) (*) under the following terms:

IMPLEMENTATION IFRS STANDARDS	
Activity	Date
Mandatory preparation period	Year 2013
Opening balance sheet	January 1, 2014
Transition period	January 1 to December 31, 2014
Application period	January 1 to December 31, 2015
Reporting financial statements under IFRS, comparative and certified	December 31, 2015

Likewise, in compliance with Circular Letter No. 010 of 2013 of the Colombian Financial Superintendency, ISA approved and submitted the respective implementation plan with the formats and within the terms established by the entity.

(*) International Financial Reporting Standards (IFRS), are a set of accounting rules issued by the International Accounting Standards Board (IASB), an independent, private sector organism domiciled in London. IFRS are legally enforceable and globally accepted, comprehensible, and of high quality, based on clearly articulated principles, requiring the financial statements to contain comparable, transparent, and high-quality information, to help investors and other users to make economic decisions.

LEGAL AFFAIRS MANAGEMENT

In joint efforts with its subordinate companies, ISA is currently homologating guidelines for implementation of a legal culture and development of issues framed in mutual interest processes.

No litigations or contingencies with the potential to materially affect ISA arose along 2012. 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.

ACCOLADES

ISA

- The company received awards in three categories of the Latin American Investor Relations Awards 2011, an international recognition held simultaneously in Chile, Colombia and Peru to recognize excellence in relations with investors and communication of corporate governance of companies listed on the stock exchange. ISA obtained first place in "Best Website for Investors", and third places in the "Best Annual Report for Investors" and "Best Financial Results Disclosure" categories.
- The Colombian Stock Exchange, (BVC), on the occasion of the third version of the BVC Awards, named ISA as the company with the longest bonds underwriting term. Forty-one companies, distributed in 13 categories, participated in the Awards.

- ISA obtained 92 points over 100 in the survey of transparency policies and mechanisms among utilities conducted by Corporación Transparencia por Colombia in 2011. In its second year of voluntary participation in this survey, ISA's rating was above the 78 average points of the power and gas sector, and the 67 average points of total sectors evaluated.

CTEEP

The Association of Brazil's Capital Market Investment Professionals and Analysts (APIMEC) awarded CTEEP the "Selo Assiduidade APIMEC Ouro 11 Anos – 2012", a seal that recognizes the business practice of holding a minimum of one annual meeting with this type of professionals. APIMEC values the eleven years along which this initiative has consolidated in CTEEP, and finds it in line with the good corporate governance practices.

REP

Lima's Stock Exchange awarded REP, for the second time, the recognition "Good Corporate Governance Index", an award symbolizing trust in and recognition of the company for its compliance with good governance principles. The Index Award is granted to industrial, mining, banking, pension funds and services companies, among others.

INTERNEXA

- Metro Ethernet Forum (MEF) awarded INTERNEXA the MEF prizes for 2012 in three categories: best carrier ethernet business

application, best wholesale ethernet service, and regional service provider of the year. MEF is an entity that defines world-level standards for Carrier Ethernet networks, a technology that makes data-carrying more efficient.

- Capacity Media, British telecommunications sector magazine, and the organizer of the industry's most prestigious events, granted INTERNEXA the "Capacity Awards 2012 Best Latin America Wholesale Carrier", the category that recognizes the region's best Carrier of Carriers and values the strength of the regional offer and the company's advance in the area of digital contents migration strategy.



Economic and financial results

At closing of 2012, ISA's net income was \$272,938 million, a 19% decrease with respect to closing of 2011, explained especially by behavior of macroeconomic variables, fiscal changes in Chile, recognition under Colombian accounting standard of 100% of the loss of INTERVIAL CHILE (against 60% applied in 2011) and the effects of early termination of Concession Contract 059/2001 of CTEEP.

Translation of the financial information from the subsidiaries and affiliates abroad generated significant variation in different items of the financial statements, due to revaluation of the Peso against the Dollar, the Real, and the Chilean Peso; the largest variations in that sense originated in the companies in Brazil.

EXCHANGE RATES VARIATION						
Rates	Year average			Year closing date		
	2011	2012	Variation %	2011	2012	Variation %
Peso / Dollar	1,848.17	1,798.23	-2.7	1,942.70	1,768.23	-9.0
Peso / Real	1,104	897	-18.7	1,036	865	-16.5
Peso / Chilean Peso	3.82	3.70	-3.3	3.74	3.68	-1.5
Real / Dollar	1.67	2.00	19.7	1.88	2.04	8.9
Chilean Peso / Dollar	483.67	486.49	0.6	519.20	479.96	-7.6

The previous notwithstanding, net income tends to offset the effect of exchange rate variations.

Period's results include consolidation of companies SERRA DO JAPI and INTERNEXA in Brazil.

The fiscal period saw important generation of funds that allowed attention to all commitments and enabled reduction of indebtedness levels, to close the year with cash of \$216,917 million for ISA and \$1,700,000 million for the group.

Future commissioning of projects in Peru and Brazil, and the break-even point that the concessionaires of INTERVAL CHILE must reach in 2015, will generate both increased income levels and return margins for the group.

Likewise, ISA will continue searching for business growth, leveraged on generation of own funds and capability of incurring new indebtedness, accessing diverse financing sources in highly competitive conditions, always with generation of value and operational efficiency in mind.

CONSOLIDATED RESULTS

CONSOLIDATED RESULTS FOR THE PERIOD \$ MILLION	2012	2011	VARIATION	VARIATION %
Income Statement				
Operating revenues	4,303,075	4,368,600	(65,525)	-1.5
Operating costs and expenses	(2,300,358)	(2,175,211)	(125,147)	5.8
AOM costs and expenses (excluding pensions)	(1,399,968)	(1,341,187)	(58,781)	4.4
Provisions, depreciation, amortization and pensions	(900,390)	(834,024)	(66,366)	8
Operating income	2,002,717	2,193,389	(190,672)	-8.7
Non-operating results	(370,902)	(706,718)	335,816	-47.5
Income before taxes	1,631,815	1,486,671	145,144	9.8
Income tax provision	(666,488)	(457,394)	(209,094)	45.7
Income before minority interest	965,327	1,029,277	(63,950)	-6.2
Minority interest	692,389	692,501	(112)	-0.02
Net income	272,938	336,776	(63,838)	-19
Balance Sheet				
Assets	25,770,989	26,659,165	(888,176)	-3.3
Liabilities	15,487,053	15,836,240	(349,187)	-2.2
Minority interest	4,173,321	4,398,238	(224,917)	-5.1
Equity	6,110,615	6,424,687	(314,072)	-4.9

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CONSOLIDATED RESULTS FOR THE PERIOD \$ MILLION	2012	2011	VARIATION	VARIATION %
Ratios				
EBITDA (\$ million)	2,903,107	3,027,413	(124,306)	-4.1
EBITDA margin (%)	67.5	69.3		
Operating margin (%)	46.5	50.2		
Margin before minority interest (%)	22.4	23.6		
Net margin (%)	6.3	7.7		
Return on assets (%)	1.1	1.3		
Return on equity (%)	4.5	5.2		
Leverage (%)	60.1	59.4		
Net Debt / EBITDA (times)	2.7	2.7		
EBITDA / Interest (times)	4.3	4.7		

Consolidated income statement

Operating results

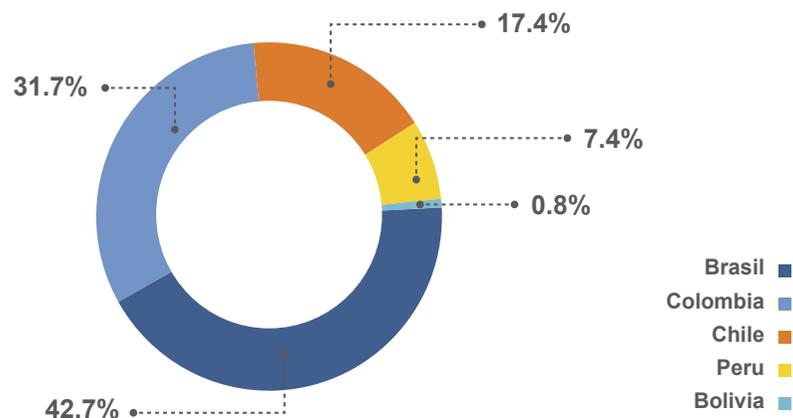
Even though ISA's companies increased revenues in their original currencies, their consolidation in pesos showed 1.5% operating revenue decrease, with \$4,300,000 million at year closing; the major impact owing to revaluation of the Peso against the Real.

By country, the largest revenues increases were in:

- **Chile:** Higher revenues from the concessionaires of INTERVAL CHILE explained by increased automobile traffic levels and toll fee readjustment.
- **Peru:** Higher revenues from commissioning of projects developed by Transmantaro and expansion works at REP.
- **Brazil:** Increase in revenues from effect of the Market Prices General Index (IGPM), to which CTEEP revenues are indexed, and from revenues of SERRA DO JAPI and INTERNEXA.

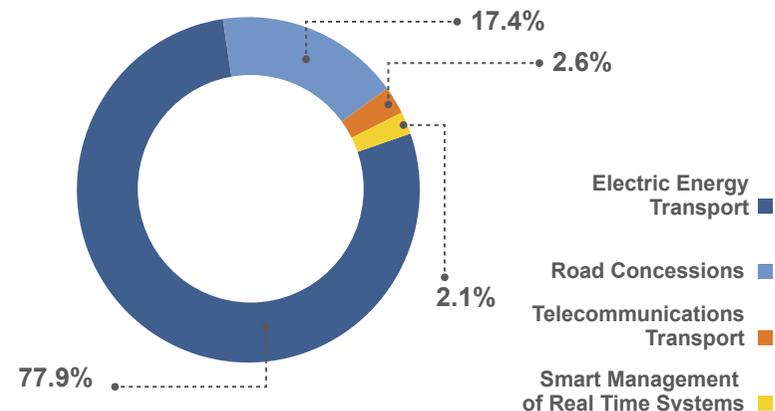
- **Colombia:** venue increase from new connection contracts, construction of projects for third parties, and increase in service of use for application of CREG Resolution 011 of 2009(*). However, it is worth highlighting that revenues of ISA and TRANSELC were affected by negative behavior of PPI and revaluation of the Peso.

CONSOLIDATED REVENUES BY COUNTRY



(*) CREG Resolution 011 of 2009, establishing tariff methodology and formulas for remuneration of the electric energy transmission activity in the National Transmission System, which became applicable in late 2011.

CONSOLIDATED REVENUES BY BUSINESS UNIT



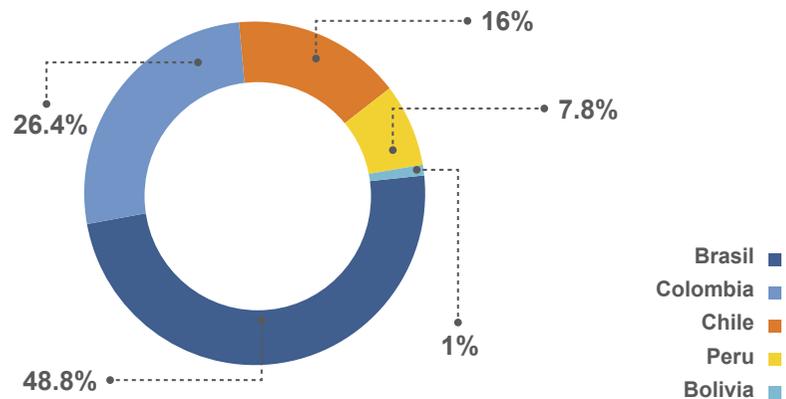
Operating costs and expenses in turn, totaled \$2,300,000 million, 5.8% up on last year's figure. This result is due mainly to:

- **Chile:** Higher amortization of the road concessions rights explained by higher automobile traffic levels.
- **Peru:** Increased payroll and maintenance expenses and higher amortizations deriving from assets commissioned along the fiscal period.
- **Brazil:** Partial (61%) amortization of goodwill of ISA Capital do Brasil due to early termination of Concession Contract 059/2001, and higher payroll, services and maintenance expenses in CTEEP.

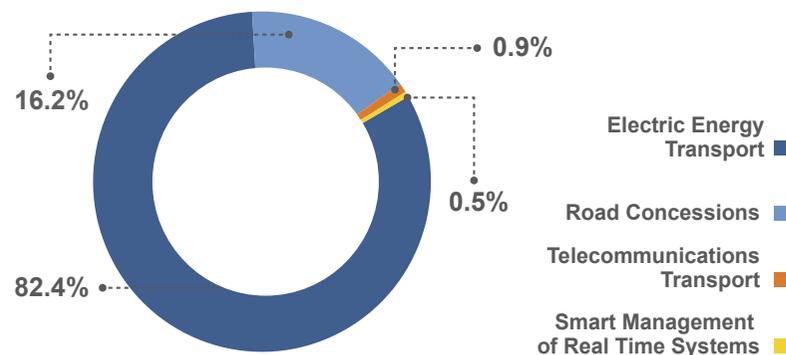
- **Colombia:** Increased personnel expenses and costs of projects for third parties.

As a consequence of higher growth in effective costs and AOM expenses against the value of revenues, EBITDA fell by 4.1%, closing at \$2,900,000 million, and EBITDA margin went from 69.3% in 2011 to 67.5% in 2012.

CONSOLIDATED EBITDA BY COUNTRY



CONSOLIDATED EBITDA BY BUSINESS UNIT



Likewise, consolidated operating income totaled \$2,000,000 million, 8.7% less than in 2011, with operating margin reaching 46.5% in 2012.

Non-operating results

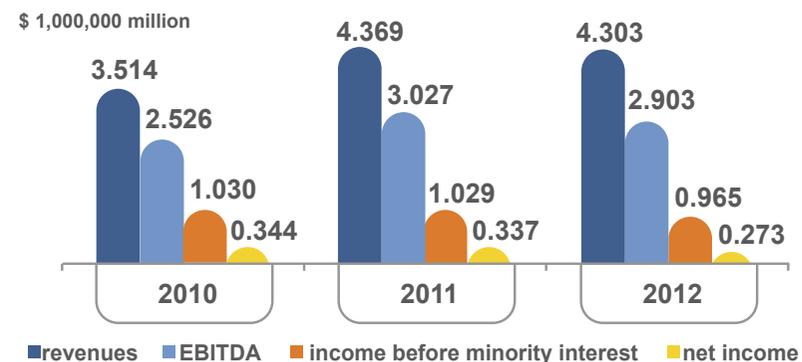
Non-operating result improved 47.5% by going from -\$706,718 million (2011) to -\$370,902 million (2012), explained by net result of recognition of CTEEP compensation (BRL2,900,000 million), offset by the cost of assets commissioned as from May of 2000 and the improvements made (BRL2,500,000 million).

Income tax expense increased by 45.7% from \$457,394 million in 2011 to \$666,488 million in 2012. This variation was mainly the result of:

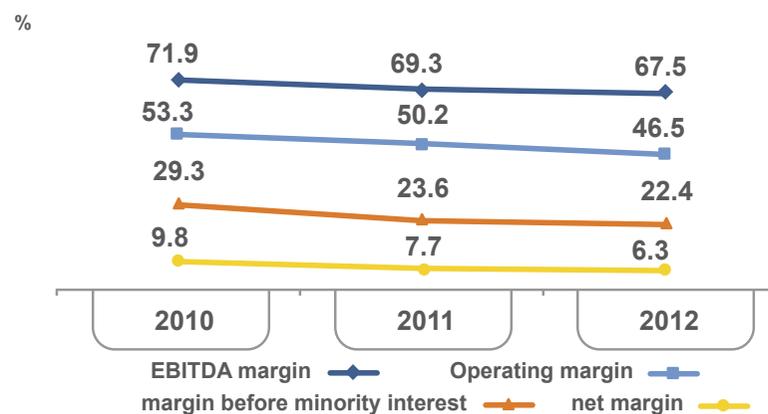
- **Brazil:** Higher taxes in CTEEP associated with the compensation, reduction of fiscal benefit for decrease of interest payments on own capital in 2012, and reversion of deferred tax in favor (recognized in 2011); and higher taxes in ISA Capital do Brazil, given that recognition of deferred tax associated with fiscal losses does not apply in 2012, whereas it did so in 2011.
- **Chile:** Higher deferred taxes from higher tax rate, by going up from 17% to 20% (fiscal reform 2012).

Consolidated income before minority interest reached \$965,327 million of which 71.7% (\$692,389 million) corresponded to minority shareholders. Net income stood at \$272,938 million, 19% less than in 2011.

CONSOLIDATED FINANCIAL FIGURES

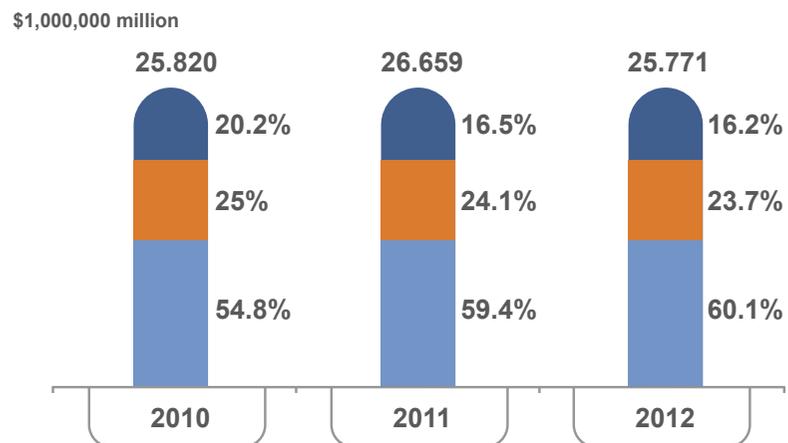


CONSOLIDATED FINANCIAL RATIOS



Consolidated balance sheet

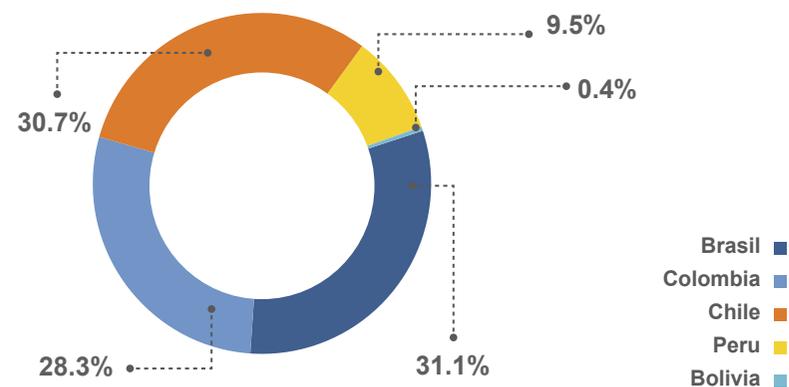
CONSOLIDATED BALANCE SHEET STRUCTURE



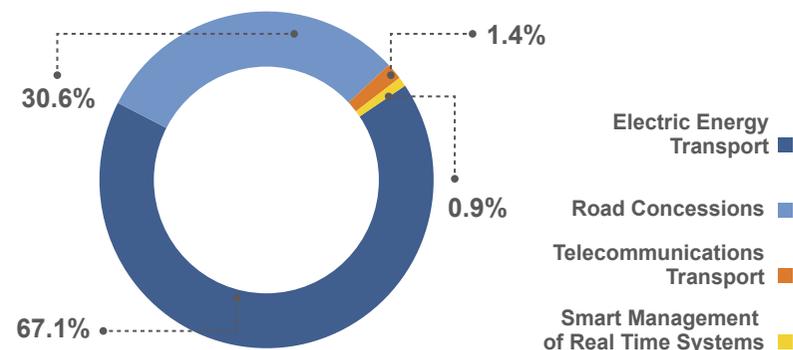
Assets, liabilities and equity accounts decreased due to the effect of revaluation of the Peso against the Dollar, the Real, and the Chilean Peso; however, this impact was offset by:

Assets: Increase of accounts receivable in CTEEP for recognition of compensation; inflow of funds from bond issuance by CTEEP; incorporation of the assets of SERRA DO JAPI (Brazil); and higher investments from construction projects in Peru.

CONSOLIDATED ASSETS BY COUNTRY

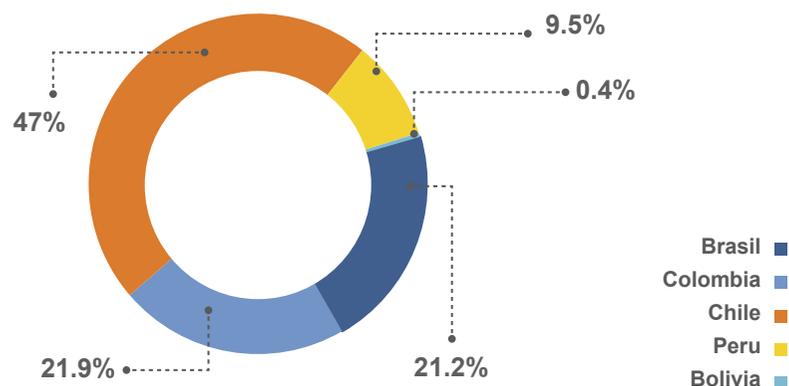


CONSOLIDATED ASSETS BY BUSINESS UNIT



Liabilities: Higher indebtedness in Brazil and Peru, and incorporation of SERRA DO JAPI into consolidated figures.

CONSOLIDATED LIABILITIES BY COUNTRY

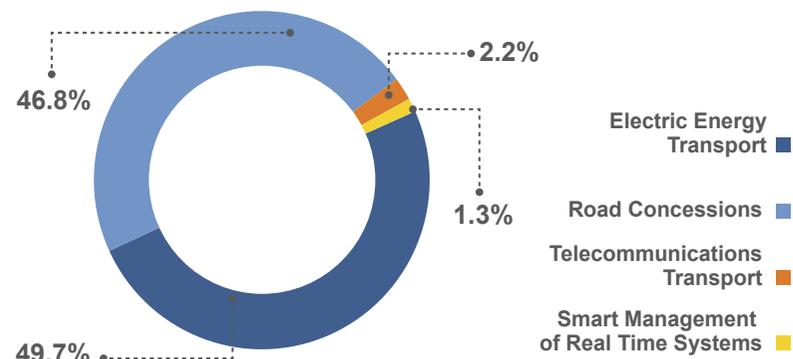


Financial liabilities

At 2012 closing date, consolidated financial liabilities amounted to \$9,400,000 million, 1.1% decrease with respect to former year (\$9,500,000 million). Important facts during the period that had effect on such result were:

- **Chile:** Ruta de los Ríos refinanced its debt (4,430,033 Unidades de Fomento (UF)) and obtained additional resources (210,879 UF) for payment of bank guarantees, which left it with a long-

CONSOLIDATED LIABILITIES BY BUSINESS UNIT

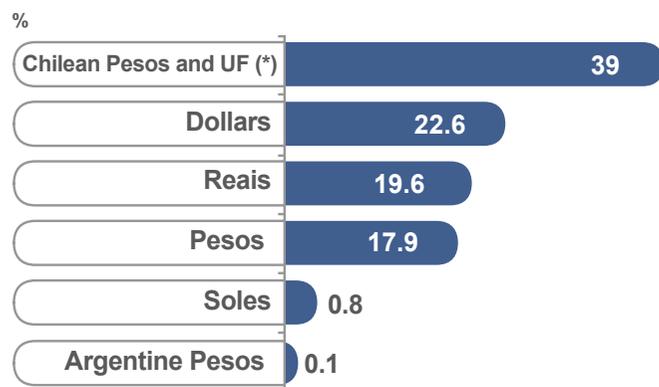


term loan of 4,640,912 UF (USD221 million) that led to rate decrease and release of cash by adjustment of reserve funds for payment of debt.

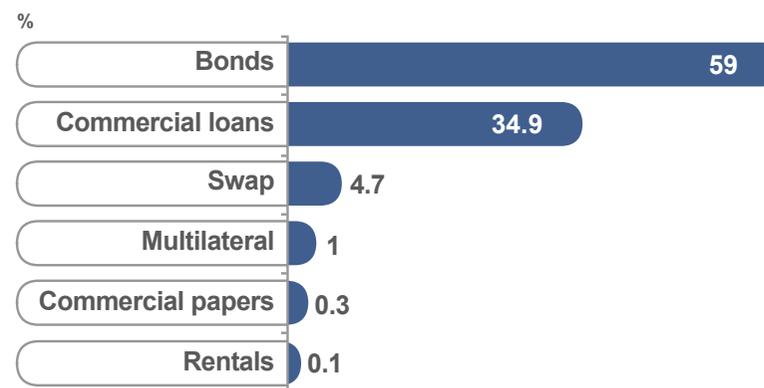
- **Peru:** To finance its expansion projects, REP carried out first issuance of the third bonds program for PEN104 million maturing in 2022, and the fourth issuance of the third bonds program for USD40 million with 18.5-year maturity. Additionally, it issued commercial papers worth USD15 million at 360-day maturity, and it exercised the repurchase option of the second issue in soles of the first bonds program maturing in 2013 for PEN18.8 million (it included repurchase premium)

- **Brazil:** CTEEP made the sixth issuance of promissory notes for BRL400 million, with maturity in January of 2013, paid the fourth and fifth issues of promissory notes worth BRL500 million, and issued bonds in a single series for BRL700 million maturing in 2014. Additionally, the SERRA DO JAPI debt was consolidated.
- **Colombia:** TRANSELCA was extended a loan of \$120,000 million by Banco de Bogotá to cover maturity of bonds. ISA's debt decreased by 9.6%.

CONSOLIDATED DEBT BY CURRENCY



CONSOLIDATED DEBT BY SOURCE



Credit risk ratings

Corporate risk and domestic and international bond issues ratings awarded by specialized agencies ratified the strength and financial soundness of ISA and its companies, the stability and predictability of its cash flows, the prominent position as energy transporter and its role as player in the Chilean road concession business.

COMPANY	TYPE OF RATING	S&P	MOODY'S	FITCH	FELLER-RATE	APOYO Y ASOCIADOS	PACIFIC CREDIT RATING	EQUILIBRIUM
ISA	Corporate	BBB- (Stable) Investment degree Dec. 2012	Baa3 (Stable) Investment degree Dec. 2012	BBB- (Positive) Investment degree Sep. 2012				
	Bond issues			AAA (Stable) Jun. 2012				
	Commercial papers			F1+ Dec. 2012				
TRANSELCA	Bond issues			AAA (Stable) May. 2012				
ISA Capital do Brazil	Corporate			BB+ (Stable) Jun. 2012				
	International bond issues			BBB- (Stable) Investment degree Jun. 2012				
CTEEP	Corporate			AA+ (Stable) Jun. 2012				
	Bond issues			AA+ (Stable) Jun. 2012				
Transmantaro	Bond issues					AAA (Stable) May. 2012	AAA (Stable) May. 2012	
REP	Bond issues					AAA (Stable) Dec. 2012		AAA (Stable) Jan. 2013
Ruta del Maipo	Bond issues	BBB- (Stable) Oct. 2012	Baa3 (Stable) Jun. 2012		A (Stable) Jul. 2012			
Ruta del Maule	Bond issues	BBB- (Stable) Oct. 2012	Baa2 (Stable) Jun. 2012		A (Stable) Oct. 2012			
Ruta del Bosque	Bond issues	BB+ (Stable) Oct. 2012	Baa3 (Stable) Jul. 2012	A- (Stable) Dec. 2012	A (Stable) Dec. 2012			

Investments

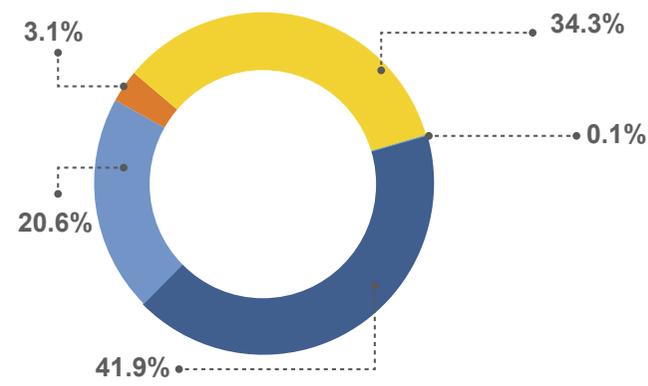
ISA and its companies carried out investments worth \$1,200,000 million, in line with their expansion plans:

- **Colombia:** Investments for \$243,553 million:
 - ISA invested \$138,455 million earmarked for construction of transmission projects, replacement of assets and contributions to corporations.
 - TRANSELCA invested \$58,994 million, earmarked mainly for expansion of Santa Marta substation and Gecelca 3 connection to STN project.
 - INTERNEXA invested \$30,283 million in expansion of its fiber optics network and contributions to its subsidiaries in Argentina and Chile.
 - XM earmarked \$15,281 million for new technological developments and capitalizations in Derivex and CRCC.
- **Brazil:** Investments for \$496,033 million, of which \$421,842 million were executed by CTEEP in grid reinforcements and as capital contributions to the companies where it has stakes. Likewise,

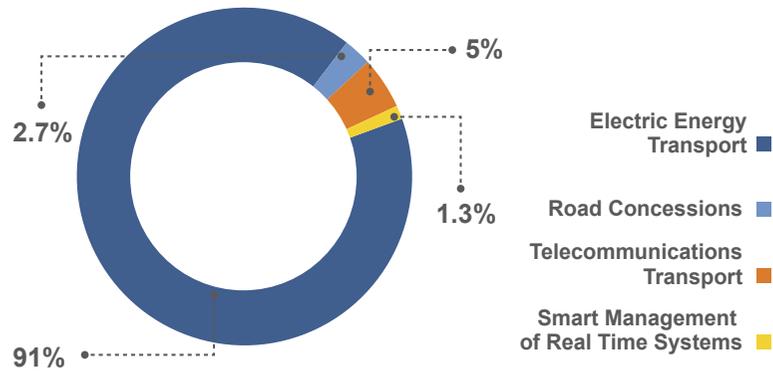
PINHEIROS and SERRA DO JAPI, invested \$74,191 million in construction of their assets.

- **Peru:** \$406,697 million invested mostly by Transmantaro in development of projects awarded by the Peruvian Government (\$269,751 million), while REP invested \$113,339 million in expansion of its electric grid. INTERNEXA in turn, invested \$23,482 million in expansion of its fiber optics network.
- **Chile:** Investments for \$36,382 million carried out to a large degree by Ruta del Maipo in implementation of the Tele-toll system and the urban landscaping project for Santiago South Access.

INVESTMENTS BY COUNTRY



INVESTMENTS BY BUSINESS UNIT



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



RESULTS OF ISA

ISA'S RESULTS DURING THE PERIOD (\$ MILLION)	2012	2011	VARIATION	VARIATION %
Income Statement				
Operating revenues	1,008,858	996,688	12,170	1.2
Operating costs and expenses	(519,678)	(518,037)	(1,641)	0.3
AOM costs and expenses (excluding pensions)	(398,796)	(382,476)	(16,320)	4.3
Provisions, depreciation, amortization and pensions	(120,882)	(135,561)	14,679	-10.8
Operating income	489,180	478,651	10,529	2.2
Non-operating results	(114,717)	(19,358)	(95,359)	-492.6
Income before taxes	374,463	459,293	(84,830)	-18.5
Income tax provision	(101,525)	(122,517)	20,992	-17.1
Net income	272,938	336,776	(63,838)	-19
Balance Sheet				
Assets	8,912,305	9,384,833	(472,528)	-5
Liabilities	2,792,599	2,988,490	(195,891)	-6.6
Equity	6,119,706	6,396,343	(276,637)	-4.3
Ratios				
EBITDA (\$ million)	610,062	614,212	(4,150)	-0.7
EBITDA margin (%)	60.5	61.6		
Operating margin (%)	48.5	48		
Net margin (%)	27.1	33.8		
Return on assets (%)	3.1	3.6		
Return on equity (%)	4.5	5.3		
Leverage (%)	31.3	31.8		
Net Debt / EBITDA (times)	1.95	2.31		
EBITDA / Interest (times)	4.28	5.26		

Income statement

Operating results

ISA's operating income reached \$489,180 million, 2.2% above its results for 2011, and operating margin went up from 48% in 2011 to 48.5%. This increase is explained by the following facts:

- ISA's revenues reached \$1,000,000 million (1.2% over 2011). This result is accounted for by new connection contracts, higher revenues from construction of projects for third parties, and increased revenues from service of use for application of CREG Resolution 011 of 2009. However, it is worth highlighting that ISA's revenues were affected by the negative behavior of the PPI and revaluation of the Peso.
- Operating costs and expenditures totaled \$519,678 million, showing slight 0.3% increase on 2011. The largest personnel expenses (associated mainly with negotiation of the labor contract) and costs related to construction projects for third parties, were offset by lower maintenance and depreciation expenses associated with updating of the remaining useful life of substations assets.

As a consequence of higher growth in effective costs and AOM expenses against the variation in revenues, EBITDA fell by 0.7% and EBITDA margin stood at 60.5%.

Non-operating results

This item went from -\$19,358 million (2011) to -\$114,717 million (2012), explained fundamentally by lower revenues from the equity method:

- Lower income in Brazil, due to amortization (61%) of goodwill of ISA Capital do Brasil, associated with early termination of Concession Contract 059/2001 of CTEEP.
- Recognition in 2012 under Colombian accounting standard of 100% of the loss of INTERVAL CHILE, against 60% applied in 2011 (ownership percentage).
- Higher losses in INTERNEXA, originating in its subsidiaries.

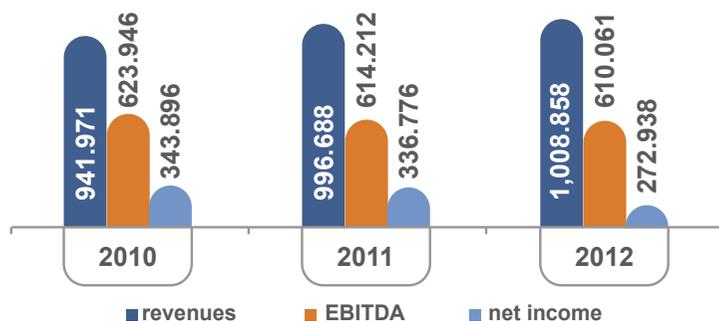
REVENUES FROM EQUITY METHOD BY COUNTRY \$ MILLION			
Countries	2012	2011	Variation
Brazil	31,139	48,587	-17,448
Colombia	61,327	52,813	8,514
Peru	34,810	42,288	-7,478
Chile	(113,632)	(79,888)	-33,744
Bolivia	(465)	(839)	374
Panama	(5,080)	(756)	-4,324
TOTAL	8,099	62,205	-54,106

Income tax provision decreased 17.1%, due to lower fiscal income, explained mainly by higher financial expenses and higher deduction for investment in productive assets.

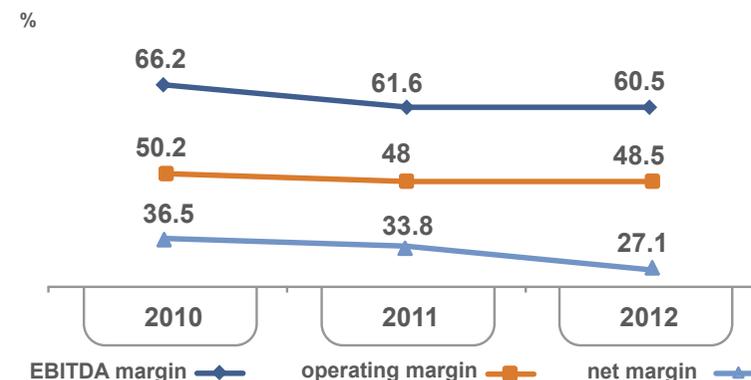
Finally, net income closed at \$272,938 million, 19% less than in 2011, and net margin went from 33.8% in 2011 to 27.1%.

ISA'S FINANCIAL FIGURES

\$ million



ISA'S FINANCIAL RATIOS



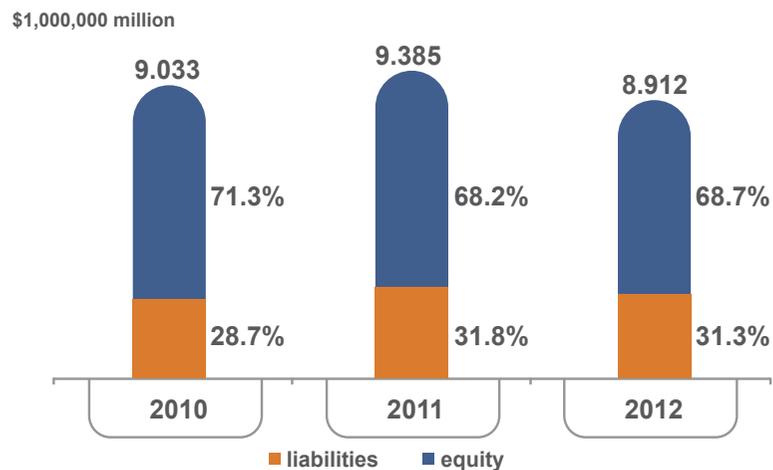
Balance sheet

The company's assets reached \$8,900,000 million, 5% less than in 2011, accounted for by reduction of the technical appraisal of operating assets (the result of the negative behavior of the PPI) and lower value of investment in subsidiaries abroad, due to revaluation of the Peso against the Dollar, the Real, and the Chilean Peso.

Liabilities reached \$2,800,000 million, showing 6.6% reduction, due mainly to lower financial obligations and accounts payable.

Equity closed at \$6,100,000 million, 4.3% less than in 2011, owing mainly to the effect of translation of investments abroad into Colombian pesos.

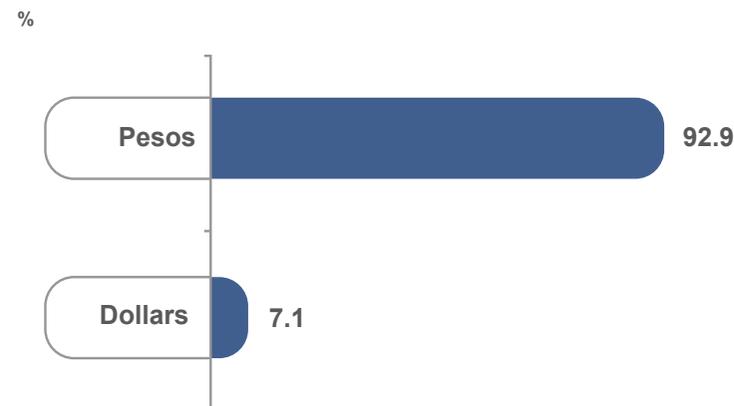
BALANCE SHEET STRUCTURE



Financial liabilities

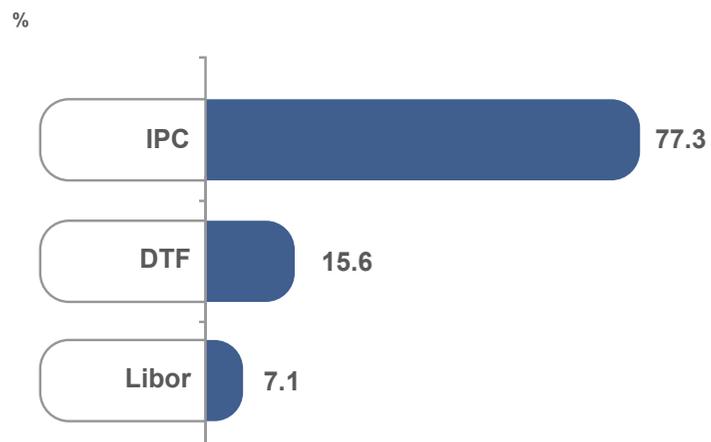
At year closing, financial debt showed \$1,400,000 million balance, 9.6% less than in 2011 (\$1,600,000 million), accounted for by prepayment of some loans amounting to \$69,500 million and amortization of loans according to the maturity schedule for the year (\$145,994 million).

ISA'S DEBT BY CURRENCY



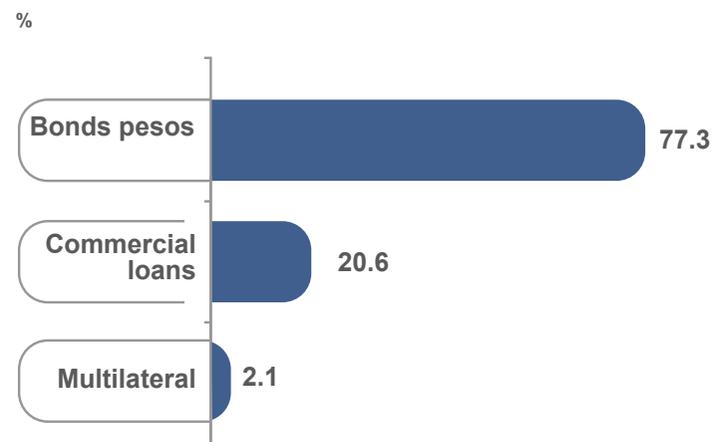
The bulk of the debt (92.9%) is hired in Pesos, given that a large portion of ISA's revenues is expressed in this same currency. Additionally, a loan for USD40 million was subscribed, to enable natural hedging with respect to revenues from the UPME convenings (set in Dollars), finishing the year with 7.1% indebtedness in this currency.

ISA'S DEBT BY RATE



Taking into account that the bulk of ISA's revenues are indexed to the PPI, and that a mid correlation exists between the CPI and the PPI, a large part of the debt is indexed to the CPI.

ISA'S DEBT BY SOURCE



On the other hand, given that the projects developed by ISA are remunerated in the long term, a large part of the debt is hired in the capital market (bonds) at very competitive rates.

EVOLUTION OF THE STOCK

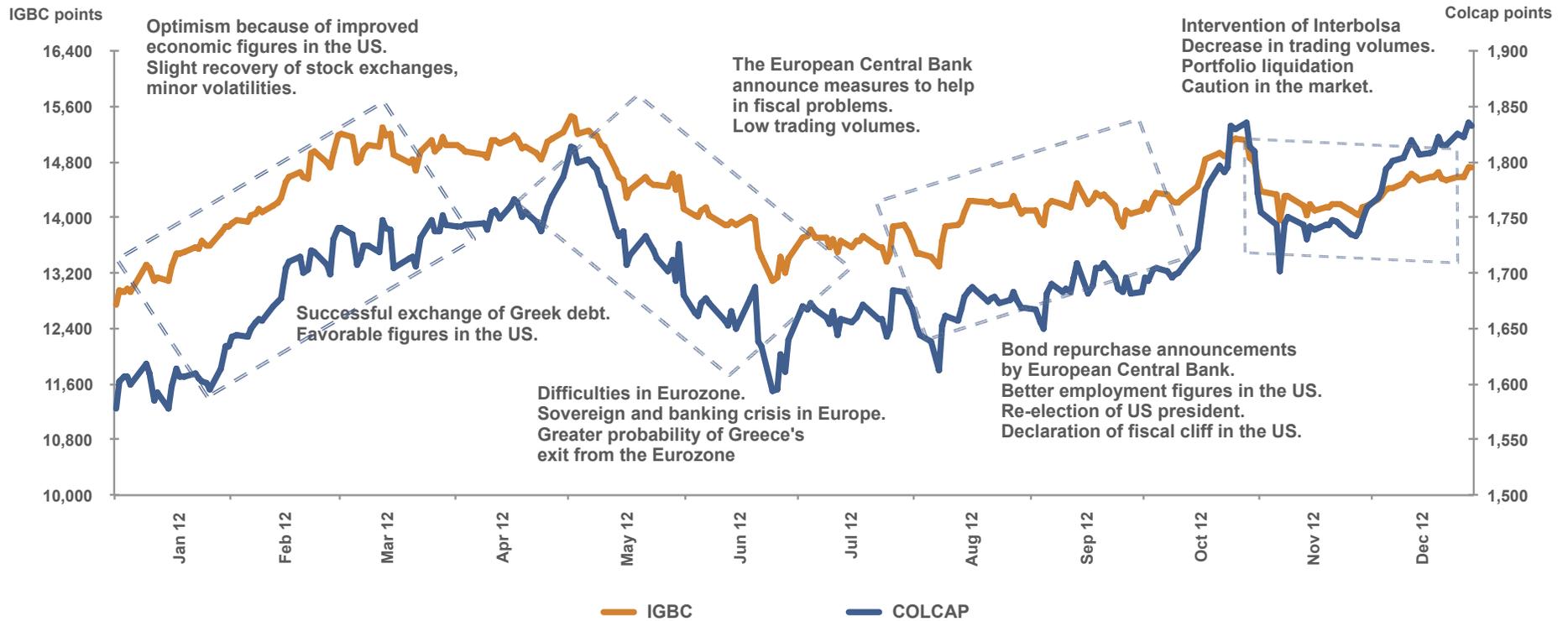
Stock market

In 2012, the international context was dominated by a weak Eurozone economy, deceleration of the Chinese economy, and the slow recovery of the US economy, and its fiscal crisis, factors that negatively affected the macroeconomic milieu stability and the capital markets of the main regions.

Intervention of the firm Interbolsa, one of the country's major stockbrokers, generated reduction of the negotiation volumes to almost half of usual transactions, accompanied by a drop of quote prices, which forced many investors to reduce positions and liquidate their earnings, given the momentary uncertainty.

However, the stock market closed the year with a positive behavior, evidenced by the appreciation registered by the main indexes of the local market, the General Index of Colombia's Stock Exchange, (IGBC) (16.19%) and Colcap (16.62%).

BEHAVIOR OF THE STOCK MARKET 2012 IGBC AND COLCAP

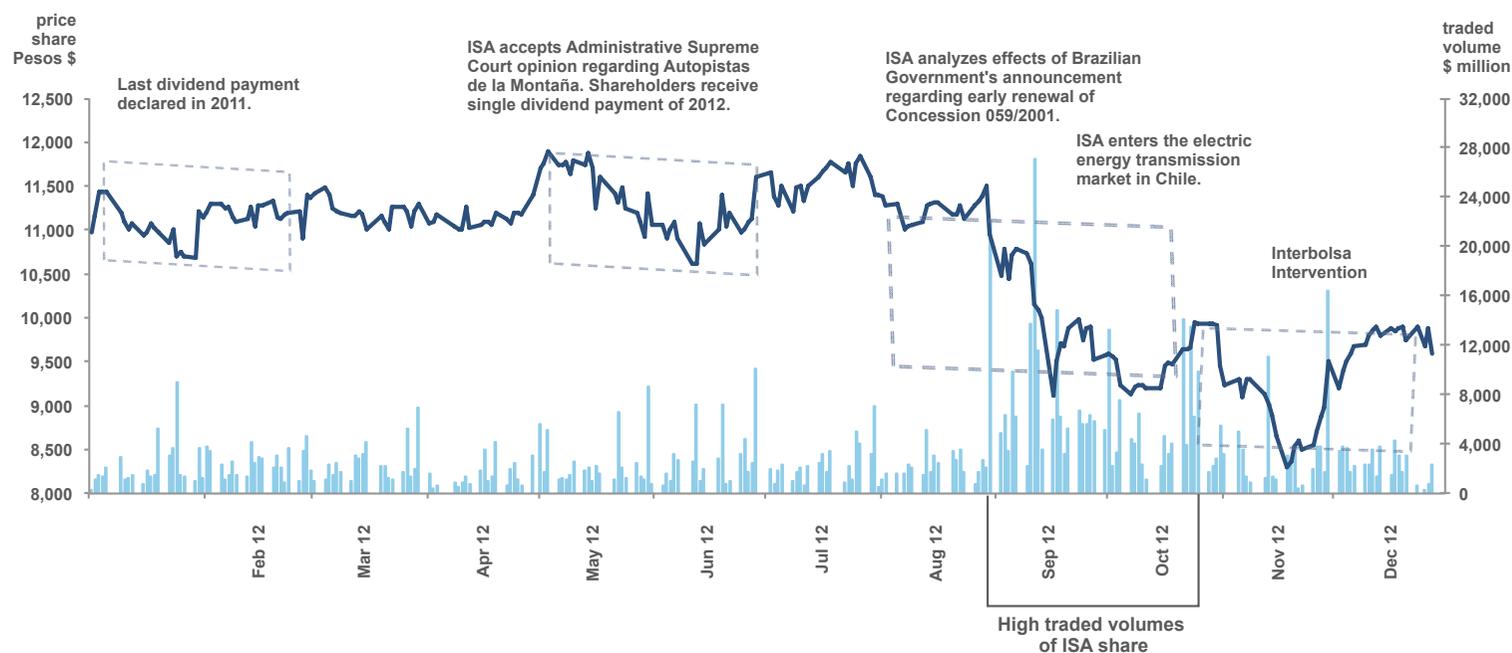


Performance of the Stock

Along the first semester of 2012, the quote of ISA stock showed a relatively stable behavior, but it was notoriously affected (-13.14%),

in September, due to the uncertainty generated by the announcements by the Brazilian Government as to the early termination of the electric sector's concessions.

PERFORMANCE OF ISA STOCK



In 2012, ISA share reached a peak quote of \$11,900, an average quote of \$10,378, and a closing one of \$9,600, for an accumulated yearly drop of 14.29%.

The volume of shares traded in the 244 rounds of Colombian Stock Exchange was 77,030,392 shares, 63.74% up on 2011, for a daily average of 314,145 shares and an average volume per round of \$3,260 million.

An increase in amounts traded arose in September and November, bringing ISA share to the 6th and 7th positions of the Market Capitalization Index (Colombian Financial Superintendency); at year closing, the share fell to 11th position.

Main indicators

The Company's market capitalization as of December 31, 2012 stood at \$10,633,707 million, with 1,107,677,894 outstanding shares.

STOCKMARKET INDICATORS			
ISA Share	2010	2011	2012
Free - Float (%)	31.42	31.44	31.44
Shareholders (No.)	51,204	48,168	43,986
Par value (\$)	32.80	32.80	32.80
Book value including appreciation (\$)	5,813.69	5,774.55	5,524.81
Closing quote \$	14,100	11,200	9,600
Market capitalization (\$1,000,000 million)	15,618,258	12,405,992	10,633,708
Average traded (\$ million)	4,490	2,337	3,260
ADR closing quote (USD)	183.59	144.44	135.80
ADR average quote (USD)	173.70	166.64	148.11
BVC Indices			
IGBC (points)	15,496.77	12,665.10	14,715.84
Colcap (points)	1,823.70	1,571.55	1,832.75
Col 20 (points)	1,452.68	1,287.63	1,348.01

Continúa en la próxima página

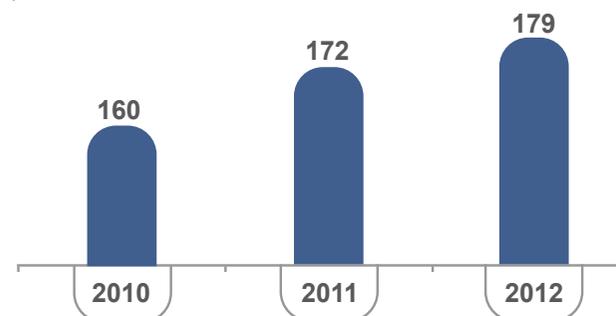
SHAREHOLDING (DEC 31, 2012)		
Shareholders	Shares	%
State investors	682,078,108	61.58
The State	569,472,561	51.41
Empresas Públicas de Medellín	112,605,547	10.17
State and private capital investors	77,373,530	6.99
ECOPETROL	58,925,480	5.32
Empresa de Energía de Bogotá	18,448,050	1.67
Private investors	348,226,256	31.44
Institutional investors	210,792,837	19.03
Individuals	73,827,885	6.67
Legal persons	17,629,611	1.59
Foreign investment funds	45,223,648	4.08
ISA ADR Program	752,275	0.07
Subscribed and paid share capital	1,107,677,894	100.00

Dividends

The Shareholders' Meeting held on March 30 of 2012 approved distribution of earnings and reserves among its shareholders, for \$198,274 million, representing 73.9% of the distributable income for 2011. Payment took place in one single installment on June 26, 2012.

REGULAR DIVIDENDS PER SHARE

pesos \$



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED DECEMBER DECEMBER
BALANCE SHEETS **2012 - 2011**

Amounts expressed in millions
of Colombian Pesos

ASSETS	NOTES	2012	2011
Current assets			
Cash	(5)	429,455	393,728
Marketable investments	(5)	1,247,451	1,019,223
Accounts receivable – net	(7)	2,986,706	1,626,644
Inventories – net	(8)	112,043	36,661
Deferred charges and other assets	(10)	119,410	141,543
TOTAL CURRENT ASSETS		4,895,065	3,217,799
Non-current assets			
Long-term investments – net	(6)	707,607	713,648
Long-term accounts receivable	(7)	1,916,517	1,108,641
Inventories – net	(8)	58,428	56,369
Property, plant and equipment – net	(9)	3,031,437	2,960,138
Deferred charges and other assets	(10)	12,148,548	15,466,332
Reappraisals	(11)	3,013,387	3,136,238
TOTAL NON-CURRENT ASSETS		20,875,924	23,441,366
TOTAL ASSETS		25,770,989	26,659,165
Memorandum accounts			
Debit	(19)	3,615,185	4,077,422
Credit	(19)	8,448,635	2,510,280

See accompanying notes to Consolidated Financial Statements
Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED DECEMBER DECEMBER
BALANCE SHEETS **2012 - 2011**

Amounts expressed in millions
of Colombian Pesos

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	2012	2011
Current liabilities			
Outstanding bonds	(12)	412,934	460,438
Financial liabilities	(13)	936,531	1,087,939
Accounts payable	(14)	1,017,421	1,163,792
Labor liabilities	(15)	20,919	17,868
Accrued liabilities and estimated provisions	(16)	176,773	177,174
Other liabilities	(17)	259,299	1,908,480
TOTAL CURRENT LIABILITIES		2,823,877	4,815,691
Non-current liabilities			
Outstanding bonds	(12)	5,574,696	5,341,548
Financial liabilities	(13)	2,468,086	2,605,385
Accounts payable	(14)	1,554,263	391,995
Labor liabilities	(15)	1,433	1,487
Accrued liabilities and estimated provisions	(16)	767,931	850,897
Other liabilities	(17)	2,296,767	1,829,237
TOTAL NON-CURRENT LIABILITIES		12,663,176	11,020,549
TOTAL LIABILITIES		15,487,053	15,836,240

See accompanying notes to Consolidated Financial Statements

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED DECEMBER DECEMBER
BALANCE SHEETS 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	2012	2011
Minority interest		4,173,321	4,398,238
Shareholders' equity	(18)		
Subscribed and paid share capital		36,916	36,916
Capital surplus		1,445,509	1,445,509
Reserves		934,492	795,990
Net income		272,938	336,776
Cumulative translation adjustment		(9,091)	28,344
Equity revaluation		415,645	415,645
Revaluation surplus		2,563,287	2,685,472
Surplus from equity method		450,919	680,035
TOTAL SHAREHOLDERS' EQUITY		6,110,615	6,424,687
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		25,770,989	26,659,165
Memorandum accounts			
Credit	(19)	8,448,635	2,510,280
Debit	(19)	3,615,185	4,077,422

See accompanying notes to Consolidated Financial Statements
Continued from previous page [↩](#)


Luis Fernando Alarcón M.
 Chief Executive Officer
 (See attached opinion)


John Bayron Arango V.
 Chief Accounting Officer
 T.P. N° 34420-T
 (See attached opinion)


Alba Lucía Guzmán L.
 T.P. 35265-T
 (See attached report of March 01, 2013)
 Designated by Ernst & Young Audit Ltda. TR-530

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

	NOTES	2012	2011
OPERATING REVENUES			
Electric energy transmission services		2,919,517	3,091,571
Connection charges		356,399	363,554
Roads		747,369	696,543
Telecommunications		113,810	98,348
Dispatch and CND-MEM coordination		41,712	39,455
MEM Services (STN, SIC, SDI)		41,126	29,781
Other operating revenues		83,142	49,348
TOTAL OPERATING REVENUES		4,303,075	4,368,600
OPERATING COSTS AND EXPENSES			
Operating Costs		1,611,470	1,590,598
Administration expenses		688,888	584,613
TOTAL OPERATING COSTS AND EXPENSES		2,300,358	2,175,211
OPERATING INCOME		2,002,717	2,193,389
NON-OPERATING REVENUES (EXPENSES)			
	(23)		
Non-operating revenues		3,114,154	545,075
Non-operative expenses		(3,485,056)	(1,251,793)
NON OPERATING LOSS		(370,902)	(706,718)
INCOME BEFORE TAXES		1,631,815	1,486,671
Income tax provision	(16.2)	(666,488)	(457,394)
INCOME BEFORE MINORITY INTEREST		965,327	1,029,277
Minority interest		692,389	692,501
NET INCOME		272,938	336,776

See accompanying notes to Consolidated Financial Statements

Luis Fernando Alarcón M.
Chief Executive Officer
(See attached opinion)

John Bayron Arango V.
Chief Accounting Officer
T.P. N° 34420-T
(See attached opinion)

Alba Lucía Guzmán L.
T.P. 35265-T
(See attached report of March 01, 2013)
Designated by Ernst & Young Audit Ltda. TR-530



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY DECEMBER 2012 - DECEMBER 2011

Amounts expressed in millions of Colombian pesos, except for dividends per share that are expressed in Colombian pesos

	CAPITAL SURPLUS						RESERVES							
	Subscribed and paid share capital	Additional paid-in capital	Received for works	Total	Legal	For tax purposes mandatory	For repurchase of own shares	For reinforcement of equity	For rehabilitation and replacement of STN assets	Total	Income of the year and the exchange difference from translation	Equity revaluation	Surplus from revaluation and equity method	Total
Balances at December 31, 2010	36,916	1,428,128	17,381	1,445,509	18,459	324,059	38,100	224,561	37,435	642,614	347,997	571,845	3,398,916	6,443,797
Transfers approved by the Shareholders' Meeting	-	-	-	-	-	83,785	-	69,591	-	153,376	(153,376)	-	-	-
Dividends declared of \$172 per share calculated on 1,107,677,894 outstanding shares payable in four quarterly installments on April, July, and October 2011 and January 2012	-	-	-	-	-	-	-	-	-	-	(190,520)	-	-	(190,520)
Cumulative translation adjustment	-	-	-	-	-	-	-	-	-	-	24,243	-	-	24,243
Variation in equity revaluation	-	-	-	-	-	-	-	-	-	-	-	(156,200)	-	(156,200)
Increase in re-appraisals of the year	-	-	-	-	-	-	-	-	-	-	-	-	102,085	102,085
Decrease in surplus from equity method	-	-	-	-	-	-	-	-	-	-	-	-	(135,494)	(135,494)
Net income at December of 2011	-	-	-	-	-	-	-	-	-	-	336,776	-	-	336,776
Balances at December 31, 2011	36,916	1,428,128	17,381	1,445,509	18,459	407,844	38,100	294,152	37,435	795,990	365,120	415,645	3,365,507	6,424,687
Transfers approved by the Shareholders' Meeting	-	-	-	-	-	68,550	-	69,952	-	138,502	(138,502)	-	-	-
Dividends declared of \$179 per share calculated on 1,107,677,894 outstanding shares payable in one installment in June 2012	-	-	-	-	-	-	-	-	-	-	(198,274)	-	-	(198,274)
Cumulative translation adjustment	-	-	-	-	-	-	-	-	-	-	(37,435)	-	-	(37,435)
Increase in re-appraisals of the year	-	-	-	-	-	-	-	-	-	-	-	-	(122,185)	(122,185)
Decrease in surplus from equity method	-	-	-	-	-	-	-	-	-	-	-	-	(229,116)	(229,116)
Net income at December of 2012	-	-	-	-	-	-	-	-	-	-	272,938	-	-	272,938
Balances at December 31, 2012	36,916	1,428,128	17,381	1,445,509	18,459	476,394	38,100	364,104	37,435	934,492	263,847	415,645	3,014,206	6,110,615

See accompanying notes to Consolidated Financial Statements

Luis Fernando Alarcón M.
Chief Executive Officer
(See attached opinion)

John Bayron Arango V.
Chief Accounting Officer
T.P. N° 34420-T
(See attached opinion)

Alba Lucía Guzmán L.
T.P. 35265-T
(See attached report of March 01, 2013)
Designated by Ernst & Young Audit Ltda. TR-530



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

	2012	2011
CASH FLOW FROM OPERATION ACTIVITIES		
Net income	272,938	336,776
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	692,389	692,501
Depreciation of property, plant and equipment	155,971	171,683
Amortization of deferred charges and other assets	655,753	569,356
Amortization of retirement pensions and fringe benefits	32,492	29,166
Allowance for doubtful accounts	1,002	1,212
Provision for inventory protection	-	3,082
Investments (recovery) provision	(64)	522
Income tax provision	666,488	457,394
Loss on sale and retirement of property, plant, equipment and rights	1,553	113,015
Rights retirement cost for early renewal of 059/2001 contract in CTEEP	2,300,318	-
Exchange difference expense	33,973	17,500
Recovery of provisions	(1,458)	(2,041)
Interest and commissions accrued	639,512	603,210
	5,450,867	2,993,376

See accompanying notes to Consolidated Financial Statements
Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

	2012	2011
CASH FLOW FROM OPERATION ACTIVITIES		
Changes in operating assets and liabilities:		
Accounts receivable	(164,325)	(514,909)
Accounts receivable for early renewal of 059/2001 contract in CTEEP	(2,551,859)	-
Inventories	(77,441)	(24,592)
Deferred charges and other assets	13,510	(4,196)
Deferred costs for debt restructuring in Chile	-	(1,461,598)
Accounts payable and other liabilities	219,713	1,184,570
Labor liabilities	2,997	(5,935)
Accrued liabilities and estimated provisions	5,192	(574,413)
Collections for third parties	215,759	241,211
Minority interest	(291,584)	(1,026,563)
Equity variation	666	(24,612)
Cash flow in other operations:		
Payment of retirement pensions	(26,327)	(24,241)
Payment of taxes	(646,582)	(828,623)
Net cash provided (used) in operation activities	2,150,586	(70,525)

See accompanying notes to Consolidated Financial Statements

Continuation 



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

	2012	2011
CASH FLOW FROM OPERATION ACTIVITIES		
Cash flow from investment activities:		
Variation in long-term investments	6,105	(105,463)
Sale of property, plant and equipment	612	-
Acquisition of intangible assets	(818,612)	-
Acquisition of property, plant and equipment	(245,485)	(114,548)
Net cash used in investment activities	(1,057,380)	(220,011)
Cash flows from financing activities:		
Interest received in cash	44,045	44,596
Interest and commissions paid in cash	(926,607)	(770,492)
Cash dividends paid	(245,904)	(187,198)
Increase in financial liabilities	1,427,340	1,879,210
Bond issues	767,727	591,804
Payment of financial liabilities	(1,434,917)	(640,654)
Payment of bonds	(460,935)	(424,870)
Net cash (used) provided by financing activities	(829,251)	492,396
Increase in cash and cash equivalents – Net	263,955	201,860
Cash and cash equivalents at the beginning of the year	1,412,951	1,211,091
Cash and cash equivalents at the end of the year	1,676,906	1,412,951

See accompanying notes to Consolidated Financial Statements

Continued from previous page 



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Chief Executive Officer
(See attached opinion)



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Alba Lucía Guzmán L.
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(See attached report of March 01, 2013)
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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos and
original currencies

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.

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, with indefinite term, ascribed to the Ministry of Mines and Energy, and subject to the legal regime established by Law 142 of 1994. This process was completed on January 15, 1997, with the arrival of private investment.

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

ISA's main corporate purpose is:

1. The operation and maintenance of its own transmission network.
2. The expansion of the national interconnection grid.
3. The planning and operation coordination of the resources of the National Interconnected System.
4. The administration of the financial settlement system and commercialization of energy in the wholesale energy market.
5. The development of telecommunications systems, activities and services.
6. The direct and indirect participation in activities and services related to the transport of other energy sources, except for those restricted by law.
7. The provision of technical services in activities related to its corporate purpose and professional services required by ISA's companies.
8. The development for third parties of any other activity related to the provision of electric power and telecommunications services within the regulation in force.
9. The direct and indirect participation in activities, services and investments related to engineering works.

Direction and management

As to direction and management, the companies have directive and administrative bodies that legally and statutorily set the guidelines for their corporate endeavors and execute and carry out every act in pursuit of their corporate purpose.

The Shareholders' Meeting is the company's upper directive body, consisting of every natural and legal person that holds subscribed shares, either present or represented, gathered in regular or special meetings.

The companies' administration consists of the Board of Directors, the Chief Executive Officer, the Area Managers and the Directors.

The Board of Directors occupies second position after the Shareholders's Meeting and before the Legal Representative. It is an administrative body for cooperation with the legal representative that circumscribes its activities to achieving compliance with the goals for which the company was established.

The Chief Executive Officer is in charge of carrying out the decisions and orders of the Shareholders' Meeting and the Board of Directors, conducts and administers the company, and holds its legal representation. The Chief Executive Officer shall have three alternates appointed by the Board of Directors, who shall replace him(her) in his(her) absolute, temporary or accidental absences.

In the hierarchical structure of the companies and depending from the Chief Executive Officer, the area managers have as their mission ensuring the permanence, profitability and integral growth of the organization by means of the strategic direction of their management area. Their responsibilities include creation of conditions for development and integral satisfaction of human talent, assuring efficient use of the organization's resources by applying cost-benefit criteria, and guaranteeing the creation of economic value for the companies.

BRANCHES

Peru ISA Branch

On September 4, 2002, ISA established a branch in Peru. 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. 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.

ISA and its companies

The company was filed as an economic group in the mercantile register of Medellín City Chamber of Commerce in October of 2001. For these purposes the parent company is Interconexión Eléctrica S.A. E.S.P. –ISA–, and the subsidiaries are:

ISA Capital do Brasil S.A., and its subsidiary Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– and its affiliates Interligação Elétrica de Minas Gerais S.A., Interligação Elétrica Pinheiros S.A. and Interligação Elétrica Serra do Japi S.A.; Interconexión Eléctrica ISA Perú S.A., Red de Energía del Perú S.A. –REP–, Consorcio Transmantaro S.A., Proyectos de Infraestructura del Perú –PDI–, Interconexión Eléctrica ISA Bolivia S.A., TRANSELCA S.A. E.S.P., XM Compañía de Expertos en Mercados S.A. E.S.P., and its affiliate Sistemas Inteligentes en Red S.A.S., INTERNEXA S.A., and its affiliates INTERNEXA in Peru and Chile, Transamerican Telecommunication S.A. in Argentina, INTERNEXA Participações and INTERNEXA Brasil Operadora de Telecomunicações S.A.; ISA Inversiones Chile Ltda., and its affiliate INTERVIAL CHILE S.A., which in turn owns the following concessionaire subsidiaries: Ruta de la Araucanía Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A., Ruta del Bosque Sociedad Concesionaria S.A., Ruta del Maipo Sociedad Concesionaria S.A. and Ruta de los Ríos Sociedad Concesionaria S.A.

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

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. ISA owns 58.60% of capital stock and 99.99% of common shares of ISA Capital do Brasil. The corporation's term is indefinite.

Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–

CTEEP is a Brazilian corporation with main offices in the city of São Paulo, Brazil. It entered commercial operation on April 1, 1999 and it is authorized to operate as a electric energy utility concessionaire. 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. ISA Capital do Brasil S.A. currently owns 37.81% of this corporation's capital stock, and 89.5% of its common shares.

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

Established on December 13, 2006, IEMG is a company engaged in exploitation of concessions of the electric power transmission service, delivered through implementation, construction, operation and maintenance of electric energy transmission facilities, including support and administrative services, equipment and reserve materials supply, programming, metering, and all other supplementary services called for by electric energy transmission, in accordance with the parameters set in the concession contract, legislation, and applicable regulation. CTEEP owns 100%; concession term is 30 years.

Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–

Corporation established on July 22, 2008; it is engaged in the exploitation of concessions of the electric power transmission service, delivered through implementation, construction, operation and maintenance of electric energy transmission facilities. CTEEP owns 100% of this company's capital stock; concession term is 30 years.

Interligação Elétrica Serra do Japi

Corporation domiciled in São Paulo –Brazil–, established on July 1, 2009 for exploitation of concessions of electric energy transmission utility, through the erection, construction, operation and maintenance of electricity grids. CTEEP controls 100% of capital stock, and concession term is 30 years.

TRANSELCA S.A. E.S.P.

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

It was incorporated on July 3, 2002. 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 January 1998. Its main activities are electric energy transport as well as delivery of operation and maintenance services. Its main domicile is located in the city of Lima, Peru. ISA participates with 60% ownership. The corporation's term is indefinite.

Interconexión Eléctrica ISA Bolivia S.A.

Bolivian company with main offices in the city of Santa Cruz. It was incorporated on July 14, 2003. The corporation's term is indefinite and its main activities are the transmission of electric energy and the construction, operation and maintenance of transmission grids. ISA owns directly 51% of capital stock, and indirectly, through TRANSELCA and INTERNEXA, 48.99% and 0.01%, respectively.

INVESTMENTS IN THE BUSINESS UNIT OF SMART MANAGEMENT OF REAL TIME SYSTEMS

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

Colombian mixed-ownership utility with main offices in Medellín, Colombia. It was established on September 1, 2005 and its term is indefinite. Its main purpose are activities related to the operation planning and coordination of the resources of the National Interconnected System and the administration of the Commercial Settlement System in the wholesale energy market; ISA owns directly 99.73% of capital stock.

Sistemas Inteligentes en Red S.A.S. –SIR–

Established on August 10, 2011 and domiciled in Medellín, Colombia. It is engaged in the planning, design, optimization, commissioning, operation, administration and management of goods and services markets requiring the development of information systems and technological platforms that involve value added information exchange, as well as in the operation of road toll collection centers, under concession or not, including activities related to design, procurement, installation and commissioning of technological equipment required, and the planning, operation and administration of the service of calculation, invoicing, collection and distribution of tolls, both national and international. XM and ISA respectively own 85% and 15% of capital stock in this company.

INVESTMENTS IN THE CONSTRUCTION OF INFRASTRUCTURE PROJECTS BUSINESS UNIT

Proyectos de Infraestructura 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 of and owns directly 99.97%, plus 0.03% through TRANSELCA.

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

INTERNEXA S.A.

INTERNEXA is a Colombian mixed-ownership company 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 and activities. ISA owns 99.27% of capital stock.

INTERNEXA Perú S.A.

- It is a Peruvian company with main offices in the city of Lima.

It was incorporated on October 12, 2006. Its term is indefinite. Its main corporate purpose is the organization, administration, commercialization and delivery of telecommunications services such as carrier, IP-based and value added services. INTERNEXA S.A. E.S.P. owns 99.99% stake at this corporation.

INTERNEXA Chile S.A.

- Chilean company with main offices in the city of Santiago de Chile. It was incorporated on July 28, 2009. 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. owns 97.21% stake at this company.

Transamerican Telecommunication S.A.

- Incorporated on September 16, 2002 and domiciled in Buenos Aires, Argentina, this corporation has as corporate purpose carrying out on its own name or for third parties or associated with third parties, import, export, production and trading of all kinds of parts, devices and instruments dedicated to telecommunications as well as to servicing them. The corporation has one single telecommunications services license. INTERNEXA S.A. owns 97.36% of this company; its term is 99 years.

INTERNEXA Participações S.A.

Corporation domiciled in the State of São Paulo, Brazil. Established on July 23, 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, consortia and commercial initiatives of any kind. INTERNEXA S.A. owns 99.99% of this company; its term is indefinite.

INTERNEXA Brasil Operadora De Telecomunicações S.A.

- Corporation established on January 4, 2010 with main offices in São Paulo, Brazil. Its main activities are exploration, delivery, organization, administration and trading of general telecommunications and communications services, according to the definition of legislation in force, development of telecommunications services ancillary activities, such as operation, maintenance, planning, construction, development and administration of telecommunications networks, as well as delivery of assistance and consulting services in the telecommunications sector business; participation, as either a partner or shareholder, in other corporations and consortia and commercial partnerships related to its corporate purpose. INTERNEXA Participações S.A. owns 100% of its capital stock.

INVESTMENTS IN THE ROAD CONCESSIONS BUSINESS UNIT

ISA Inversiones Chile Ltda.

Corporation with main offices in the city of Santiago de Chile, 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, and through INTERNEXA, 0.01%.

INTERVIAL CHILE S.A.

- The company was established 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. ISA Inversiones Chile S.A. owns 100% of shares.

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 fiscal public work. Upon subscription of

supplementary agreement N°4 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. owns 99.99% shareholding in this corporation.

Ruta 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 fiscal public work. Upon subscription of supplementary agreement N°4 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. owns 99.99% shareholding in this corporation.

Ruta del Maule 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 fiscal public work. Upon subscription of supplementary agreement N°5 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. owns 99.99% shareholding in this corporation.

Ruta del Bosque Sociedad Concesionaria S.A.

- Corporation established on November 26, 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 fiscal public work. Upon subscription of supplementary agreement N°3 (MDI) the concession term became variable until reaching the guaranteed total revenues established therein. INTERVIAL CHILE S.A. owns 99.99% shareholding in this corporation.

Ruta de los Ríos Sociedad Concesionaria S.A.

- 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 fiscal public work. INTERVIAL CHILE S.A. owns 74.99% shareholding in this corporation.

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	2012					
	SENIOR-LEVEL STAFF		OTHER		TOTAL	
	Nº PERSONS	VALUE	Nº PERSONS	VALUE	Nº PERSONS	VALUE
Interconexión Eléctrica S.A. E.S.P.	507	59,725	225	18,469	732	78,194
TRANSELCA S.A. E.S.P.	16	3,746	179	12,151	195	15,897
XM Compañía de Expertos en Mercados S.A. E.S.P.	214	25,627	3	167	217	25,794
Interconexión Eléctrica ISA Bolivia S.A.	4	673	29	843	33	1,516
INTERNEXA S.A. E.S.P.	18	708	153	14,144	171	14,852
INTERNEXA Perú S.A.	16	1,314	-	-	16	1,314
INTERNEXA Participações S.A.	-	-	-	-	-	-
INTERNEXA Brasil Operadora De Telecomunicações S.A.	9	1,649	-	-	9	1,649
INTERNEXA Chile S.A.	10	1,353	-	-	10	1,353
Transamerican Telecommunication S.A.	7	1,011	-	-	7	1,011
ISA Capital Do Brasil S.A.	2	1,518	1	80	3	1,598
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	19	7,133	1,506	136,313	1,525	143,446

Continuation 

2012							
PARENT COMPANY / SUBSIDIARIES	SENIOR-LEVEL STAFF		OTHER		TOTAL		
	Nº PERSONS	VALUE	Nº PERSONS	VALUE	Nº PERSONS	VALUE	
Interconexión Eléctrica ISA Perú S.A.	1	68	-	-	1	68	
Red de Energía del Perú S.A. –REP–	209	57,502	168	28,127	377	85,629	
Consorcio TransMantaro S.A.	2	175	-	-	2	175	
Proyectos de Infraestructura del Perú S.A.C. –PDI–	40	2,503	34	678	74	3,181	
Intervial Chile S.A.	8	3,866	57	4,833	65	8,699	
Ruta del Maule Sociedad Concesionaria S.A.	(*)	-	53	2,090	53	2,090	
Ruta del Bosque Sociedad Concesionaria S.A.	(*)	-	30	897	30	897	
Ruta del Maipo Sociedad Concesionaria S.A.	(*)	-	169	6,881	169	6,881	
Ruta de los Ríos Sociedad Concesionaria S.A.	(*)	-	28	710	28	710	
Ruta de la Araucanía Sociedad Concesionaria S.A.	(*)	-	26	650	26	650	
Interligação Elétrica Pinheiros S.A.	-	-	48	1,422	48	1,422	
Interligação Elétrica de Minas Gerais S.A.	-	-	7	205	7	205	
Interligação Elétrica Serra do Japi S.A.	2	441	25	957	27	1,398	
Sistemas Inteligentes en Red S.A.S.	35	1,313	-	-	35	1,313	
TOTAL	1,119	170,324	2,741	229,617	3,860	399,941	

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

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2011						
PARENT COMPANY / SUBSIDIARIES	SENIOR-LEVEL STAFF		OTHER		TOTAL	
	Nº PERSONS	VALUE	Nº PERSONS	VALUE	Nº PERSONS	VALUE
Interconexión Eléctrica S.A. E.S.P.	489	52,404	221	16,895	710	69,299
TRANSELCA S.A. E.S.P.	15	3,394	151	21,186	166	24,580
XM Compañía de Expertos en Mercados S.A. E.S.P.	201	22,636	2	118	203	22,754
Interconexión Eléctrica ISA Bolivia S.A.	4	570	28	738	32	1,308
INTERNEXA S.A.	146	12,758	-	-	146	12,758
INTERNEXA Perú S.A.	4	560	9	402	13	962
INTERNEXA Participações S.A.	1	36	-	-	1	36
INTERNEXA Brasil Operadora de Telecomunicações S.A.	2	250	7	152	9	402
INTERNEXA Chile S.A.	10	1,654	-	-	10	1,654
Transamerican Telecommunication S.A.	5	238	-	-	5	238
ISA Capital do Brasil S.A.	2	2,030	1	80	3	2,110
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	20	8,556	1,458	152,004	1,478	160,560
Interconexión Eléctrica ISA Perú S.A.	1	130	-	-	1	130

Continuation 

2011							
PARENT COMPANY / SUBSIDIARIES	SENIOR-LEVEL STAFF		OTHER		TOTAL		
	N° PERSONS	VALUE	N° PERSONS	VALUE	N° PERSONS	VALUE	
Red de Energía del Perú S.A. –REP–	21	14,386	336	55,351	357	69,737	
Consorcio TransMantaro S.A.	2	137	-	-	2	137	
Proyectos de Infraestructura del Perú S.A.C. –PDI–	48	1,888	31	1,250	79	3,138	
Intervial Chile S.A.	8	2,966	52	3,535	60	6,501	
Ruta del Maule Sociedad Concesionaria S.A. (*)	-	-	54	1,892	54	1,892	
Ruta del Bosque Sociedad Concesionaria S.A. (*)	-	-	31	757	31	757	
Ruta del Maipo Sociedad Concesionaria S.A. (*)	-	-	159	4,982	159	4,982	
Ruta de los Ríos Sociedad Concesionaria S.A. (*)	-	-	34	656	34	656	
Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	-	-	34	608	34	608	
Interligação Elétrica Pinheiros S.A.	-	-	26	686	26	686	
Interligação Elétrica de Minas Gerais S.A.	-	-	5	140	5	140	
Sistemas Inteligentes en Red S.A.S.	15	87	-	-	15	87	
TOTAL	976	124,374	2,652	261,500	3,628	385,874	

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

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NOTE 2: BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 CONSOLIDATION OF FINANCIAL STATEMENTS

2.1.1 Currency

Financial statements are presented in the currency of the main economic operation setting of the parent company. To the end of the financial statements, results and financial position are expressed in Colombian Pesos, which is the currency in which all of ISA's operations must be recorded.

2.1.2 CONSOLIDATION PRINCIPLES

Consolidated financial statements include the accounts of Interconexión Eléctrica S.A. E.S.P. –ISA– (parent company), ISA Capital do Brasil S.A., and its subsidiary Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– and its affiliates Interligação Elétrica de Minas Gerais S.A., Interligação Elétrica Pinheiros S.A. and Interligação Elétrica Serra do Japi, TRANSELCA S.A. E.S.P., Interconexión Eléctrica ISA Perú S.A., Red de Energía del Perú S.A. –REP–, Consorcio Transmantaro S.A., Interconexión Eléctrica ISA Bolivia S.A., XM Compañía de Expertos en Mercados S.A. E.S.P. and its affiliate Sistemas Inteligentes en Red S.A.S. –SIR–, Proyectos de Infraestructura

del Perú –PDI–, INTERNEXA S.A., and its affiliates INTERNEXA in Peru and Chile, Transamerican Telecommunication in Argentina and INTERNEXA Participações and Internexa Brasil Operadora de Telecomunicaciones S.A. in Brazil; ISA Inversiones Chile Ltda., and its affiliate INTERVIAL CHILE S.A., which in turn owns the concessionaire subsidiaries: Ruta de la Araucanía Sociedad Concesionaria S.A., Ruta del Maule Sociedad Concesionaria S.A. Ruta del Bosque Sociedad Concesionaria S.A., Ruta del Maipo Sociedad Concesionaria S.A. and Ruta de los Ríos Sociedad Concesionaria S.A., corporations in which the parent company owns stake directly and indirectly.

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.

Minority interest corresponds to participation of third parties not in the group. In ISA Capital do Brasil, it includes participation over

preferred stock with repurchase agreement with HSBC, and its participation is 41.4% of its capital stock. It also includes preferred dividends related to this participation.

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 2012				
COMPANY	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
Interconexión Eléctrica S.A. E.S.P. –ISA–	8,912,305	2,792,599	6,119,706	272,938
TRANSELCA S.A. E.S.P.	1,312,919	546,637	766,282	74,833
XM, Compañía de Expertos en Mercados S.A. E.S.P.	221,847	194,900	26,947	4,058
Interconexión Eléctrica ISA Bolivia S.A.	101,479	66,931	34,548	(911)
INTERNEXA S.A.	272,811	185,350	87,461	(16,694)
INTERNEXA Perú S.A.	124,090	125,789	(1,699)	(6,668)
INTERNEXA Participações S.A.	7,597	516	7,081	(8,838)
INTERNEXA Chile S.A.	34,484	30,410	4,074	(8,468)
ISA Capital do Brasil S.A.	2,445,425	1,457,919	987,506	31,139
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	7,014,199	2,594,167	4,420,032	904,673
Interconexión Eléctrica ISA Perú S.A.	77,722	31,486	46,236	8,254
Red de Energía del Perú S.A. –REP–	1,039,134	600,684	438,450	42,774

Continuation 

FINANCIAL INFORMATION 2012				
COMPANY	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
Consorcio Transmantaro S.A.	1,379,689	899,829	479,860	27,860
Proyectos de Infraestructura del Perú S.A.C. –PDI–	92,078	82,418	9,660	2,946
ISA Inversiones Chile Ltda.	680,905	302,882	378,023	(113,632)
INTERVIAL CHILE S.A.	597,466	120,064	477,402	(131,866)
Ruta del Maule Sociedad Concesionaria S.A.	1,070,074	982,262	87,812	16,231
Ruta del Bosque Sociedad Concesionaria S.A.	685,327	681,730	3,597	(47,469)
Ruta del Maipo Sociedad Concesionaria S.A.	3,071,462	2,912,437	159,025	(90,149)
Ruta de los Ríos Sociedad Concesionaria S.A.	451,804	439,969	11,835	8,848
Ruta de la Araucanía Sociedad Concesionaria S.A.	872,646	853,743	18,903	(10,772)
Transamerican Telecomunicaciones S.A.	10,735	8,723	2,012	(5,110)
Interligação Elétrica de Minas Gerais S.A. –IEMG–	117,910	47,066	70,844	1,157
Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–	330,460	123,986	206,474	978
Interligação Elétrica Serra do Japi	162,265	84,522	77,743	2,780
Sistemas Inteligentes en Red S.A.S. –SIR–	12,314	9,309	3,005	1,576
Internexa Brasil Operadora de Telecomunicações	32,444	24,867	7,577	(8,262)

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FINANCIAL INFORMATION 2011				
COMPANY	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
Interconexión Eléctrica S.A. E.S.P. –ISA–	9,384,833	2,988,490	6,396,343	336,776
TRANSELCA S.A. E.S.P.	1,278,871	519,466	759,405	56,481
XM, Compañía de Expertos en Mercados S.A. E.S.P.	255,004	231,731	23,273	282
Interconexión Eléctrica ISA Bolivia S.A.	121,520	82,295	39,225	(1,646)
INTERNEXA S.A.	295,500	187,406	108,094	(3,955)
INTERNEXA Perú S.A.	83,224	77,894	5,330	(938)
INTERNEXA Participações S.A.	18,798	-	18,798	(2,649)
INTERNEXA Chile S.A.	25,497	19,925	5,572	(8,745)
ISA Capital do Brasil S.A.	2,879,888	1,752,203	1,127,685	48,587
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	7,306,632	2,791,276	4,515,356	892,069
Interconexión Eléctrica ISA Perú S.A.	91,611	40,799	50,812	9,294
Red de Energía del Perú S.A. –REP–	1,024,651	588,325	436,326	40,411
Consorcio Transmantaro S.A.	1,202,356	705,247	497,109	34,514

Continuation 

FINANCIAL INFORMATION 2011				
COMPANY	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
Proyectos de Infraestructura del Perú S.A.C. –PDI–	84,764	70,794	13,970	6,850
ISA Inversiones Chile Ltda.	901,457	420,684	480,773	(79,888)
INTERVIAL CHILE S.A.	767,892	68,959	698,933	(120,469)
Ruta del Maule Sociedad Concesionaria S.A.	1,453,353	1,380,648	72,705	3,807
Ruta del Bosque Sociedad Concesionaria S.A.	947,106	897,468	49,638	(47,413)
Ruta del Maipo Sociedad Concesionaria S.A.	3,742,851	3,515,791	227,060	(93,737)
Ruta de los Ríos Sociedad Concesionaria S.A.	544,972	542,838	2,134	343
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,092,141	1,061,922	30,219	(34,390)
Transamerican Telecomunicaciones S.A.	10,452	7,636	2,816	(1,801)
Interligação Elétrica de Minas Gerais S.A. –IEMG–	145,439	62,529	82,910	2,461
Interligação Elétrica Pinheiros S.A.	370,155	155,288	214,867	574
Sistemas Inteligentes en Red S.A.S. –SIR–	1,649	220	1,429	153

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

	2012		2011	
	FIGURES BEFORE CONSOLIDATION	FIGURES AFTER CONSOLIDATION	FIGURES BEFORE CONSOLIDATION	FIGURES AFTER CONSOLIDATION
Assets	8,912,305	25,770,989	9,384,833	26,659,165
Liabilities	2,792,599	15,487,053	2,988,490	15,836,240
Equity	6,119,706	6,110,615	6,396,343	6,424,687
Minority interests – Equity	-	4,173,321	-	4,398,238
Income before minority interest	272,938	965,327	336,776	1,029,277
Minority interests – Results	-	692,389	-	692,501
Total year results	272,938	272,938	336,776	336,776

2.2 CLASSIFICATION OF ASSETS AND LIABILITIES

Assets and liabilities are classified according to their use or degree of realization, demand or liquidation, in terms of time and value. Accordingly, current assets and liabilities (short-term) are understood as such amounts that will be realizable or callable, respectively, within a term not longer than one year.

2.3 ADJUSTMENTS FOR INFLATION

Until December 31, 2000, non-monetary assets and liabilities and shareholders' equity, except for the surplus from revaluation of assets and income statement accounts, were monetarily updated on a prospective basis, using general consumer-price index (or Tax Year's Adjustment Percentages –PAAG, for its Spanish

initials—). The respective adjustments were recorded in the income statement's monetary correction account. As of January 1, 2001 the Colombian General Accounting Office (CGN), through Resolution 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 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, 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 such Resolutions the Public Accounting Regime was adopted, in efforts of the Colombian General Accounting Office, to harmonize its

regulation with the criteria established by international accounting standards for the public sector.

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 their historic 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.

The Public Accounting Regime establishes that for matters of their valuation, the company's investments are classified in three categories: i) investments for liquidity management, ii) investments for policy purposes and iii) equity investments.

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, investments with policy purposes and equity investments in controlled and non-controlled companies.

Investments for liquidity management

Liquidity management investments in debt titles and securities, as well as derivatives with the purpose of obtaining earnings from

short-term price fluctuations, 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.

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

Equity investments correspond to funds placed in equity securities of national and international entities, represented by shares or participation rights that may permit the company to control, share control or exercise significant influence on the decisions of the issuer.

a. Equity investment in controlled companies

Equity investments in controlled companies include investments made with the intention of exercising or sharing control, as well as those in which the company exercises significant influence. These investments are updated by the equity method, according to CGN Resolution N°356 of 2001 and its amendments. Under the equity method investments in subsidiaries are recognized at cost and subsequently adjusted as follows:

- Credit or charge to the investment's cost equal to the participation of the company in net 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 excess charged to the income statement, except when originated in equity variations

from translation effect and the effective portion of earnings and losses obtained from valuation of foreign entities derivatives, resulting from accounting of the hedging.

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

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

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

Investments in subordinated companies abroad are recorded on the basis of their financial statements at December 31 of each year, translated into Colombian Pesos, using the United States Dollar as functional currency, 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 in equity 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 or have low or minimal market capitalization, are recorded at cost plus the dividends received in shares. If at year's end, the intrinsic value of investments is greater than the book value, a charge is recorded in the re-appraisals account with a contra entry in re-appraisal surplus in equity; otherwise, the re-appraisal established is decreased until its exhaustion, and beyond that value, a provision is charged to the income statement.

3.4 DERIVATIVE INSTRUMENTS FOR HEDGING PURPOSES

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

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

3.5 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 range between 10% and 100%, according to aging analysis and evaluations of the collection of individual accounts.

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 debt age.

3.6 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.

3.7 PROPERTY, PLANT AND EQUIPMENT

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

a. Indebtedness costs directly related to purchase or construction of

assets that are not in use conditions and may take a substantial period to be available for use or sale and,

b. Until year 2000, includes inflation adjustments on costs, excluding capitalized exchange differences and the portion of capitalized interest corresponding to inflation.

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

Definition of components of fixed assets

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.

During 2012, a new methodology was developed for calculation of remaining useful life of assets based on the deterioration index of each asset associated to an instantaneous failure rate, in turn associated to its effective age. The aging rate is calculated with the

actual age; then, life expectation and remaining life are calculated on the basis of international survival curves.

This methodology has permitted to obtain more reliable values for estimates of remaining life of assets that are very useful for assets renewal plan and basis of their valuation.

Depreciation is calculated over the asset's cost by the straight-line method, based on the estimated useful life of assets. For matters of depreciation calculation, the results of the new methodology presented variations in 8 of the 30 components of substations. Below is the estimated useful life of assets:

ASSET / COMPONENT	2012 USEFUL LIFE - YEARS	2011 USEFUL LIFE - YEARS
Transmission lines	63	63
Buildings	100	100
Fiber optics	25	25
Machinery and equipment	15	15
Telecommunications equipment	15	15
Furniture, office equipment, laboratory equipment	10	10
Communications equipment	10	10
Transport, traction and lifting equipment	10	10
Equipment of the Supervision and Switching Center –CSM–	6	6
Computer equipment and accessories	5	5

Continuation 

ASSET / COMPONENT	2012 USEFUL LIFE - YEARS	2011 USEFUL LIFE - YEARS
Substation components		
Battery bank	15	15
Charger	15	15
SAS components	15	15
Condensers *	25	15
SVC condensers *	25	15
Series compensation control	15	15
SVC control	15	15
Converter	15	15
CT *	39	30
Breaker *	40	32
Inverter	15	15
Lines (Substations' grounding nets)	63	63
Lightning arrester	30	30
Diesel plant	30	30
Telephone exchange	15	15

Continuation 

ASSET / COMPONENT	2012 USEFUL LIFE - YEARS	2011 USEFUL LIFE - YEARS
PLC	15	15
PT *	39	38
Reactor *	32	27
SVC reactors	30	30
Sequence of events recorder	15	15
Protection relays	15	15
RTU	15	15
Fire system	20	20
Main breaker *	40	30
Sensors (Atmospheric Discharge Information System)	15	15
SubMovil	25	25
Teleprotection	15	15
Power Transformer	40	40
SVC thiristor valve *	18	15
VQ	15	15

* Indicating those assets whose useful estimated life underwent change.

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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 of 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 such 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.

3.8 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, among others, bond underwriting commissions and legal stability agreement premium, which are amortized on a straight-line basis or through a methodology of acknowledged technical value that reflects the amortization conditions during the periods over which their benefits are expected to be received, such as in the case of rights in the Chilean concessionaires that are amortized according to traffic.

The policy related to deferred charges and other assets is summarized below:

	USEFUL LIFE	AMORTIZATION METHOD	INTERNALLY GENERATED OR ACQUIRED
Easements	Indefinite	Not amortized	Acquired
Rights	Term of the contract	Straight line	Acquired
Software/ Licenses	Finite	Straight line	Acquired
Goodwill	Indefinite	Not amortized	Acquired
	Finite	Straight line	Acquired
Research / Development	Finite	Straight line	Acquired

3.9 RE-APPRAISALS

Re-appraisals that are part of equity include:

- 3.9.1 The excess of the economic 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).
- 3.9.2 The excess of intrinsic value of long-term investments over their net cost.

3.10 CURRENT INCOME TAX AND DEFERRED TAX

Income tax expense for the period includes current and deferred income tax.

3.10.1 Current tax

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

because of revenues and expenses items taxable or deductible in other years and items that are never taxable or deductible. Current income tax liabilities are calculated using the fiscal rate in force at the end of the period.

3.10.2 Deferred taxes

Deferred income tax is recognized on the temporary differences between the book value of assets and liabilities included in the financial statements and the corresponding fiscal bases used to determine fiscal income.

The credit deferred tax is the lesser current tax calculated during the period, resulting, mainly, 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, and health, education and other benefits to pensioners, among others, for which differences are expected to be reverted in the future.

Starting 2010, the companies in Colombia record deferred tax on exchange difference of investments abroad.

The balance of deferred taxes must be subjected to revision at the end of every reporting period and the deferred tax balance must be reduced whenever it is estimated as probable that there will not be enough future fiscal income to allow its recovery in whole or in part.

According to Opinion N°20061-57086 of CGN of January 31, 2006, the companies have autonomy in defining the accounting principles regarding deferred tax. Accordingly, the companies in Colombia have 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 inflation adjustment in the period of adjustment, increasing the payable income tax recoverable during the following years as the adjusted fixed assets are depreciated (See Notes 10 and 16.2).

3.11 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 the companies in Colombia, maximum time provided for by regulation is 30 years starting on December 31, 1994

With respect to the amortization methodology for the actuarial estimate of aids and benefits, for 2012, the company decided to use the same term provided in Resolution N°356 of 2007, issued by the General Accounting Office; until 2011 they were 100% amortized (See Note 16.1).

3.12 DEFERRED REVENUES AND OTHER LIABILITIES

Revenues received in advance and deferred revenues are recognized when rights or benefits have been received that are susceptible of becoming revenues in the periods when the consideration for the services by the company effectively takes place. Among others, amounts received to remunerate recovery of investments executed along UPME bids, as well as regulatory requests and usage rights not accrued because their respective costs have not been incurred or because the commitments that make the company a revenue creditor have not been fulfilled, are

recognized as deferred revenues. These deferred revenues are amortized over the periods along which they accrue.

3.13 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the consolidated financial statements at December 31, 2011 were reclassified to conform to the presentation of the consolidated financial statements for 2012.

3.14 MEMORANDUM ACCOUNTS

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

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

3.15 RECOGNITION OF 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.

Revenues from construction services in projects are recognized in the income statement according to the method of advancement percentage or project costs incurred on the date of the financial position statement.

Revenues from energy transmission and road transport services are recognized in the accounting period in which they are delivered, according to the provisions of regulation in force and the concession contracts. Service delivered and not invoiced is recorded according to estimates of energy transmission estimates or of actual tolls which will not significantly differ from future invoicing.

3.16 JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements according to accounting principles generally accepted requires use by management of judgments, estimates and assumptions to determine the values of assets, liabilities, revenues, costs and expenses reported. The actual result of certain items may differ from such estimates.

Relevant estimates and assumptions are based on management's experience and expectations. They are revised regularly and actual results may differ from such estimates, reason why, adjustments

are recognized in the period when the estimate is revised and in any future period affected.

3.17 OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2012 and 2011, no operating or administrative limitations or deficiencies were found that would significantly affect the normal accounting processes, or the consistency and reliability of the accounting figures.

3.18 CONTINGENCIES

Contingent conditions may exist on the date of issue of the financial statements that can result in a loss for the company; they will only be solved in the future upon the occurrence of one or several facts and they are estimated by the management and its legal counsels.

The estimation of loss contingencies is necessarily a matter of judgment and opinion. When estimating contingent losses in legal processes, legal counsels assess the merit of claims, related decisions, and the current state of processes, among other issues.

If evaluation indicates that a material loss will probably occur 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.

3.19 CONSOLIDATED STATEMENTS OF CASH FLOWS

In addition to cash represented in cash and banks, the statement of cash flows includes the cash equivalent of short-term highly liquid investments that are easily convertible into known amounts of cash with insignificant risk of change and maturing not later than within 90 days.

The cash flows statement shows the movements of cash or cash equivalents made during the year and determined by the indirect method.

3.20 NEW ACCOUNTING PRONOUNCEMENTS

Pursuant to the provisions of Law 1314 of 2009 and regulatory decrees 2706 and 2784 of December, 2012, the company is bound to initiate convergence between the accounting principles generally accepted in Colombia and the International Financial Reporting Standards (IFRS), as they are issued by the IASB

(International Accounting Standards Board). Taking into account the complexity of this convergence with IFRS, and the significant effects it will have on the companies, the Technical Council of Public Accounting classified companies into three groups to make the transition.

ISA, as a company classified in Group 1, (securities issuers and others) has January 1 to December 31 of 2014, as the period for mandatory transition period, and December 31, 2015, as the issuance date of the first comparative financial statements under IFRS.

On February 24, 2013, ISA and its companies in Colombia subject to inspection and/or control from either the Financial Superintendency or the Superintendency of Corporations, forwarded to the respective Superintendencies an implementation plan of convergence with IFRS, in compliance with Circular Letter 10 of January 24, 2013 from the Financial Superintendency and external Circular Letter 115-000001 of January 9, 2013, from the Superintendency of Corporations, with a copy to the Colombian General Accounting Office, in compliance with Resolution 051 of February 2013.

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 the companies in Colombia, with the exception of telecommunications companies.

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 companies carry out transactions. The exchange rates used for preparation of the financial statements at December 31, 2012 and 2011, expressed in Colombian Pesos, were as follows:

CURRENCY	CODE	2012	2011
US Dollar	USD	1,768,23	1,942,70
Euro	EUR	2,331,59	2,522,20
Nuevo sol	PEN	692,07	720,31
Boliviano	BOB	254,06	279,12
Brazilian Real	BRL	865,29	1,035,66
Chilean Peso	CLP	3,68	3,74
Argentine Peso	ARS	359,59	451,37

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:

	2012	2011
Revenues	214,762	168,039
Expenses	(195,456)	(156,021)
Total exchange difference net generated	19,306	12,018

In 2012, financial liabilities generated revenue from exchange difference, amounting to \$119,935 and expense of \$75,467, for net revenue of \$44,468; accounts payable generated income and expenses from exchange difference of \$36,685 and \$87,239 respectively, for net expense of \$50,554, while accounts receivable generated net expense of \$28,121 from exchange differences (See Note 23)

NOTE 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

	2012	2011
CASH		
Cash and deposits in banks, other financial institutions and trusts	429,455	393,728
MARKETABLE INVESTMENTS		
Fixed-income investments	(1) 1,063,802	928,315
Other variable yield investments	(2) 183,649	90,908
Total marketable investments	1,247,451	1,019,223
Total cash and marketable investments	1,676,906	1,412,951

Cash and temporary investments includes restricted funds as follows: In XM \$146,705 (2011: \$177,865) of sums from the agents for administration of operations of the wholesale energy market pool, restricted according to regulation in force, and in the companies in Chile \$314,923 (2011: \$261,852), as provided in the financing contracts.

Except for the aforementioned, no restrictions affect cash of ISA and its companies.

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

- (1) Includes fixed-term deposits of ISA Capital do Brasil for \$331,213 (2011: \$363,893), of CTEEP \$255,998 (2011: 155,548), of the companies in Chile for \$396,716 (2011: \$318,458), \$24,581 (2011: \$32,298) of the companies in Peru, and \$48,193 (2011: \$57,441) of the companies in Colombia.
- (2) Includes basically trust deposits of ISA for \$107,485 (2011: \$74,844), of INTERNEXA \$5,116 (2011: \$10.195), of TRANSELCA \$13,043 (2011: \$5.544), of XM \$2.611 (2011: \$325) and of CTEEP \$54,908 (2011: \$0).

NOTE 6: LONG-TERM INVESTMENTS – NET

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS

Next is the information corresponding to the companies in which ISA and its companies have either direct or indirect participation, and constitute no part of the consolidation process by global integration, given that they are at pre-operative stage, or correspond to investments in associated companies:

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

With domicile in the city of São Paulo, IENNE is a Brazilian corporation established on December 3, 2007 to exploit concessions of the electric energy transmission services. Concession term is 30 years and commercial operations started in 2011. CTEEP has shared control of this corporation with 25% shareholding.

Interligação Elétrica Sul S.A. –IESUL–

Located in the city of São Paulo, IESUL is a Brazilian corporation established on July 23, 2008 to exploit concessions of the electric energy transmission services. Concession term is 30 years and CTEEP exercises shared control of this corporation, with 50.1% shareholding.

Interligação Elétrica do Madeira S.A. –IE MADEIRA–

IEMADEIRA is a Brazilian corporation with main offices in the city of Rio de Janeiro that was established on December 18, 2008 to exploit concessions of electric power transmission services. Concession term is 30 years; it has not entered commercial operation. CTEEP has shared control of this corporation with 51% shareholding.

Interligação Elétrica Garanhuns S.A. –IE GARANHUS–

Brazilian corporation with main offices in the city of Recife and established on October 7, 2011 to exploit concessions of electric power transmission services. Concession term is 30 years. Commissioning is expected for 2014. CTEEP has shared control of this corporation with 51% shareholding.

Evrecy Participações Ltda. –Evrecy–

Brazilian corporation with main offices in the city of São Paulo, incorporated on November 21, 2006, with the purpose of carrying out studies, projects, construction, installation, operation and exploitation of energy transmission lines, commercial actions related to this activity, as well as participating in other companies or consortia as a shareholder, partner or consortium member.

Concession term expires in July of 2025. CTEEP owns 100% shareholding in this company. The company will be included in the consolidated figures as of 2013.

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% of capital stock, thus exercising shared control. This company is not yet in commercial operation.

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

ICP S.A.S. is a corporation with main offices in the city of Medellín. It was incorporated on February 4, 2010. Its main activities are electric power transmission, operation and maintenance of electricity lines and grids and infrastructure for associated voltage transformation, telecommunications services, data transmission services, technical services, and consulting services in such areas and in general engineering matters. ISA owns 50% of capital

stock, thus exercising shared control. This corporation is not yet in commercial operation.

INTERCHILE S.A.

Corporation established on December 13, 2012 with main offices in the city of Santiago de Chile, Chile. The corporate purpose of this indefinite-term corporation is transmission of electric power by means of trunk transmission, sub-transmission, and/or additional systems or any other transmission facility classification that the rules may include in the future, trading of electricity transport and transformation capacity in the Central Interconnected System, as well as other activities related to the industry of electric transmission and transport. ISA owns 99.9% of the corporation's capital, and through Inversiones Chile S.A. it owns 0.1%. This corporation is not yet in commercial operation.

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 telecommunications services and

activities, such as carrier, IP-based and value added services, as well as ancillary activities, and in general, any service or activity in the telecommunications sector. INTERNEXA S.A. has 5% participation, and through INTERNEXA Perú S.A, it owns 45% participation, thus having shared control. Its term is 99 years.

INVESTMENTS IN THE ROAD CONCESSIONS BUSINESS UNIT

Autopistas de la Montaña S.A.S.

Corporation established on January 18, 2011 with main offices in Medellín and Interconexión Eléctrica S.A. E.S.P. –ISA– as sole shareholder. This corporation may carry out any activity both in Colombia and abroad, especially activities related to engineering, operation and maintenance of road transport infrastructure, deliver services to users of road transport infrastructure as well as promotion and structuring of road infrastructure projects. This corporation is not yet in commercial operation.

OTHER INVESTMENTS

Financiera de Desarrollo Nacional

It 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. Decree 4174 of 2011 changed the denomination of Financiera Energética Nacional S.A. (FEN) to Financiera de Desarrollo Nacional S.A. It also widened its corporate purpose, so that references to the power sector will be extensive to every sector of the economy. Investment is represented by 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 has 11.11% participation in this corporation. This company has already begun operation in some of the line segments.

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

ELECTRICARIBE is the company that delivers electric energy distribution and trading services in the Colombian Caribbean. ISA has 0.48072666% participation and TRANSELCA 0.0008%. 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. It was incorporated on October 03, 2007. Its main purpose is to administer the Operations Settling and Clearing System, that is the organized array of activities, agreements, counterparties, agents, third parties, accounts, rules, procedures, mechanisms and technological components for accepting, settling and clearing operations with assets, either as a counterparty or not. XM has 6.38% participation (2011 - 6.25%) of subscribed and paid-in capital.

Derivex S.A.

It was established on June 2, 2010. Its purpose is administration of a system for negotiation and registration 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 49,95% participation and has joint control over it. Its term is 50 years.

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

	2012	2011
Investments in controlled and shared-controlled companies		
Interligação Elétrica Madeira S.A.–IEMADEIRA– (1)	495,901	401,271
Interligação Elétrica Norte Nordeste S. A. –IENE–	71,016	80,872
Interligação Elétrica Sul S. A. –IESUL–	73,402	68,006
Interligação Elétrica Garanhuns S.A.	13,738	1,102
Interchile S.A.	11	-
Evrecy Participações Ltda. (2)	28,089	-
Interconexión Eléctrica Colombia-Panamá S.A. –ICP–	86	3,965
Interconexión Eléctrica Colombia - Panamá S.A. E.S.P.	1,018	-
Autopistas de la Montaña S.A.S.	422	955
Transnexa S.A. E.M.A	414	304
Interligação Elétrica Serra do Japi S.A. (3)	-	89,685
INTERNEXA Brasil Operadora de Telecomunicações S.A. (3)	-	18,727
Total investments in controlled and shared-controlled companies	684,097	664,887

Continuation »

	2012	2011
Investments at cost		
Financiera Energética Nacional S.A. –FEN–	4	3
Empresa Propietaria de la Red S.A. –EPR–	11,493	12,627
Cámara de Riesgo Central de Contraparte de Colombia	2,700	2,587
Derivex S.A.	616	730
Electrificadora del Caribe S.A. E.S.P.	12,130	12,114
Other investments	-	416
Total investments at cost	26,943	28,477
Investment allowance	(3,433)	(11,199)
Total investments in corporations	707,607	682,165
Other long-term investments		
In financial instruments (4)	-	31,483
TOTAL LONG-TERM INVESTMENTS	707,607	713,648

(1) Larger capital contributions made by CTEEP.

(2) Company acquired by CTEEP in 2012.

(3) Companies that started to consolidate in 2012.

(4) Variation corresponds to re-classification as temporary investments of CTEEP, for expiration of hedging operations in 2013.

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

		2012	2011
Customers			
Energy services	(1)	395,703	495,962
Telecommunications		37,446	35,734
Market Administration		22,142	14,416
Constructions		8,957	17,435
Other technical services		2,439	655
Total customers		466,687	564,202
Interest receivable			
Interest receivable from customers		309	133
Other interest	(2)	230	1,244
Total interest receivable		539	1,377
Dividends receivable		18,568	-
Loans extended	(3)	638	10,293
Prepayments and advances			
Taxes and contributions	(4)	400,710	479,053
To suppliers		2,099	419

Continuation 

		2012	2011
For purchase of goods and services	(5)	40,602	7,384
For per-diem and travel expenses		574	505
Other		3,678	2,072
Total prepayments and advances		447,663	489,433
Other accounts receivable			
Related parties		688	756
Loans to employees		25,977	23,442
Deposits made	(6)	197,491	252,435
Accounts receivable from Brazilian Gov. - Law 4819	(7)	855,520	858,746
Accounts receivable VAT – MOP–	(8)	149,362	378,180
CTEEP compensation for early renewal of concession	(9)	2,551,859	-
Miscellaneous accounts receivable	(10)	206,688	175,334
Total other accounts receivable		3,987,585	1,688,893
TOTAL ACCOUNTS RECEIVABLE		4,921,680	2,754,198
Less – Allowance for doubtful accounts		(18,457)	(18,913)
TOTAL ACCOUNTS RECEIVABLE NET		4,903,223	2,735,285
TOTAL LONG-TERM ACCOUNTS RECEIVABLE		1,916,517	1,108,641
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE		2,986,706	1,626,644

- (1) Reduction appears mainly in ISA due to application in 2012 of CREG Resolution 157 of 2011, establishing maturity of ASIC-issued invoicing for services delivered by the STN to be on the fifth business day after issuance of monthly invoicing.
- (2) Variation is accounted for by anticipated distribution of dividends of concessionary Ruta de los Rios to third party Las Américas, owner of 25.01%.
- (3) Variation corresponds to loan from ISA Capital do Brasil to INTERNEXA Brasil Operadora, according to the agreement signed on December 15 of 2011. This latter company started as part of the consolidation in 2012.
- (4) Year 2011 included advance payments of VAT on goods and services for construction of the roads affected by the 2010 earthquake in the Chilean concessionaires, which saw considerable reduction in 2012 upon completion of recovery works.
- (5) Increase due to advance payments from ISA and Transmantaro to suppliers for acquisition of goods and services in contracts of projects for third parties.
- (6) Decrease corresponds to ISA from collection of loan to EPR for USD4.5 million in April 2012 and execution of resources from delegated administration of FAER and FAZNI projects, and Distribuidora del Pacifico S.A. E.S.P. –DISPAC–.
- (7) Corresponds to accounts receivable by CTEEP from the Brazilian State, for labor benefits ruled by Law 4819 of 1958. No monetary updating is applicable to this balance and no yield is recorded until approved by the Government of the São Paulo State for payment to the company.
- (8) Variation is due to payment of accounts receivable from the Ministry of Public works –MOP– of the INTERVIAL CHILE S. A.'s concessionaires for recognition of increased costs incurred for recovery of roads damaged by the earthquake of 2010.

- (9) Variation corresponds to recognition in CTEEP of the account receivable associated with the compensation to be received for the assets that entered operation as from May of 2000, according to Law 12783 of January 2013, ratifying Provisory Measures 579 and 591 of 2012, and establishing provisions regarding renewal of concessions for energy generators, distributors and transporters; and reduction of sector rates and tariffs (See Note 23)
- (10) Larger advance payments for fiscal credit in ISA Capital do Brasil due to increased fiscal losses.

The composition of receivables (capital only) on December 31 is as follows:

	2012	2011
Shareholders		
Empresas Públicas de Medellín –EPM–	317	11,953
Empresa de Energía de Bogotá –EEB–	14	42
Empresa Colombiana de Petróleos –ECOPETROL–	79	79
Total shareholders	410	12,074
Other customers	466,277	552,128
Total accounts receivable from customers	466,687	564,202

Classification of accounts receivable from customers according to maturity date:

	2012	2011
Current	416,253	488,531
Overdue		
Between 1 and 90 days	14,752	19,560
Between 91 and 180 days	1,578	2,825
Between 181 and 360 days	3,560	6,629
More than 360 days	30,544	46,657
Total overdue	50,434	75,671
TOTAL	466,687	564,202

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. Interest is invoiced on past due accounts at the highest rate allowed by law.

In Colombia, power sector companies: Electribolívar, Caucasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities (SSPD), owed ISA as of December 31, 2012 and 2011, \$3,728. These overdue receivables are 100% provisioned.

NOTE 8: INVENTORIES – NET

Inventories at December 31 included:

	2012	2011
Short-term inventories		
Materials to render services	(1) 86,864	24,790
Inventories in transit	(2) 25,337	12,045
Provision	(158)	(174)
Total short-term inventories	112,043	36,661
Long-term inventories		
Materials to render services	(1) 60,885	59,083
Provision	(2,457)	(2,714)
Total long-term inventories	58,428	56,369
TOTAL INVENTORIES	170,471	93,030

- (1) Corresponding to energy-service providers and project-construction companies, to guarantee service continuity and allow compliance with the system's availability indicators.
- (2) Variation corresponds to supply of construction materials and equipment for the Sogamoso, Cauca Narino (CANA) projects, renovation of inductive equipment and high voltage equipment. These materials and equipment are currently undergoing proceedings, transport, and import legalization process.

ISA and its companies conduct actions to guarantee adequate preservation and safeguarding of inventories, and take periodic stock count with no significant differences found; additionally, inventories

are insured under a combined material damage policy. Inventories have no restrictions or liens limiting their use or realization.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	2012	2011
Property, plant and equipment (1)		
Networks, lines and cables	2,485,918	2,473,411
Plants and ducts	2,219,795	2,184,788
Buildings	114,368	110,609
Land	30,129	25,383
Machinery and equipment	97,329	95,423
Computer and communications equipment	57,995	53,700
Transport, traction and lifting equipment	17,642	13,894
Furniture, fixtures and office equipment	21,954	19,809
Subtotal property, plant and equipment	5,045,130	4,977,017
Less – accumulated depreciation (2)	(2,232,872)	(2,117,594)
Less – provisions	(11,798)	(11,387)
Total property, plant and equipment in operation	2,800,460	2,848,036

Continuation »

	2012	2011
Constructions in progress (3)	157,007	59,182
Machinery, plant and equipment in assembly	58,968	40,041
Machinery and equipment in transit	15,002	12,879
Total property, plant and equipment-Net	3,031,437	2,960,138

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- (1) Year 2012 saw in ISA activation of the projects: expansion of Torca Substation, expansion of the Guatiguará Substation, improvement of SVC Chinú and assembly of the Jamondino reactor, among others.
- (2) Includes expenses for the year, for \$155,971 (2011: \$171,683).
- (3) Growth mainly in ISA from the following projects: El Bosque 220 kV Substation and associated transmission lines for \$75,330, Sogamoso for \$21,415, ISA Medellín Headquarters refurbishing for \$7,120 and renovation of high voltage equipment for \$7,848.

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

ISA and its companies are currently insured with policies covering combined material damage, terrorism, and consequential losses, aiming at insuring loss of and damages to their fixed assets, except transmission towers and lines

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

		2012	2011
Deferred charges and other short-term assets			
Prepaid expenses		40,057	37,206
Deferred tax	(1)	74,694	102,033
Actuarial financial reserve		1,864	1,881
Trust rights		2,373	0
Other deferred charges		422	423
Total deferred charges and other short-term assets		119,410	141,543
Deferred charges and other long-term assets			
Deferred charges			
Deferred tax	(1)	1,249,009	1,152,507
Debt issuance and restructuring costs	(2)	1,507,968	1,649,867
Studies and research	(3)	4	32,279
Existing infrastructure	(4)	1,164,050	1,165,797
Other deferred charges		542,431	581,856
Total deferred charges		4,463,462	4,582,306

Continuation 

		2012	2011
Intangibles			
Software		58,149	61,167
Licenses		71,311	69,018
Easements		76,283	79,122
Rights	(5)	11,048,277	15,043,652
Goodwill and trademarks	(6)	1,674,870	1,872,692
Less – Amortization of intangible assets		(5,291,446)	(6,273,437)
Total intangible assets		7,637,444	10,852,214
Actuarial financial reserve	(6)	11,382	12,099
Miscellaneous		36,260	19,713
Total deferred charges and other long-term assets		12,148,548	15,466,332

Continued from previous page 

- (1) Variation corresponds to rate increase in first category tax from 17% to 20% defined in Chile's fiscal reform, Law 20630.
- (2) Variation is explained by amortization of expenses from restructuring of debt in ISA Capital do Brasil for \$81,816 and in the roads companies for \$59,250.
- (3) In 2011, ISA had capitalized studies of the evaluation stage of the Autopistas de la Prosperidad project (former Autopistas de la Montaña), studies that were recognized by the Agencia Nacional de Infraestructura (ANI, former INCO), in accordance with the inter-administrative agreement).
- (4) Corresponding in Chile to the rights held by road business companies over preexisting infrastructure, to operate, manage, improve and collect toll fees from toll users in accordance with the bidding terms.
- (5) Concession rights reduction arose in the energy transmission business, specifically in CTEEP, due to the reversion of assets upon early renewal of concession contract 059/2001 and the effect of translation into Colombian Pesos (See Note 23).
- (6) Variation is accounted for by partial reduction of goodwill in ISA Capital do Brasil for \$95,741, due to early renewal of CTEEP Concession contract 059/2001 and the effect of translation into Colombian Pesos.

NOTE 11: RE-APPRAISALS

The balance of re-appraisals at December 31 included:

		2012	2011
Inversiones		4,651	181
Propiedades, plantas y equipos	(1)	3,008,736	3,136,057
Total valorizaciones		3,013,387	3,136,238

(1) Economic appraisal was conducted in 2012 and 2011 for main components of property, plant and equipment of the companies in Colombia, in compliance with the requirements of the Public Accounting Regime issued by Resolution 354 of September 5 of 2007.

Economic appraisal of operational assets use the Linear Depreciated Replacement Cost methodology, a methodology of recognized technical value for ascertaining the value of State assets approved by Colombia's General Accounting Office as indicated in number 18 of accounting procedure for recognition and disclosure of facts related to plant and equipment issued by Resolution N° 356 of September 5, 2007. Such methodology consists of determining

the current value of the equipment in operation on the basis of the cost of similar equipment that can provide the same service, the as-new-replacement value (VRN¹), proportionally affected by the service time remaining (remaining life) in proportion to its total useful life established. This criterion is applied to every specialized asset² that ISA has in operation, that is, those assigned for the energy transmission (use and connection) service. Market value is used for non-specialized³ assets such as vehicles.

Changes in assets re-appraisals in relation to 2011 figures are explained basically by:

- a) Negative PPI behavior for 2012, -2.95% (2011: 5.51%).
- b) Variations explained by remaining service life updating, as shown in note 3.7, upon which some equipment's useful life increased, and others decreased.

¹ Values determined according to regulation applicable for their remuneration.

² Assets not often offered or demanded on the market.

³ Assets often offered and demanded on the market.

NOTE 12: OUTSTANDING BONDS

At 2012 closing, debt represented in bonds totaled \$5,987,630 (2011 \$5,801,986).

Characteristics and balances of outstanding bonds at December 31 for each of the corporations are detailed below:

Interconexión Eléctrica S.A. E.S.P. –ISA–

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
Program Tranche 2	COP	COP 150,000	20/02/2004	20/02/2016	12	IPC + 7.300%	150,000	150,000
Program Tranche 3	COP	COP 108,865	07/12/2004	07/12/2019	15	IPC + 7.190%	108,865	108,865
Program Tranche 4 Batch 1	COP	COP 118,500	07/04/2006	07/04/2026	20	IPC + 4.580%	118,500	118,500
Program Tranche 5	COP	COP 110,000	21/09/2006	21/09/2013	7	IPC + 4.840%	110,000	110,000
Program Tranche 4 Batch 2	COP	COP 104,500	07/04/2006	07/04/2026	20	IPC + 4.580%	104,500	104,500
Program Tranche 6 Series A	COP	COP 150,000	02/04/2009	02/04/2015	6	IPC + 4.990%	150,000	150,000
Program Tranche 6 Series B	COP	COP 59,500	02/04/2009	02/04/2018	9	IPC + 5.900%	59,500	59,500
Program Tranche 7 Series A	COP	COP 180,000	01/12/2011	01/12/2023	12	IPC + 4.470%	180,000	180,000
Program Tranche 7 Series B	COP	COP 120,000	01/12/2011	01/12/2041	30	IPC + 4.840%	120,000	120,000
TOTAL							1,101,365	1,101,365

A Bonds Program has been approved with total quota of \$1,700 trillion, of which \$1,100 trillion are outstanding.

In 2011 the company issued Tranche 7 of the Bond Program for \$300,000 million, of which, \$180,000 was placed for Series A maturing in December of 2023, and \$120,000 million for Series B maturing in December of 2041. Resources from the issue went to investment and cash flow.

TRANSELCA S.A. E.S.P.

In October 2011, TRANSELCA carried out the third bond issue for a value of \$180,000, of which \$80,000 were placed with maturity in October 2021 and \$100,000 with maturity October 2026. Funds obtained from the issue were earmarked to finance general expansion projects, working capital needs, corporate cash flow, and substitution of local bank debt.

Payment of issues B1 Tranche 1 and B1 Tranche 2 was made in July 2012.

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
B1 - Tranche 1	COP		09/07/2002	09/07/2012	10	IPC + 7.500%	-	35,000
B1 - Tranche 2	COP		09/07/2002	09/07/2012	10	IPC + 7.500%	-	62,000
B2 - Tranche 2	COP	COP 50,000	19/10/2004	19/10/2016	12	IPC + 6.950%	50,000	50,000
B3 - Tranche 1	COP	COP 80,000	11/10/2011	11/10/2021	10	IPC + 4.200%	80,000	80,000
B3 - Tramo 2	COP	COP 100,000	11/10/2011	11/10/2026	15	IPC + 4.480%	100,000	100,000
TOTAL							230,000	327,000

Red de Energía del Perú –REP–

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE		2012	2011
1P 1st Issue (Series A)	USD	USD 30	14/07/2003	14/07/2013	10	Fixed rate	5.750%	6,591	16,896
1P 2nd Issue (Single Series)	SOL		10/11/2003	11/11/2013	10	VAC +	5.125%	-	21,069
1P 3rd Issue (Series A)	USD	USD 14,2	19/07/2004	19/07/2016	12	Fixed rate	7.750%	11,299	15,310
1P 3rd Issue (Series B)	USD	USD 5,8	20/08/2004	20/08/2016	12	Fixed rate	7.625%	4,615	6,254
1P 5th Issue (Series A)	USD	USD 30	30/11/2004	02/12/2014	10	Libor(3M) +	2.563%	10,609	17,484
2P 3rd Issue (Series A)	USD	USD 8,5	15/02/2007	16/02/2019	12	Fixed rate	5.875%	8,540	10,884
2P 3rd Issue (Series B)	USD	USD 30	12/10/2007	12/10/2019	12	Fixed rate	6.188%	33,757	42,386
2P 4th Issue (Series A)	USD	USD 21,5	15/02/2007	16/02/2019	12	Libor(3M) +	0.750%	21,601	27,529
2P 11th Issue (Series A)	USD		15/05/2009	15/05/2012	3	Fixed rate	4.500%	-	23,312
2P 15th Issue (Series A)	USD	USD 20	15/05/2009	15/05/2016	7	Fixed rate	6.500%	35,365	38,854
2P 17th Issue (Series A)	USD	USD 20	19/01/2011	20/01/2018	7	Fixed rate	5.750%	35,365	38,854
2P 20th Issue (Series A)	USD	USD 38	19/01/2011	20/01/2026	15	Fixed rate	6.500%	67,193	73,823
3P 4th Issue (Series A)	USD	USD 40	18/10/2012	19/04/2031	19	Fixed rate	5.875%	70,729	-
3P 1st Issue (Series A)*	PEN	PEN 104,1	07/11/2012	08/11/2022	10	Fixed rate	5.375%	72,242	-
TOTAL								377,905	332,655

* Bonds issued in PEN with Swap to USD

In January 2011, REP carried out its seventeenth and twentieth bond issues for USD20 and USD38 million, at 7 and 15 years and accruing interest at 5.75% and 6.50% yearly fixed-rate, respectively, to be paid quarterly in arrears with 100% amortization on expiration of the issuance term.

Underwriting of USD40 million corresponding to the Fourth Issue of the Third Corporate Bonds Program was made in October 2012, with 18.5-year term and a fixed nominal interest rate of 5.875% yearly. Amortization of capital to take place upon expiration of the issue's term.

Underwriting of PEN104.1 million corresponding to the First Issue of the Third Corporate Bonds Program was made in November 2012, with 10-year term and fixed nominal interest rate of 5.375% yearly. Amortization of capital to take place upon expiration of the issue's term.

In November 2012, the company exercised the redemption option of the Second Issue of the First Bonds Program.

Consortio Transmantaro

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
2nd Issue Series B	USD		11/12/2003	11/12/2012	9	Fixed rate 6.250%	-	19,427
TOTAL							-	19,427

Payment of the second issue Series B was made in November 2012.

CTEEP

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
Debentures 1st Series	BRL	BRL 548,6	15/12/2009	15/12/2014	5	CDI + 1.300%	283,240	506,446
Debentures 2nd Series	BRL		15/12/2009	15/12/2017	8	IPCA + 8.100%	59,241	69,266
2nd Debentures - Single Series	BRL	BRL 700,0	04/07/2012	02/07/2014	2	105.5% CDI	605,706	-
TOTAL							948,187	575,712

A debentures issue for a total value of BRL 700 million was made in July 2012, with 2-year term and 105.5% CDI interest rate. Amortization of interest and capital to take place upon maturity.

ISA Capital do Brasil

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
Tranche 1	USD	USD 354	29/01/2007	30/01/2017	10	Fixed rate 8.800%	55,966	61,559
TOTAL							55,966	61,559

Ruta del Maipo

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
Bond 144A **	USD	USD 421	15/12/2005	15/06/2022	17	Fixed rate 7.373%	657,605	757,588
Bond Series A1 and A2	UF	UF 5,8	27/09/2004	15/06/2025	21	Fixed rate 4.850%	488,100	483,866
Bond Series B1 and B2	UF	UF 6,0	28/11/2006	15/12/2030	24	Fixed rate 3.200%	609,972	586,743
Fair Value Swap	USD		17/05/2005	15/06/2022	17	Fixed rate 7.373%	442,273	418,778
TOTAL							2,197,950	2,246,975

**Bonds issued in USD with Swap to UF

Ruta del Maule

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
Bond Series B1 and B2	UF	UF 5,7	13/06/2005	15/12/2019	15	Fixed rate 5.060%	321,969	358,166
Bond Series C1 and C2	UF	UF 1,1	06/09/2006	15/12/2021	15	Fixed rate 4.630%	94,624	93,804
TOTAL							416,593	451,970

Ruta del Bosque

ISSUE	ORIGINAL CURRENCY	AMOUNT (MILLIONS IN ORIGINAL CURRENCY)	ISSUE DATE	MATURITY	TERM (YEARS)	INTEREST RATE	2012	2011
Bond Series A	UF	UF 7,8	26/02/2001	15/03/2021	20	Fixed rate 6.300%	505,350	537,379
Bond Series B	UF	UF 1,5	11/10/2006	15/09/2024	18	Fixed rate 3.360%	154,314	147,945
TOTAL							659,664	685,324

Bonds accrued interest during 2012 for \$464,602 million (2011: \$429,657 million), which were recorded as financial expenses.

Below is the detail of maturities for outstanding bonds:

MATURITIES 2012	
Short-term	412,934
Long-term	5,574,696
2014	923,717
2015	351,749
2016	439,997
2017 onwards	3,859,233
Total bonds	5,987,630

MATURITIES 2011	
Short-term	460,438
Long-term	5,341,548
2013	503,753
2014	388,028
2015	372,955
2016 onwards	4,076,812
Total bonds	5,801,986

NOTE 13: FINANCIAL LIABILITIES

At 2012 closing, debt represented in financial liabilities totaled \$3,404,617 (2011 \$3,693,324).

Characteristics and balances of financial liabilities at December 31 for each of the corporations are detailed below:

Interconexión Eléctrica S.A. E.S.P. –ISA–

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Banco Agrario	COP	30/12/2008	30/12/2018	10	DTF + 4.500%	-	21,000
Davivienda	COP	18/07/2008	18/07/2013	5	DTF + 3.880%	-	25,000
BBVA	COP	18/07/2008	18/07/2013	5	DTF + 3.890%	-	75,000
Citibank	COP	15/07/2011	15/07/2012	1	DTF + 1.000%	-	20,000
AVVillas	COP	15/07/2011	15/07/2012	1	DTF + 1.250%	-	40,000
Banco de Bogotá	USD	04/07/2012	04/04/2017	5	Libor(6M) + 3.500%	70,729	-
BBVA	COP	26/08/2011	26/08/2021	10	DTF + 3.800%	222,432	222,432
BIRF 3955	USD	26/03/1996	15/10/2012	17	Libor(6M) + 0.280%	-	30,092
BNP PARIBAS	USD	17/05/2006	15/05/2017	11	Libor(6M) + 0.345%	30,167	40,509
TOTAL						323,328	474,033

Loans from CITIBANK Colombia and Banco AV VILLAS were repaid in July 2012, on maturity date.

In 2012, USD15.5 million was amortized for IBRD loans corresponding to contractually agreed installments, among them, IBRD-3955 loan last installment.

Also funds for USD40 million were obtained from Banco de Bogotá to finance cash flow in 2012.

Likewise, and with own resources, the Davivienda, BBVA and Banco Agrario loans worth \$69,500 million, were prepaid through a debt-management operation.

INTERNEXA

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Helm Bank	COP	13/07/2007	13/07/2012	5	DTF + 3.300%	-	500
Helm Bank	COP	17/09/2007	17/09/2012	5	DTF + 3.300%	-	833
Banco de Occidente	COP	06/11/2008	06/11/2013	5	DTF + 3.200%	2,000	4,000
TOTAL						2,000	5,333

Loans from Helm Bank were repaid in July and September 2012.

TRANSELCA

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Banco de Bogota	COP	06/07/2012	06/07/2018	6	DTF + 3.500%	120,000	-
TOTAL						120,000	-

Red de Energía del Perú –REP–

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Banco de Crédito del Perú	USD	01/12/2006	01/12/2016	10	Libor(3M) + 2.125%	24,048	33,026
BBVA Banco Continental	USD	21/11/2011	21/06/2012	1	Fixed rate 3.400%	-	29,141
BBVA Banco Continental	USD	05/12/2011	05/06/2012	1	Fixed rate 3.400%	-	33,026
Interbank	USD	11/07/2012	11/07/2014	2	Fixed rate 4.950%	3,847	-
Commercial papers	USD	06/12/2012	01/12/2013	1	Fixed rate 2.171%	26,523	-
TOTAL						54,418	95,193

The company subscribed two short-term promissory notes with BBVA Banco Continental for USD15 million and USD17 million, in November and December 2011, respectively, to finance its expansion projects. Terms are 6 and 5 months respectively, and they accrue interest at an effective annual rate of 3.4%.

REP subscribed a USD2.3 million credit with Interbank in July 2012, at 4.950% fixed rate, and 2-year term.

The company issued commercial papers for USD15 million at 2.17% effective annual rate and 360-day term.

Consortio Transmantaro

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Banco de Crédito del Perú	USD	11/08/2009	15/05/2017	8	Fixed rate 6.610%	21,176	28,436
Banco de Crédito del Perú	USD	11/01/2010	23/01/2017	7	Fixed rate 6.980%	114,493	135,989
BBVA Banco Continental	USD	29/11/2011	28/11/2019	8	Fixed rate 5.840%	159,141	77,708
BCP and Bancolombia Puerto Rico	USD	11/07/2011	28/12/2020	9	Fixed rate 6.730%	271,423	146,674
Citibank	USD	24/10/2011	20/04/2012	0	Fixed rate 2.620%	-	19,427
Banco de Crédito del Perú	USD	26/12/2012	30/04/2013	0	Libor(3M) 5.700%	17,682	-
TOTAL						583,915	408,234

In 2011, the trust estate established by virtue of the Administration Trust, with the participation of the company, subscribed a syndicated medium-term loan agreement with Banco de Crédito del Perú S.A.A. and Bancolombia Puerto Rico Internacional INC. for USD160 million, to meet the financial needs of the Zapallal–Trujillo transmission line. The loan includes a USD90,2 million balloon payment and effective annual interest rate of 6.73% during the loan availability term, 7.03% from consolidation date up to the third year, 7.23% from the fourth to the fifth consolidation year, and 7.86% until maturity.

In November 2011, the company subscribed a loan agreement with BBVA Banco Continental to extend a credit line for USD\$90

million. This loan was used for financing of the concession projects. Loan term is 8 years counting from closing date. Such loan accrues interest at 5.84% annual rate.

In 2012, the trust estate established by virtue of the Administration Trust, with the participation of the company, subscribed a syndicated medium-term loan agreement with Banco de Crédito del Perú S.A.A. for USD100 million to meet the financial needs of the Trujillo–Chiclayo transmission line. At December 31, 2012, the company had received USD10 million from the total of the credit facility subscribed.

ISA Perú

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
IFC Tranche A	USD	24/06/2002	15/04/2016	14	Fixed rate 6.070%	12,468	16,844
BBVA Banco Continental	USD	15/02/2006	15/11/2015	10	Libor(3M) + 1.450%	14,415	18,421
TOTAL						26,883	35,265

INTERNEXA Perú

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Helm Bank Panama	USD	17/11/2010	17/11/2015	5	Libor(6M) + 3.360%	2,652	2,914
Helm Bank Panama	USD	30/12/2010	30/12/2015	5	Libor(6M) + 3.360%	3,536	3,885
Helm Bank Panama	USD	08/08/2011	08/08/2016	5	Libor(6M) + 3.360%	2,122	2,331
Helm Bank Panama	USD	27/03/2012	27/03/2017	5	Libor(6M) + 3.512%	4,421	-
Helm Bank Panama	USD	13/11/2012	13/11/2013	1	Fixed rate 3.600%	1,415	-
TOTAL						14,146	9,130

In August of 2011, the company obtained a USD1.2 million loan from Helm Bank Panama.

In March and November 2012, the company obtained a loan for USD3.3 million from Helm Bank Panama.

CTEEP

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
ELETRORBRAS	BRL	08/01/1990	15/11/2021	32	Fixed rate 8.000%	291	400
BNDES	BRL	17/09/2007	15/06/2015	8	TJLP + 2.300%	201,145	385,685
BNDES II	BRL	18/11/2008	15/06/2015	7	TJLP + 1.800%	121,069	154,274
Promissory Notes (4th issue)	BRL	17/01/2011	12/01/2012	1	CDI v 0.400%	-	207,150
Promissory Notes (5th issue)	BRL	11/07/2011	05/07/2012	1	CDI + 0.400%	-	310,725
Promissory Notes (6th issue)	BRL	11/01/2012	05/01/2013	1	104.9% CDI	346,119	-
CCB Internacional (Banco IBBA)	USD	20/04/2011	26/04/2013	2	VC + 4.000%	112,627	126,084
Comercial Paper (JPMorgan)	USD	17/10/2011	21/10/2013	2	VC + 2.100%	151,693	164,339
Financial Leasing	BRL					4,229	688
TOTAL						937,173	1,349,345

In April 2011, CTEEP signed a “cédula de crédito bancário” (promissory note) with Banco Itaú BBA Nassau for USD63.6 million with Exchange Rate Variation + 4% annual remuneration.

In October 2011, a foreign long-term loan agreement was signed with the JP Morgan Chase Bank for USD85,7 million with maturity

in October of 2013 and with Exchange Rate Variation (VC) + 2.1% annual remuneration.

In 2012, CTEEP conducted the sixth issue of Promissory Notes for BRL 400 million, with maturity in January 2013; additionally, the company paid the fourth and fifth Promissory Notes issues for BRL 500 million.

IE Minas Gerais –IEMG–

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
BNDES (FINEM)	BRL	27/03/2009	15/04/2023	14	TJLP + 2.390%	45,305	59,473
TOTAL						45,305	59,473

IE Pinheiros

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
BNDES (PSI)	BRL	28/01/2011	15/01/2021	10	Fixed rate 5.500%	63,036	75,447
BNDES (FINEM)	BRL	28/01/2011	15/05/2026	15	TJLP + 2.620%	38,272	48,463
TOTAL						101,308	123,910

Serra do Japi

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE		2012	2011
BNDES (FINEM)	BRL	28/10/2011	15/05/2026	14	TJLP	+ 1.950%	41,885	-
BNDES (FINEM)	BRL	28/10/2011	15/05/2026	14	TJLP	+ 1.550%	35,544	-
TOTAL							77,429	-

In February 2012, the third portion of the BNDES loan for BRL 3.73 million was disbursed, thus completing BRL 93.73 million.

ISA Bolivia

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE		2012	2011
IBD	USD	15/08/2005	15/02/2019	14	Fixed rate	9.713%	27,408	34,744
CAF	USD	15/08/2005	15/02/2019	14	Libor(6M) +	5.000%	20,335	25,778
IBD	USD	07/05/2009	15/02/2019	10	Fixed rate	8.155%	4,359	5,526
CAF	USD	07/05/2009	15/02/2019	10	Libor(6M) +	5.000%	3,356	4,255
TOTAL							55,458	70,303

INTERNEXA Chile

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
BBVA	UF	02/02/2010	02/02/2015	5	Fixed rate 5.200%	445	529
BBVA	UF	02/08/2010	02/02/2015	5	Fixed rate 5.300%	539	640
BBVA	UF	04/06/2010	04/02/2015	5	Fixed rate 5.300%	533	633
BBVA	UF	09/08/2010	09/02/2015	5	Fixed rate 5.400%	170	203
BCI	CLP	29/10/2010	05/11/2015	5	TAB + 2.000%	1,105	1,124
BCI	CLP	24/11/2010	05/11/2015	5	TAB + 2.000%	829	843
BCI	CLP	23/12/2010	09/11/2015	5	TAB + 2.000%	847	861
BCI	CLP	13/01/2011	09/11/2016	6	TAB + 2.000%	461	468
BCI	CLP	11/02/2011	05/02/2016	5	TAB + 2.000%	737	749
BCI	CLP	23/03/2011	05/05/2016	5	TAB + 2.000%	884	899
BCI	CLP	06/04/2011	05/02/2016	5	TAB + 3.000%	1,271	1,292
BCI	CLP	27/04/2011	05/02/2016	5	TAB + 3.000%	811	824
BCI	CLP	25/05/2011	05/05/2016	5	TAB + 3.000%	589	599
BCI	CLP	07/07/2011	05/05/2016	5	TAB + 3.000%	2,432	2,472
BCI	CLP	25/08/2011	05/05/2016	5	TAB + 3.000%	1,289	1,311
BCI	CLP	11/10/2011	05/08/2016	5	TAB + 3.000%	1,106	1,124
BCI	CLP	28/11/2011	07/11/2016	5	TAB + 3.000%	1,289	1,311
BCI	CLP	26/01/2012	07/11/2016	5	TAB + 3.000%	1,327	-
BCI	CLP	26/04/2012	07/11/2016	5	TAB + 3.000%	1,474	-
Helm Bank Panama	USD	14/09/2012	14/09/2019	7	Libor(6M) + 3.500%	3,537	-
Helm Bank Panama	USD	06/11/2012	06/11/2019	7	Libor(6M) + 3.500%	1,768	-
TOTAL						23,443	15,882

In 2011, the company obtained loans from Banco de Crédito e Inversiones for CLP 2,950 million.

In 2012, the company obtained loans from Banco de Crédito e Inversiones and Helm Bank Panama for CLP 760 million and USD3 million, respectively.

Ruta del Bosque

On December 28, 2012, a massive payment to creditors resulted in an accounting overdraft of \$4,081 (CLP 1,107 million).

Ruta de la Araucanía

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
Banco de Chile	UF	05/08/2010	15/03/2024	14	Fixed rate 4.880%	325,152	335,619
Corpbanca	UF	05/08/2010	15/03/2024	14	Fixed rate 4.880%	156,200	161,229
Banco del Estado	UF	05/08/2010	15/03/2024	14	Fixed rate 4.880%	156,200	161,229
TOTAL						637,552	658,077

Ruta de los Ríos

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE		2012	2011
Banco de Chile	UF	15/04/2006	15/09/2021	15	Fixed rate	4.700%	-	174,409
Corpbanca	UF	15/04/2006	15/09/2021	15	Fixed rate	4.700%	-	22,542
Banco del Estado	UF	15/04/2006	15/09/2021	15	Fixed rate	4.700%	-	174,409
Banco Security	UF	15/04/2006	15/09/2021	15	Tasa Fija	4.700%	-	17,789
Banco Security	UF	13/09/2012	15/09/2021	9	TAB (360) +	1.000%	28,122	-
Banco BICE	UF	13/09/2012	15/09/2021	9	TAB (360) +	1.000%	152,031	-
Banco BCI	UF	13/09/2012	15/09/2021	9	TAB (360) +	1.000%	210,370	-
TOTAL							390,523	389,149

In September 2012, a financing contract was subscribed between Ruta de los Ríos Sociedad Concesionaria S.A. and a bank syndicate led by Banco BICE (made up of Banco BICE, Banco de Crédito e Inversiones and Banco Security) to finance existing obligations. This contract refers to a long-term loan for

the amount of UF4,6 million (Tranches A and B), and additionally to financing of bank guarantees for a maximum amount of UF 249,9 million to secure future obligations with the Ministry of Public Works (MOP) (Tranche C).

Transamerican Communication

ENTITY	CURRENCY	INICIAL DATE	LATEST PAYMENT	TERM (YEARS)	INTEREST RATE	2012	2011
BBVA Frances	ARS	07/06/2012	07/06/2013	1	Fixed rate 22.000%	4,135	-
BBVA Frances	ARS	01/08/2012	01/08/2013	1	Fixed rate 22.750%	1,309	-
BBVA Frances	ARS	03/09/2012	03/09/2013	1	Fixed rate 22.500%	619	-
BBVA Frances	ARS	08/10/2012	08/10/2013	1	Fixed rate 24.000%	373	-
BBVA Frances	ARS	31/10/2012	03/09/2013	1	Fixed rate 25.000%	539	-
BBVA Frances	ARS	01/11/2012	01/11/2013	1	Fixed rate 25.000%	483	-
BBVA Frances	ARS	01/11/2012	01/11/2013	1	Fixed rate 25.000%	190	-
TOTAL						7,648	-

Along 2012, the company obtained loans for ARS 21 million from BBVA Francés bank.

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

CURRENCY		BALANCE IN ORIGINAL CURRENCY (1)		BALANCE IN LOCAL CURRENCY	
		2012	2011	2012	2011
US Dollar	USD	625,112	504,014	1,105,341	979,148
Brazilian Real	BRL	1,036,519	1,199,516	896,895	1,242,306
Chilean Pesos	CLP	5,573,228	3,708,474	20,532	13,876
Colombian Pesos	COP	344,432	408,766	344,432	408,766
Unidades de Fomento Chile (UF)	UF	12,238	12,578	1,029,763	1,049,229
Argentine Pesos	ARS	21,271	-	7,649	-
Total financial liabilities				3,404,612	3,693,325

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

Maturity of financial liabilities:

MATURITIES 2012	
Short-term	936,531
Long-term	2,468,082
2014	426,177
2015	343,236
2016	229,867
2017 onwards	1,468,801
Total liabilities	3,404,613

MATURITIES 2011	
Short-term	1,087,939
Long-term	2,605,385
2013	625,002
2014	304,754
2015	247,099
2016 onwards	1,428,530
Total liabilities	3,693,324

NOTE 14: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

	2012	2011
Suppliers	210,285	165,930
Financial expenses	159,039	142,053
Creditors	53,743	75,141
Dividends	(1) 8,941	203,100
Contract withholding	3,986	5,526
Other accounts payable	(2) 1,633,260	351,876
Equity tax payable	89,110	133,665
Other taxes	(3) 413,320	478,496
Total accounts payable	2,571,684	1,555,787
Total long-term accounts payable	1,554,263	391,995
Total short-term accounts payable	1,017,421	1,163,792

- (1) Payment in ISA Colombia of the final installment of the dividends declared in 2011 on earnings of year 2010 for \$47,631; dividends declared in 2012 on earnings of year 2011 were paid to the investors in a single installment, in June 2012. In CTEEP, the sum paid to the investors was \$147,098 pending in 2011.
- (2) Variation of the other accounts payable corresponds mainly to liabilities with the Ministry of Public Works of Chile (MOP) for use of preexisting infrastructure of the companies Ruta del Maipo, Ruta de la Araucanía and Ruta del Maule. In 2011, it was presented in the section of other liabilities (See Note 17).
- (3) Decrease is explained by VAT on invoices for repairs after the earthquake of February 2010 in Ruta del Bosque, Ruta de la Araucanía and Ruta del Maule, construction of which ended in 2012.

NOTE 15: LABOR LIABILITIES

Labor liabilities at December 31 included:

	2012	2011
Labor liabilities		
Severance payments and interest	6,117	5,526
Vacations	8,627	7,918
Agreed fringe benefits	3,310	3,146
Other	4,298	2,765
Total labor liabilities	22,352	19,355
Less – long- term portion plazo	1,433	1,487
Short-term labor liabilities	20,919	17,868

NOTE 16: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

	2012	2011
Retirement pensions	(1) 164,523	162,350
Provision for other fiscal liabilities	30,236	25,708
Provision for contingencies	(2) 526,699	631,667
Actuarial estimate of fringe benefits for pensioners	(3) 108,367	105,109
Other estimated liabilities and provisions	(4) 114,879	103,237
Total estimated liabilities and provisions	944,704	1,028,071
Less – long- term portion	767,931	850,897
Total short-term estimated liabilities and provisions	176,773	177,174

(1) Corresponds to the amortized present value of pension liabilities at December 31 of 2012 and 2011 of ISA, TRANSELCA and XM, according to actuarial studies.

(2) Includes mainly, provisions in ISA Capital do Brasil for \$343,430 (2011: \$402,529)

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; provisions in REP, ISA Perú and Transmanto for \$75,260 (2011: \$74,417) mainly related to major maintenance and replacements of concession's assets.

- (3) Estimated liabilities of ISA and TRANSELCA, to show present value of future health, education and aging benefits recognized to pensioners and to active personnel with retirement expectations.
- (4) Corresponds fundamentally to liabilities estimated for acquisition of services and goods in transit, uninvoiced expenses provision, and bonuses, fringe benefits, and variable compensation provision.

16.1 RETIREMENT PENSIONS AND AGREED LABOR BENEFITS

Retirement pensions

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

The present value for pension liability as of December 31, 2012 and 2011 was determined using actuarial calculations that

comply with the law and specifically with labor contracts and collective bargaining agreements. To determine pension liability, provisions of Resolution 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:

	2012 %	2011 %
Actual interest rate	4.80	4.80
Future increase of pensions and salaries	3.26	3.53

In ISA, on December 31, 2012, the company had 707 (2011: 663) active employees, of whom 6 (2011: 7) are covered by the pension plan provided in the collective and individual agreements, while the remaining 701 (2011: 656) are covered by Law 100 of 1993. The actuarial estimate covers active personnel (6), retired personnel (350), surviving spouse pension benefit substitutions (50), 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, 2012, 71.34% has been amortized (2011: 67.3%) 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, this subsidiary of ISA has pending liabilities as of December 31 of 2012 for \$1,142, to be amortized in one year, according to the time remaining for each worker's retirement pension payment to be assumed by the Instituto de Seguro Social.

At December 31 2012, XM had 19 associates, covered by the pension plan provided in the collective and individual agreements.

Retirement pension liabilities and agreed fringe benefits of 18 of them in 2012 for \$12,440 (2011: \$13,372) are guaranteed by funding the trust in charge of their pension payments; the pension and agreed fringe benefits of one remaining retiree (2012: \$371, (2011: \$367) are funded by investments and cash.

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 and the deferred liability at December 31, 2012 and 2011 are as follows:

ACTUARIAL ESTIMATE MOVEMENT	PROJECTED LIABILITY	DEFERRED COST	NET LIABILITY
Balance at December 31, 2010	209,880	(46,985)	162,895
Plus increase in actuarial estimate	(4,054)	3,509	(545)
Balance at December 31, 2011	205,826	(43,476)	162,350
Plus increase in actuarial estimate	(4,800)	6,973	2,173
Balance at December 31, 2012	201,026	(36,503)	164,523

YEAR 2012			
BALANCE BY COMPANY	PROJECTED LIABILITY	DEFERRED COST	NET LIABILITY
ISA	123,392	(35,361)	88,031
TRANSELCA	67,878	(1,142)	66,736
XM	9,756	-	9,756
TOTAL	201,026	(36,503)	164,523

YEAR 2011			
BALANCE BY COMPANY	PROJECTED LIABILITY	DEFERRED COST	NET LIABILITY
ISA	126,009	(41,192)	84,817
TRANSELCA	69,006	(2,284)	66,722
XM	10,811	-	10,811
TOTAL	205,826	(43,476)	162,350

Agreed Fringe Benefits

The calculation of pension liabilities for ISA, XM and TRANSELCA included agreed fringe benefits received by pensioners in addition to those required by legal regulations.

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

In 2012, as a result of negotiation of the labor contract, ISA and XM extended health and education benefits to every employee affiliated to the contract, with expectations of retiring at the service of these companies and who have started work at the company before the contract was signed. As of 2012, the companies decided to amortize fringe aids and benefits on the basis of the methodology stated in Resolution N°356 of September 5, 2007 issued by the Colombian General Accounting Office.

These benefits are 67.74% amortized in ISA, 93% in TRANSELCA, and 41.43% in XM.

16.2 INCOME TAX

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

Companies in Colombia

Income tax and surtaxes

Fiscal regulations applicable to the Colombian companies provide:

- a. Fiscal income is subject to 33% rate.
- b. The basis to determine income tax for the year shall not be lower than 3% of net fiscal equity on the last day of the preceding taxable year, refined on the basis of items duly authorized by tax regulations in force..
- c. As of 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 companies' management and its counsels have not concluded the updating study for 2012; however, based on the satisfactory results of the study conducted for 2011, their opinion is that no significant additional income tax provisions shall be required as a result of the study.
- d. As a result of application of CGN Resolution 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, as of application of the above accounting rule, a conciliatory entry between accounting and fiscal results is produced as a result of the exchange difference from investments in foreign currency in controlled entities.
- e. In 2005, Decision 578 of the Andean Community of Nations (CAN) entered into force. This decision seeks to avoid double taxation on 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 is considered to be tax exempt.
- f. Law 1370 of December 30, 2009, amended by Law 1430 of 2010, establishes the equity tax for year 2011 payable by individuals,

legal entities and unincorporated associations who pay income tax. For matters of this tax, wealth is equivalent to the obligor's total net fiscal equity held on January 1st, 2011, whose value is equal or greater than \$3,000 million. The tax rate is 2.4% for net fiscal equity ranging between \$3,000 and \$5,000, and 4.8% when it exceeds \$5,000. The tax is to be paid in eight equal installments in the years 2011, 2012, 2013 and 2014, within the terms established by the National Government.

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 2012

The new tax law (Law 1607) was issued on December 26, 2012; the following aspects are highlighted:

- Income tax rate was lowered from 33% to 25%. For non-resident foreign natural and legal persons, the rate remains at 33%.
- Business Equity Contribution (CREE, for its Spanish initials) was created, levying taxes on revenue earned susceptible of increasing the equity of passive subjects; taxable basis is similar to that used in refining ordinary income, but it does not allow certain deductions like investment on productive real fixed assets, environmental control and improvement, presumptive

income excesses, and fiscal loss, and it shall have an 8% rate. For the years 2013, 2014 and 2015 it will be 9%.

- Legal entities who pay income tax are exempted of payment of quasi-fiscal contributions in favor of Servicio Nacional del Aprendizaje (SENA) and Instituto Colombiano de Bienestar Familiar (ICBF) corresponding to employees earning, considered individually, up to 10 statutory minimum wages. This exemption enters into force when the withholding tax system is implemented for collection of the business equity contribution (CREE) and, at any rate, before July 1, 2013).
- It is established that, only for tax effects, the references to accounting rules contained in tax regulation will continue in force during four years after the International Financial Reporting Standards become binding (2015).
- Tax tariff on windfall profit from transfer of fixed assets was lowered from 33% to 10%.
- The law that allowed subscribing legal stability agreements with the State was derogated, and it was clarified that legal stability agreements under execution on the date the law was issued will remain valid on the exact terms agreed on up to termination.
- Article 254 of the Tax Law was modified, stipulating that whoever is the beneficiary of foreign profit levied in the source country has the right to discount from the amount of income tax plus the CREE, the tax paid abroad.
- As to VAT, rate was lowered from 7% to four different rates (0%, 5%, 16% and 35%) and assets and services were classified as levied, excluded and exempted.

- Tax on consumption was created, covering mobile phone service, sale of some vehicles, and sale of food and beverages prepared in restaurants, cafeterias, self-service shops, ice-cream parlors, fruit shops, pastry shops and bakeries, bars, taverns and discotheques. This tax shall be paid bimonthly, and applicable rates shall be 4%, 8%, or 16%. Some transactions levied with this tax are additionally levied with VAT.
- The new law classified individuals into two large groups: employees, and self-employed individuals. For fiscal purposes only, independent workers were likened to employees. Changes were introduced to withholding tax for individuals, and a minimal tax withholding rate was created.
- It set parameters for corporate reorganizations (mergers and spin-offs) and for contributions in kind whenever corporations are incorporated.
- It introduced the concept of sub-capitalization. Expenses from interest generated by debt exceeding the result of multiplying the taxpayer's net fiscal equity for the previous year by three will not be deductible.

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. This agreement basically stabilized income tax regulations, among which the following stand out: income tax rate, deduction of inflation component of financial

expenses, special 40% deduction for new investments in new productive real fixed assets, tax discount on VAT paid in imports 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.

Law 1370 of December 30 of 2009, amended by Law 1430 of 2010, establishes equity tax for the year 2011 as follows: Although equity tax would not be applicable to taxpayers covered by the special legal stability regime determined by Law 963 of 2005, DIAN, through opinion 098797 of December 28 of 2010, indicated that this constitutes a new equity tax, and thus it is not under the umbrella of legal stability agreements under which equity tax had stabilized, as ruled by Law 1111 of 2006, in force until the year 2010.

According to the above, ISA calculated equity tax for fiscal 2011 on the total value of net fiscal equity. Tax amounted to \$124,960 and surcharge to \$31,240, for a total \$156,200 equity tax, of which two installments were paid during 2012 for \$19,525 each. Such tax was charged in its entirety against the equity revaluation account.

Pursuant to the modification introduced by the tax reform of 2012, Law 1607, as of 2013, ISA will calculate its income tax at the rate of 25%, but, on the other hand, it will have to calculate the CREE

business equity contribution on a basis where it will not be able to discount the sum of the special deduction for investment in productive real fixed assets.

INTERNEXA

At December 31, 2012, the company shows fiscal losses to be compensated amounting to \$35,559 originated in the years 2004 to 2010, a value that, according to fiscal regulation, must be readjusted fiscally (3.04% Resolution 138 of 2012); this value increases to \$36,640, of which, for the year 2012, the value of \$338 is compensated, showing a final value of \$36,302 to be compensated in future fiscal periods.

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

Additionally, at December 31 of 2012, the company shows excesses of presumptive over ordinary taxable income, fiscally readjusted, of \$19,671, generated between 2007 and 2010. According to tax regulations in force, presumptive income excesses over ordinary taxable income can be fiscally readjusted and offset with ordinary net taxable income during the following five years: in 2012, \$570 are offset and \$4,722 expire, for an ending balance of \$14,379.

Companies in Brazil

Income tax and social contribution

Income tax and social contribution are determined according to binding fiscal legislation on the basis of net taxable income, adjusted by including non-deductible expenses and excluding non-taxable revenues, and other temporary items.

Income tax and social contribution for current fiscal year and deferred are calculated on the basis of a 15% rate increased by an additional 10% of taxable income whenever this latter exceeds BRL240,000 for income tax, and 9% on taxable income for social contribution. Fiscal losses offsetting is allowed limited to 30% of fiscal period's taxable income.

Deferred tax (assets and liabilities) is determined on the rates applicable to the period when liabilities are expected to be paid

or assets are realized, on the basis of the rates set by the fiscal regulation in force at closing of each fiscal term.

Given that for accounting purposes Brazil has already incorporated the International Financial Reporting Standards (IFRS), a Transition Fiscal Regime (RTT), was set for fiscal purposes, and all companies of Brazil determined their income taxes and social contribution refining their results according to the provisions of this regime.

Company in Bolivia

Tax on companies' income

According to legislation in force, the company is subject to the Tax on Corporate Income, (IUE, for its Spanish initials) at 25% rate on each fiscal year's taxable income, calculated by adjusting accounting income according to the criteria defined in fiscal provisions. This tax, which is calculated and paid for yearly, is offset by the Tax on Transactions (IT, for its Spanish initials) generated in the following fiscal period, until its exhaustion or until the next IUE due date.

Tax on companies' income – Foreign beneficiaries:

Whoever pays, credits, or remits funds from revenues originating in Bolivia to payees abroad must withhold and pay the Tax on Corporate Income- Payees abroad, at 12.5% rate on total amount credited, paid, or remitted.

Distribution of corporate income or payment of interest in favor of its shareholders or related parties overseas is subject to this tax.

Companies in Peru

Income tax

According to Peru's tax regulation in force as of December 31 of 2012 and 2011, income tax rate is 30% on taxable income.

Legal persons non-domiciled in Peru and individuals must pay an additional 4.1% tax on dividends received.

In determining Income Tax and General Sales Tax, transfer prices of transactions with related companies and with companies domiciled in regions with low or no taxation must be supported by documents and information on the valuing methods used and the criteria taken into account for their determination.

REP

On July 26 of 2002, the company subscribed with the Peruvian State a Legal Stability Agreement under Decrees 662 and 757 and Law 27342. The agreement enters into force on the date of the concession contract and is effective during the concession term. This agreement is related to the investment the company's shareholders must make through capital contributions in the

amount of USD20,000,000, which had been completed at December 31, 2002. While this agreement is in force, the Peruvian State is committed to guaranteeing legal stability for the company in matters of income tax regime, and the rules in force at the time of subscription of the agreement are preserved. According to this agreement, income tax rate is 27%.

CONSORCIO TRANSMANTARO

On February 24, 1998, the company subscribed a legal stability agreement with the Peruvian Government to be in force along the concession term. The agreement offers investors and the investment recipient stability in the tax regime related to income tax, as well as stability in the contracting regime of the company's employees.

On October 27, 2006, the company subscribed an addendum to the tax stability agreement with the Peruvian Government, under which, clarification was made as to the actual amount of capital contributions being USD43,005,250.

ISA PERÚ

On March 29, 2001, the company subscribed a legal stability agreement with the Peruvian Government under Decrees 662 and 757 and Law 27342. The agreement enters into force on the date of the concession contract and is effective during the concession term. While this agreement is in force, the Peruvian State is committed

to guaranteeing legal stability for the company in matters of income tax regime and the rules in force at the time of subscription of the agreement are preserved.

According to this agreement, income tax rate is 2% plus an additional 2%.

INTERNEXA PERÚ

On December 10, 2007, the company subscribed a legal stability agreement with the Peruvian Government to be in force during ten years. This agreement is related to the investment the company's shareholders must make through capital contributions in the amount of USD5,000,000, which had been completed at 31 December, 2008. The agreement offers investors and the investment recipient stability in the tax regime related to income tax, and stability in the contracting regime of the company's employees.

Companies in Chile

Income tax

Income tax for stock companies, limited liability companies incorporated in Chile, and those agents in Chile of foreign corporations are subject to a two-tier levy:

To start with, the income obtained by the company is taxed with the First Category rate of 20%, according to the provisions of Law

20630 of 2012. Then, at the moment to withdraw, distribute or remit abroad the earnings generated by the company, it is taxed at the level of the shareholders through supplementary global or additional tax, depending on whether they are individuals residing in Chile, or taxpayers, individuals or entities not residing or domiciled in Chile, in those cases when the income is made available from Chile to the person residing abroad.

If the partners or shareholders of the entity distributing earnings are legal entities or individuals not residing or domiciled in Chile, an additional 35% tax rate is applicable.

The First Category Tax paid by the company is discounted as credit, in accordance with the mechanism set for establishment of the Fund of Taxable Earnings (FUT, for its Spanish initials), from the global supplementary or additional tax affecting the owners, partners or shareholders of the companies or corporations for the withdrawn earnings (either in cash or in kind) or for the dividends distributed.

The FUT must be kept by all companies for control, withdrawal or distribution of the earnings they generate, as well as the earnings pending withdrawal or distribution, and also for control of respective credits related to such income.

Fund of Taxable Earnings –FUT–

In general terms, FUT is a chronological record whose goal is

to control earnings generated and withheld by the companies (First taxing tier) whose taxing is pending at the level of persons (Second taxing tier for global supplementary or additional tax) and the category taxes that affected those earnings, and to affect with personal taxes on the basis of withdrawal or distribution of earnings.

FUT goals and mechanics will vary depending on the company type; for example:

The goal of FUT in the case of a personal company is to determine the amount up to which withdrawals shall be taxed and to control earnings and related credits, because withdrawals are only taxed up to the balance of the FUT record, and excess withdrawals shall remain pending until the company generates or receives new taxable earnings. For stock companies, the goal of FUT is only to control earnings and related credits, given that distributed dividends are taxed independently from the balance of FUT.

Expenditure from tax on earnings is made up of current taxes and deferred taxes.

Deferred taxes are recognized according to temporary differences between book value of assets and liabilities for the purpose of financial reports and the amounts used for taxing purposes. Assets and liabilities for deferred taxes are offset if an enforceable legal right exists to offset assets and liabilities for current taxes, and they are related to taxes on earnings applied by the same fiscal authority on the same taxable entity.

NOTE 17: OTHER LIABILITIES

Balance of other liabilities at December 31:

		2012	2011
Other liabilities			
Deferred taxes	(1)	1,945,013	1,581,478
Deferred income	(2)	330,602	274,508
Collections for third parties	(3)	215,759	241,211
Advance revenues		38,152	32,679
Deferred credits	(4)	26,540	1,607,841
Total other expenses		2,556,066	3,737,717
Total other long-term liabilities		2,296,767	1,829,237
Total other short-term liabilities		259,299	1,908,480

- (1) Variation corresponds mainly to: INTERVIAL CHILE S.A. and its concessionaires for \$212,668, originating in the differences between fiscal rules and accounting rules when recognizing the concession's assets; in ISA for \$74,278 coming from excess of exchange difference of investments abroad; and \$80,607 in CTEEP for capital gain, effect of renewal of concession 059/2001.
- (2) Includes: \$75,254 (2011: \$55,442) from INTERNEXA Perú for advance payment received for usufruct contracts signed with Telefónica ; \$202,768 (2011: \$162,330) from ISA for deferred revenues from the National Transmission System -STN- for assets of UPME bids and infrastructure rights of use for \$30,226 (2011: \$39,345).
- (3) Includes mainly in XM \$146,700 (2011: \$177,853) for collection in favor of the energy market agents, and in CTEEP, \$33,345 (2011: \$61,964) for regulatory requests.
- (4) In the year 2011 it included liabilities in favor of the Chilean Ministry of Public Works (MOP) for use of preexisting infrastructure by corporations Ruta del Maipo, Ruta de la Araucanía and Ruta del Maule which in 2012 is presented in Note 14 of Accounts Payable.

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:

2012			
SHAREHOLDER	NUMBER OF SHARES	VALUE \$MILLION	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
State 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

Continuation 

SHAREHOLDER	2012		
	NUMBER OF SHARES	VALUE \$MILLION	PARTICIPATION (1)
Private capital investors			
Fondo de Pensiones Obligatorias Porvenir Moderado	52,443,705	1,720	4,735
Fondo de Pensiones Obligatorias Protección Moderado	40,917,785	1,342	3,694
Fondo de Pensiones Horizonte	28,312,427	929	2,556
Fondo de Pensiones Obligatorias Colfondos Moderado	23,427,526	768	2,115
ING Fondo de Pensiones -Moderado	19,868,458	652	1,794
Fondo Bursátil ISHARES COLCAP	10,151,260	333	0,916
Fondo de Pensiones Obligatorias Skandia S.A.	8,303,131	272	0,750
Vanguard Emerging Markets Stock Index Fund	5,715,348	187	0,516
Abu Dhabi Investment Authority	3,390,528	111	0,306
Ishares MSCI Emerging Markets Index Fund	3,160,990	104	0,285
Other shareholders	152,535,098	5,003	13,771
Subtotal	348,226,256	11,421	31,438
Total outstanding subscribed capital	1,107,677,894	36,331	100,000
Repurchased own shares (2)	17,820,122	585	
Total subscribed and paid-in capital	1,125,498,016	36,916	

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2011			
SHAREHOLDER	NUMBER OF SHARES	VALUE \$MILLION	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
State and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5,32
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

Continuation 

2011			
SHAREHOLDER	NUMBER OF SHARES	VALUE \$MILLION	PARTICIPATION (1)
Private capital investors			
Fondo de Pensiones Obligatorias Porvenir Moderado	51,999,357	1,706	4,694
Fondo de Pensiones Obligatorias Protección Moderado	40,857,785	1,340	3,689
Fondo de Pensiones Horizonte	28,906,788	948	2,61
Fondo de Pensiones Obligatorias Colfondos	24,455,920	802	2,208
ING Fondo de Pensiones	19,488,028	639	1,759
Fondo de Pensiones Obligatorias Skandia S.A.	9,167,248	301	0,828
Fondo Bursátil ISHARES COLCAP	8,100,785	266	0,731
Abu Dhabi Investment Authority	3,510,649	115	0,317
Fondo de Pensiones Protección-Diversificado	2,396,262	79	0,216
Blackrock Institutional Trust Company N.A.	2,385,556	78	0,215
Other shareholders	156,957,878	5,147	14,17
Subtotal	348,226,256	11,421	31,438
Total outstanding subscribed capital	1,107,677,894	36,331	100
Repurchased own shares (2)	17,820,122	585	
Total subscribed and paid-in capital	1,125,498,016	36,916	

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(1) Participation percentage on outstanding shares.

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

As of December 31, 2012 and 2011, authorized capital stock included 1,371,951,219 common shares. Shares had a par value of \$32.800000005352. All shares issued have been fully paid. Unissued shares as of December 31, 2012 and 2011 are detailed below:

	ACCIONES	VALOR
Authorized	1,371,951,219	45,000
Subscribed and paid-in	1,125,498,016	36,916
To be subscribed	246,453,203	8,084

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

Outstanding shares are common, registered and dematerialized.

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

CAPITAL SURPLUS

Additional paid-in capital

The additional paid-in capital is the excess of the sales price over the par value of the subscribed shares.

Received for works

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

RESERVES

	2012	2011
Legal	18,458	18,458
Mandatory for tax purposes	476,392	407,843
Repurchase of own shares	38,100	38,100
Equity reinforcement	364,108	294,155
Rehabilitation and replacement of STN assets	37,434	37,434
TOTAL	934,492	795,990

- (1) 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.
- (2) 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.
- (3) Corresponds to the special reserve for the repurchase of shares held by EPM for \$38,100.
- (4) 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 rating and comply with contractual commitments to financial entities.
- (5) The Shareholders Meeting held on March 30, 2000, approved \$24,933 reserve for the rehabilitation and replacement of assets of the National Transmission System, and on March 18, 2002, approved an additional reserve of \$12,502 for a total of \$37,434

EQUITY REVALUATION

Adjustments for inflation on balances of equity accounts, recognized until December 31, 2000 have been credited to this account, with charge to the income statement. Although this value is not distributable as dividend, it can be used to increase subscribed capital.

As of year 2007, and according to regulations in force, the tax on equity is accrued by decreasing this account. For 2011 the account decreased by \$156,200 to take into account 100% accrual of such tax.

SURPLUS FROM EQUITY METHOD

Contra entry of equity variations of investments in subsidiaries, as a consequence of application of the equity method.

DIVIDENDS DECLARED

Dividends declared in 2012 and 2011 on earnings of corresponding previous year are detailed below:

	2012	2011
Net income for last year	336,776	343,896
Outstanding shares	1,107,677,894	1,107,677,894
Dividend per share (in \$)	179	172
Dividends declared	198,274	190,521
Terms of payment	One installment in June 2012	Four quarterly installments in April, July and October of 2011 and January of 2012

NET INCOME PER SHARE

Net income per share has been calculated on the annual weighted average number of outstanding shares as on the date of the statement of financial position.

Calculation was as follows

	2012	2011
Net income for the year	272,938	336,776
Average outstanding shares in the period	1,107,677,894	1,107,677,894
Net income per share (in \$)	246,41	304,04

NOTE 19: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

	2012	2011
Debit		
Fiscal-over-accounting excess	(1) 544,836	484,028
Other contingent rights	67,052	89,436
Other debit control accounts	(2) 86,313	403,296
Effect application of Resolution N° 364/2000	2,916,984	3,100,662
Total debit memorandum accounts	3,615,185	4,077,422
Credit		
Claims and lawsuits (See Note 19.1)	5,801,557	112,931
Guarantees established	430,642	396,313
Fiscal	(1) 258,639	272,222
Other credit control accounts	1,957,797	1,728,814
Total credit memorandum accounts	8,448,635	2,510,280

- (1) Represents differences with accounting that result from applying the inflation adjustment system for tax effects, and differences in accounting and tax deductions when determining ordinary net taxable income.
- (2) Includes, mainly, collections for third parties by XM, in compliance with Decree 848 of March 28, 2005, date when it assumed the duties of Administrator of the Commercial Settlement System –ASIC–. At December 31, 2012, these values totaled \$71,160 (2011: \$382,809).

19.1 CLAIMS AND LAWSUITS

ISA and its companies 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 the company appears as a defendant

or as an intervening third party could affect its stability. In their own name, they have taken the necessary judicial measures to carry out the defense of their interests.

Below is the information regarding the main judicial processes which the companies are a party to and their amounts:

Processes filed by ISA or its companies

COMPANY	TYPE AND INSTANCE	DEFENDANT	PROCESS DESCRIPTION	ESTIMATED VALUE
ISA	Civil. Trial Court	Comercializar S.A. E.S.P.	Executive claim for the payment of promissory note 03 of September 22, 1995, signed by Comercializar S.A. payable to different companies, ISA among them.	46
ISA	Civil. Trial Court	Energen S.A. E.S.P.	Claims payment of all debts from this company to ISA.	508
ISA	Civil. Trial Court	Luz Bibiana Castaño Loaiza	The plaintiff asks for a writ of execution to be issued in favor of Interconexión Eléctrica S.A. E.S.P- ISA, and against Luz Bibiana Castaño Loaiza and Carlos Alberto Ramírez Rubio.	40
ISA	Administrative. Trial Court	Atlas Ingeniería Ltda. and Aseguradora Confianza S.A.	Contractual liability claim for not fulfilling works related to laser photogrammetry.	6,409

Continuation 

COMPANY	TYPE AND INSTANCE	DEFENDANT	PROCESS DESCRIPTION	ESTIMATED VALUE
ISA	Administrative. Trial Court	Unión Temporal de Empresas UTE APS	Contractual liability claim for not delivering structures related to UPME 2003 projects.	3,318
ISA	Administrative. Trial Court	Municipality of San Carlos, Antioquia	Nullity claim of the decision ordering payment of municipal taxes.	1,838
ISA	Administrative. Trial Court	DIAN	Nullity claim of the decision ordering payment of municipal taxes.	4,779
ISA	Administrative. Trial Court	Aseguradora de Fianzas S.A. CONFIANZA, SISTEP Ltda.	Contractual liability claim for supply of transformers.	3,284
ISA	Administrative. Trial Court	Electrificadora del Atlántico S.A. E.S.P.	Nullity claim against a resolution of the defendant's liquidator.	12,962
ISA	Administrative Tribunal of Antioquia.	DIAN	Relative to default interest in favor of ISA for the untimely return of excess income tax paid in 1995.	4,780
ISA	To be filed in January 2013 with the Administrative Tribunal of Cundinamarca	Superintendency of Domiciliary Public Utilities (SSPD)	SSPD charged ISA \$1,882,924,000 as a special contribution in 2011 because they included expense accounts that shouldn't be considered. Actual ISA's contribution should be \$733,791,720. Demand already prepared to be filed in January 2013	1,149

Continuation 

COMPANY	TYPE AND INSTANCE	DEFENDANT	PROCESS DESCRIPTION	ESTIMATED VALUE
Ruta de la Araucania	Puente Malleco Arbitration	Ministry of Public Works	The concessionaire has sued MOP for payment of rehabilitation works in Puente Malleco. Term for producing evidence has already expired. After expert opinions and answers to observations presented by the parties are completed, the parties will be summoned to hear the decision.	UF 113,907
Ruta del Maule	Ruta 5 concession contract arbitration	Fiscal Authority-MOP	The corporation sues the Fiscal Authority-Ministry of Public Works for recognition of expenses and costs incurred in repair of diverse bridges existing before the concession, as well as higher costs in execution of extraordinary works ordered by the Ministry. Currently under discussion in the appellate court.	UF 47,158.15
INTERNEXA	Demand	Ministry of Communications	As a result of the merger of Flycom and Internexa S.A., the latter obtains the rights associated to the license granted by the Ministry of Communications to the former. Rights include use of the radioelectric spectrum and establishment of a radioelectric network for broadband point-to-point distribution with LMDS technology.	22.000
XM	Administrative Tribunal of Cauca	Guachené Municipality	Nullity and redress claim against resolutions N° 047 of August 2, 2011 and 058 of December 9, 2011, issued by the Treasurer of Guachené Municipality, imposing a penalty on XM for failing to deliver information.	464
TRANSELCA	Administrative Tribunal of Atlántico	DIAN	In official calculation of income tax return of fiscal year 2002, the Tax Administration disavows expenses deductions for \$4,616 and calculates higher tax for \$1,616.	1,616

Continued from previous page 

Processes against ISA or its companies

COMPANY	TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
ISA	Administrative. Trial Court	Fernando Rodríguez García	Related to a Group Action filed by Fernando Rodríguez García and others against the State—the Ministry of Finance and Public Credit, the Ministry of Mines and Energy and Interconexión Eléctrica S.A. E.S.P. –ISA– with the Eight Administrative Circuit Court of Cali. The amount of the claim was defined by the plaintiffs at \$5,693,476 million, amount that is considered unreasonable because there was no real estimation as it is legally required and it was based on hypothetical damages without any proof or support in the claim. This claim is considered as a remote contingency, taking into account that it has no factual and legal basis to succeed.	5,693,476
ISA	Civil. Trial Court	Parque Empresarial San Miguel S.A.	The plaintiff asks ISA to be declared as invader of its property without any legal authorization, establishing this way an illegal right of way. For this reason the plaintiff asks to be indemnified.	4,572
ISA	Civil. Trial Court	Roberto Ebrath Rojas Estate	1. To issue decision imposing electric energy transmission legal right of way, considered in Article 18 of Law 126/1938 and Law 56/1981, in favor of Interconexión Eléctrica S. A, E.S.P., –ISA–, over a piece of land owned by the defendants, called “Tierra Grata”, located in La Esperanza, Municipality of El Paso, identified with real state register 192 – 00463, from the Public Instruments Register Office of Chimichagua (Cesar).	321
ISA	Civil. Trial Court	Claudia Andrea Córdoba	The plaintiff requests to declare Interconexión Eléctrica S.A. E.S.P. –ISA– –ISA– liable for the missing and alleged death by drowning of Mr. Giampietro Zanin (Juan Pedro Zanin), while working at the crossing of a fiber optics cable belonging to the company, –ISA– and to award material and moral damages payable by Interconexión Eléctrica S.A. E.S.P. –ISA–.	4,000
ISA	Civil. Trial Court	Eliel Zapata Díaz	The plaintiff requests to condemn Interconexión Eléctrica S.A. E.S.P. and/or ISA to restore the plaintiff’s real property, which he has held in an irregular way for approximately nine (9) years.	400

Continuation 

COMPANY	TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
ISA	Administrative. Trial Court	CHIVOR S.A. E.S.P.	CHIVOR S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA– allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). CHIVOR S.A. E.S.P requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	40,771
ISA	Administrative. Trial Court	CHIVOR S.A. E.S.P.	CHIVOR S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA– allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). CHIVOR S.A. E.S.P requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	51,243
ISA	Administrative. Trial Court	EMGESA S.A. E.S.P.	EMGESA S.A. E.S.P requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). EMGESA S.A. E.S.P requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	78,686
ISA	Administrative. Trial Court	CHIVOR S.A. E.S.P.	CHIVOR S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA– allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). CHIVOR S.A. E.S.P requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	50,463

Continuation ⇩

COMPANY	TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
ISA	Administrative. Trial Court	EMGESA S.A. E.S.P.	EMGESA S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA– allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). EMGESA S.A. E.S.P requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	63,823
ISA	Administrative. Trial Court	EMGESA S.A. E.S.P.	EMGESA S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA– allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). EMGESA S.A. E.S.P requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	57,496
ISA	Labor. Trial Court	Others, Rosa Maria Vásquez Medina	The plaintiff requests to decide that between Mr. Luis Eduardo Vásquez Mahecha and Mr. Edwin Medina Castillo and the defendant, Transmilineas Servicio Ambiental LTDA., existed a labor relationship which ended due to the death caused by a work-related accident of Luis Eduardo Vásquez Mahecha and Edwin Medina Castillo. The plaintiff requests the defendants, Transmilineas Servicio Ambiental LTDA. and Interconexión Eléctrica S.A. E.S.P., to be declared jointly and severally liable in all aspects related to the payment of employee benefits, wages, compensations and other labor issues resulting from the labor relationship existing with Mr. Luis Eduardo Vásquez Mahecha and Mr. Edwin Medina Castillo.	1,625

Continuation ⇩

COMPANY	TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
ISA	Labor. Supreme Court Recourse	Isabel Gutiérrez, Others, Rosalba González	The plaintiffs request a decision accepting they have right to receive the benefits established in the labor agreement existing between Interconexión Eléctrica S.A. E.S.P. –ISA– and the National Workers Union of Interconexión Eléctrica S.A. E.S.P. (SINTRAlSA, for its Spanish initials), and, as a consequence, all benefits and damages to be paid to them.	1,452
ISA	Labor. Supreme Court Recourse	Rogério Alcides Ruiz and Others	The plaintiffs request that all employee benefits be paid according to the labor contract subscribed with the company.	628
ISA	Labor. Appellate Court	Víctor Hugo Mosos Campos	The plaintiff requests to order ISA to re-calculate the retirement pension and to pay the additional pension payment corresponding to the month of June.	368
ISA	Administrative Tribunal of Antioquia.	Municipality of San Carlos, Antioquia	Claim against Resolution 1233/2001 because the Municipality requested payment of taxes for common space occupation. In December 2012 there was first stage judgment favorable to ISA.	1,839
ISA	Administrative Tribunal of Antioquia.	Municipality of San Carlos, Antioquia	The tax on billboards and signs is under discussion in San Carlos, where it was not paid because ISA had no billboards or signs in the municipality's public space. Additionally, ISA had no signs and the municipality acted extemporaneously. The process is in the discovery stage.	329
CTEEP	Welfare	INSS	The company was served of the process by the Social Security Institute for not having collected contributions related to wages paid to the employees as transport and basic food basket expenses.	1,410
CTEEP	Labor	Miscellaneous.	The company assumed before different courts responsibility for certain legal processes derived mainly from the spin-off process between CESP and EPTE. The company carried out court deposits for a total BRL65,506 (2011: 52,867)	97,140

Continuation 

COMPANY	TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
CTEEP	Fiscal	Several municipalities of the São Paulo State	The company made provisions for processes against several municipalities of the São Paulo State related to land legalization.	6,733
ISA Bolivia	Fiscal	National tax services	Dismissal of the request to modify the Value Added Tax returns for import policies and purchase invoices not included in affidavits.	BLR3,400,000
XM	Capacity charge Administrative Tribunal of Antioquia – nullity and redress lawsuits.	EMGESA S.A. E.S.P, Central Hidroeléctrica de Betania S.A. E.S.P, AES Chivor Cia SCA ESP and Fiduciaria La Previsora.	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. 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.	478,037
TRANSELCA	Popular and group action	DANIEL ESTRADA PLAZAS	Popular and group action	12,400
TRANSELCA	Popular and group action	LIGIA BERMEJO JARAMILLO Y OTROS	This action asks for the termination of the contribution contract signed between the State and Tebsa. The decision will depend on the the claim facts being accepted. Adverse decision in the process is qualified as remote due to the weakness of the evidence.	30,437

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

Other processes of CTEEP

ELETRÓBRÁS

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

Along the process, on December 04, 2006, Eletropaulo filed clarification request which was rejected according to agreement published on April 16, 2007; it also filed special and extraordinary remedies that upheld decision by the Superior Court entered on October 30, 2008.

Considering such decisions, it can be inferred that the defenses of prior execution filed by Eletropaulo are not acceptable, and that the action filed by ELETROBRÁS will continue as initially filed.

In efforts to delay the taking of evidence with the purpose of defining the effective responsibility assigned by means of the split-off, CTEEP proposed a declaratory action in favor of the

parties involved in the action of December 14, 2012; decision was published denying the submission of evidence requested by the parties, ending the settlement by articles and declaring that the payment responsibility is Eletropaulo's, deducting it from the amount deposited.

Based on the legal documents supporting the partial assignment of Eletropaulo, CTEEP's management and its legal counsels consider that CTEEP is only liable for paying the 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 ELETROBRÁS and has been accepted in court.

Supplementary retirement plan ruled by Law 4819/58.

The supplementary retirement pension plan ruled by State Law 4819/58 ordering creation of a Social Assistance State Fund applies to employees of municipalities, corporations where the State owns majority of shares, and industrial services owned and run by the State, admitted up to May 13, 1974 and foreseen benefits of retirement pensions supplements, "award-license" and "family-salaries". The funds necessary to pay the liens assumed under that plan are the responsibility of the competent bodies of the government of São Paulo State, and their implementation took place according to the agreement signed on December 10, 1999

between the Finance Secretary of the State of São Paulo and the company, in force until December 31, 2003.

Such procedure was carried out regularly until December 2003 by Fundación CESP, with funds of the State Finance Secretary, transferred through CTEEP. As of January 2004, the State Secretary of Finance started processing those payments directly, without the intervention of either CTEEP or Fundación CESP

Decision 49 of São Paulo's Justice Tribunal was notified to CTEEP on July 11, 2005, postponing decision on request that Fundación CESP processes again payment of benefits pursuant to State Law 4819/58, according to regulation, the regular way until December 2003, through funds transferred by CTEEP. To comply with judicial decisions, CTEEP requires each month the necessary funds from the Finance Secretary of São Paulo State, to make the transfer to Fundación CESP, the entity in charge of processing payment to the beneficiaries.

The State's Secretary of Finance has, since September 2005, been transferring to CTEEP a sum lower than necessary to comply with aforementioned decision 49 of the Justice Tribunal.

In agreement with the previously described facts, and in compliance with the mentioned judicial decision, CTEEP transferred to

Fundación CESP in the period between January 2005 and December 2012, the sum of BRL 2,291,440 for payment of the benefits ordered by State Law 4.819/58, having received from the State Secretary of Finance the amount of BRL 1,497,997 for this purpose. The difference between the amounts transferred to Fundación CESP and those received by the State Secretary of Finance amount to BRL 793,443; this sum was initially claimed by the company through administrative process; the collection action against the State of São Paulo Secretary of Finance was filed in December 2010. No substantial change arose in the ongoing proceedings.

CTEEP reiterates that it will continue its endeavors to have the decision of the Justice Tribunal declared null and be able to return to the direct payment procedure of State Law 4819/58 by the Secretary of Finance. Additionally, CTEEP's legal counsel office and advisors reiterate that expenses generated by Law 4819/58 and its respective regulation are the integral responsibility of the São Paulo Secretary of Finance, and it goes on adopting additional measures to safeguard the company's interests. Based on such facts, the company records these differences as accounts receivable from the State Secretary of Finance (See Note 7 Accounts Receivable).

19.2 GUARANTEES

At 2012 year's end the following bank guarantees were in force:

ISA

BANK GUARANTEES							
Guaranteed	Type	Beneficiary	Guarantee balance original currency (in units)	Balance In millions of Pesos	Purpose	Initial Date	Ending Date
UPME 02-2008 BOSQUE PROJECT	PERFORMANCE	UPME	5,734,980,000	5,735	Performance guarantee for liabilities incurred in awarding of UPME 02-2008 El Bosque Project public bid	40,084	41,517
UPME 04-2009 SOGAMOSO PROJECT	PERFORMANCE	UPME	COP 30,000,000,000	30,000	Performance guarantee for liabilities incurred under UPME 04-2009 Sogamoso Project public bid.	5/23/2011	9/23/2013
UPME 02--2010 TERMOCOL	PERFORMANCE	UPME	COP 8,885,000,000	8.885	Performance guarantee for liabilities incurred under UPME 02-2010 TERMOCOL Project public bid.	7/18/2012	01/12/2013
ISA	PERFORMANCE	MUNICIPALITY OF YUMBO, VALLE PROVINCE	COP 2,052,020,530	2,052	Performance guarantee of liabilities included in Resolution N° 031 of July 12, 2012, containing official calculation of revision issued by the Municipality of Yumbo, Valle Province.	10/25/2012	10/25/2013

Continuation ⇩

BANK GUARANTEES							
Guaranteed	Type	Beneficiary	Guarantee balance original currency (in units)	Balance In millions of Pesos	Purpose	Initial Date	Ending Date
MINISTRY OF ENERGY OF CHILE	SERIOUSNESS OF THE OFFER	MINISTRY OF ENERGY OF CHILE	COP 12,240,000	21,643	Seriousness guarantee for proposal in bidding process for awarding of exploitation and execution rights of the new works New Cardones-Maitencillo 2x500 kV Line, New Maitencillo -Pan de Azúcar 2x500 kV Line and New Pan de Azúcar –Polpaico 2x500 kV Line.	8/30/2012	2/26/2013
MINISTRY OF ENERGY OF CHILE	PERFORMANCE	MINISTRY OF ENERGY OF CHILE	COP 2,000,000	3,536	Performance guarantee of incorporation of Public Corporation with exclusive social purpose of transmission and transport, according to the terms and conditions established in Awarding Decree of exploitation and execution rights of the new works New Cardones-Maitencillo 2x500 kV Line, New Maitencillo -Pan de Azúcar 2x500 kV Line and New Pan de Azúcar – Polpaico 2x500 kV Line, first circuit laying of the SIC's trunk transmission system, issued by the Ministry of Energy.	8/30/2012	4/7/2013
SALE AND PURCHASE AGREEMENT N° 4500038014	PERFORMANCE	CROMPTON GREAVES LIMITED	COP 1,878,556	3,322	Payment guarantee in purchase of single-phase reactors, as established in sale and purchase agreement N° ISA 4500038014.	12/5/2012	4/4/2013
Subtotal				75,173			

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GUARANTEES GRANTED TO SUBSIDIARIES							
Guaranteed	Type	Beneficiary	Guarantee balance original currency (in units)	Balance In millions of Pesos	Purpose	Initial Date	Ending Date
ITX	JOINT AND SEVERAL	LEASING DE CREDITO S.A.	COP178,938,804	179	Joint and several guarantee for payment of leasing agreement, Infrastructure Leasing, granted in 2004 by Leasing de Crédito to Flycom Comunicaciones S.A. E.S.P., subsequently transferred in 2007 to INTERNEXA S.A. E.S.P.	12/30/2004	9/17/2017
ISA BOLIVIA	POWER OF ATTORNEY	BID - CAF	USD16,102,886	28,474	Pledge on 100% of value of current and future shares in subordinate companies Red de Energía del Perú –REP– and ISA Perú. For ISA Bolivia, granting of unlimited proxy on its shares as payment guarantee of the loans in favor of the lenders.	5/24/2005	2/15/2019
ISA PERÚ - 3	PLEDGE ON SHARES	IFC	USD2,034,256	3,597		6/24/2002	4/14/2016
REP	PLEDGE ON SHARES	BONDHOLDERS	USD46,720,224	82,612		7/14/2003	08/11/2022
EPR	JOINT AND SEVERAL	BCIE	USD44,500,000	78.686	Joint and several guarantee from ISA for loan agreement entered into EPR and BCIE up to USD44,500,000, related to SIEPAC Project financing. The guarantee must be valid until total principal is paid off	6/29/2007	6/29/2027
Subtotal				193,548			
TOTAL				268,721			

CHILEAN CONCESSIONAIRES

I. Bank Guarantees

Chilean concessionaires presented bank guarantees to MOP, established in favor of the Director General of Public Works and related to concession contracts as detailed below:

CONCESSIONAIRE	GUARANTEES	GUARANTEE TOTAL (IN UF)	ISSUE DATE	EXPIRATION DATE
Ruta del Maipo	Contract – exploitation stage International concession Ruta 5, Santiago - Talca Segment and Santiago South Access.	535,000	April 7, 2010	April 16, 2013
Ruta de la Araucanía	To guarantee compliance with liabilities derived from concession contract in exploitation stage	200,000	May 15, 2012	August 23, 2015
Ruta del Bosque	Strict compliance with concession contract during exploitation stage.	300,000 (4 guarantees of UF 75,000 each)	September 11, 22, 25 and 29 of 2009.	September 30, 2014
Ruta del Maule	Concession contract – exploitation stage	150,000	July 8, 2009	July 14, 2014
Ruta de los Ríos	Compliance with liabilities derived from concession contract denominated Ruta 5 Temuco - Río Bueno.	200,000	August 30, 2012	September 30, 2015

II. Guarantees granted in relation to the financing of the concession:

a. Special pledges on public work concession

Chilean concessionaires established public works concession pledges covering: (i) the concession right on public works of which the concessionaire is the holder; (ii) every payment promised for any

legal reason under the concession contract by the Public Treasury to the concessionaire (iii) all revenues of the concessionaire. The beneficiaries of the pledges are:

CONCESSIONAIRE	FIRST PLEDGE IN FAVOR OF:	SECOND PLEDGE IN FAVOR OF:
Ruta del Maipo	MBIA Insurance Corporation	<ul style="list-style-type: none"> ▪ Holders of the US bonds issued August 22, 2001 ▪ Holders of the UF bonds, Series A, issued 14 October, 2004 ▪ Itaú Entities ▪ Holders of the UF bonds, Series B issued 20 December, 2006
Ruta de la Araucanía	Banco de Chile, Banco Estado and Banco Security	
Ruta del Bosque	Syncora Guarantee Inc. (antes XL Capital Assurance Inc.)	Series A and Series B bondholders and Itaú Entities
Ruta del Maule	MBIA Insurance Corporation	Itaú Entities and holders of bonds series B and C issued by the company June 29, 2005 and October 27, 2006
Ruta de los Ríos	Banco de Chile, Banco Estado y Banco Security	

Likewise, under the same pledge, the concessionaires are bound not to encumber, dispose of or execute any action or contract of any kind that may affect the pledged assets while the referred pledge is

in effect, unless so authorized by the holder of the first pledge, or unless such action or contract is executed.

b) Commercial and industrial pledges

Chilean concessionaires subscribed the following commercial pledges:

CONCESSIONAIRE	DOCUMENT DATE	IN FAVOR OF	COVERS
Ruta del Maipo	December 18, 2006	MBIA, holders of US Bonds, holders of Series A Bonds, Itaú Entities, holders of Series B Bonds,	Moneys deposited in certain accounts of the project
Ruta del Maipo	August 22, 2001	MBIA and Itaú Entities	Rights on construction contract for works of Ruta 5 Sur, Santiago-Talca Segment and Santiago South Access
Ruta del Maipo	August 29, 2001	MBIA and Itaú Entities	Rights derived from Construction Gurarantee
Ruta del Maipo	July 30, 2004	MBIA, US Bonds holders and Itaú Entities	Rights derived from Lump Sum Construction Contracts of Puente Alto Rain Water Collector Trap and La Serena - Las Industrias Avenue.
Ruta del Maipo	September 28, 2005	MBIA, US Bonds holders and Itaú Entities	Rights derived from Second Amended and Restated Investor Support and Guarantee Agreement
Ruta del Maipo	May 19, 2005 modified on September 28 and December 21, 2006	MBIA	Rights on swap contract

Continuation 

CONCESSIONAIRE	DOCUMENT DATE	IN FAVOR OF	COVERS
Ruta del Maipo	July 28, 2006 and modified on December 21, 2006	MBIA, US Bonds holders and Itaú Entities	Rights derived from Lump Sum Construction Contract for Additional Works Supplementary Agreement N° 4 between the company and Ferrovial Agromán Chile S.A., dated June 23, 2006.
Ruta del Bosque	March 16, 2001	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.), Series A bondholders.	Certain assets
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.), Series A bondholders and Itaú Entities	Funds from certain project accounts
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Rights derived from Supervision Contract of Routine Operation and Maintenance of the Fiscal Public Work: Ruta 5 Chillán Collipulli Segment International Concession
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Rights derived from Shareholders Support Agreement
Ruta del Bosque	October 30, 2006	Syncora Guarantee Inc. (formerly, XL Capital Assurance Inc.)	Rights derived from Works Construction Contract of First Private Bid Supplementary Agreement N° 3 (MDI).
Ruta del Maule	November 6, 1998	MBIA	Certain assets specified in the deed
Ruta del Maule	November 13, 1998	MBIA	Contract subscribed through public deed dated November 13, 1998. At the date of this report, although the guarantee has expired, the parties have not yet formally subscribed a deed of cancellation and termination of this commercial pledge
Ruta del Maule	November 13, 1998	MBIA	Rights derived from the Amended and Restated Shareholder Support Agreement At the date of this report, although the agreement has expired, the parties have not yet formally subscribed a deed of cancellation and termination of this commercial pledge

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CONCESIONARIA	FECHA DEL DOCUMENTO	A FAVOR DE	LA GARANTÍA RECAE SOBRE
Ruta del Maule	June 21, 2005	MBIA	Credits derived from 4 contracts currently in force
Ruta de los Ríos	March 14, 2009	Banks	Deposits in Banco Agente escrow accounts

Continued from previous page [↩](#)

III. Pledge on shares

To guarantee liabilities of Ruta de los Ríos, Intervial Chile S.A. established in favor of creditor financing banks, pledge on securities and commercial pledge on 75% of the shares of the corporation. And Banco BICE, in its capacity as Guarantees Agent Bank, cancelled the pledge on securities and the commercial pledge, established by Intervial Chile S.A. in favor of Banco de Chile, Banco del Estado de Chile, Corpbanca and Banco Security.

IV. Pledge without possession on rights of Concession of Public Work:

Ruta de los Ríos established in favor of creditor financing banks pledge without possession 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.

V. Pledge on cash deposits and permitted investments:

Ruta de los Ríos established in favor of creditor financing banks commercial pledge on all the cash deposits made or to be made in the restricted accounts, and commercial pledge on the registered investment instruments issued in the corporation's name.

VI. Restrictions

According to the financial contracts subscribed by the concessionaires, the guarantee policies hired, establish the obligation to comply with certain covenants and restrictions as to shareholding composition, transfer of assets, additional financing, placement of funds, and distribution of dividends. To date, the concessionaires have met all the requirements and restrictions established in the financing contracts.

TRANSELCA

TYPE	BENEFICIARY	PURPOSE	USD	BALANCE IN MILLIONS OF COLOMBIAN PESOS
Pledge on shares	LENDING BANKS	Pledge on 100% of value of current and future shares in subordinate companies Red de Energía del Perú –REP– and ISA Perú. The term of the pledge equals that of the loans.	52,695,879	93,178

TRASMANTARO

TYPE OF GUARANTEE	BENEFICIARY OF THE GUARANTEE	THE GUARANTEE COVERS	TOTAL VALUE OF GUARANTEE (USD)
Mortgage	BCP	Transmission lines	476,616,140

REP

TYPE OF GUARANTEE	BENEFICIARY OF THE GUARANTEE	THE GUARANTEE COVERS	TOTAL VALUE OF GUARANTEE (USD)
Mortgage	BCP and bondholders	Concession of transmission assets of ETECEN and ETESUR	250,247,857
Surety bonds	Local financial institutions		13,290,184

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 of corporate bonds of the company. On March 31, 2005, Bank Boston, Peru Branch assigned its contractual position in that contract in favor of

Banque BNP Paribas Andes S.A. Then, on June 28, 2006, Banque BNP Paribas Andes S.A. assigned its contractual position in that contract in favor of Banco Internacional del Perú S.A.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. No balance is kept in those accounts at December 31, 2012 and 2011, due to the fact that collected amounts are only kept temporarily.

The contract shall be in force until effective and integral cancellation of the guaranteed liabilities assumed by the trustor in favor of the creditors, or conversely, upon extinction of all the rights and assets making up the trust estate.

XM

TYPE OF GUARANTEE	BENEFICIARY OF THE GUARANTEE	THE GUARANTEE COVERS	TOTAL VALUE OF GUARANTEE	INITIAL DATE	EXPIRATION DATE
Bank guarantee established by Banco Davivienda S. A., with NIT860,034,313-7	Guachené Municipality (Cauca Province)	Penalty for non-compliance with Article 651 of tax law imposed by the municipality to XM	800	08/11/2011	08/11/2013

INTERNEXA

- INTERNEXA S.A. established a comfort letter to guarantee the debts of INTERNEXA Chile S.A. with Banco BCI. Besides, INTERNEXA S.A. is joint and several co-debtor with Helm Bank.
- INTERNEXA Chile S.A. holds standby letters of credit for the debts with Banco BBVA and has delivered Bank Guarantees of Banco BBVA for UF 215 to guarantee due compliance with the posts support contracts.

19.3 COMMITMENTS IN FORCE

At 2012 year's end the following commitments were in force:

ISA

COMMITMENT	MATURITY
Derived from subsidiary ISA Bolivia:	
Support and Guaranty Agreement under which, ISA and TRANSELCA are bound, as sponsors of ISA Bolivia, to guarantee loans granted by BID and CAF.	
Outstanding obligation: paying balance pending with IDB and CAF in case of Government intervention or as of the moment the license is revoked.	Termination of contracts (February 15, 2019)
Loans were earmarked for execution of 30-year licenses for Santivañez–Sucre, Punutuma and Carrasco–Urubá transmission lines and the license for Arboleda Substation.	
Derived from affiliate ISA Perú:	
Share retention agreement with TRANSELCA and IFC, which sets the following limitations on transfers of the company's shares: Interconexión Eléctrica S.A. E.S.P. Neither ISA nor TRANSELCA will be able to transfer their shares if: (i) upon such transfer, their stake is reduced below 51% of the company's total shares or (ii) they cease to control the company, except for cases foreseen in the contract.	Termination of the contract (April 15, 2016)

INTERNEXA

COMPANY	CONTRACT / COMMITMENT	PARTIES
INTERNEXA Perú	To put into service two fiber optics pairs for 20 years. As consideration, Telefónica grants the company the right to use up to 160 Gbps of transport capacity.	Telefónica del Perú S.A.A.
INTERNEXA Perú	Contracts of capacity rights	Latín American Nautilus Perú S.A.
INTERNEXA S.A.	In 2002 and 2005, the company contracted Infrastructure Leasing to fund purchase of telecommunications assets.	Syndicated leasing with Leasing Bancolombia, Helm Leasing S.A. and Leasing de Occidente
INTERNEXA S.A.	To provide fiber optic connection service under the national carrier scheme with rights of use for fifteen years.	ETB
INTERNEXA S.A.	To provide the right of information transmission capacity	Telefónica Móviles Colombia S.A
INTERNEXA S.A.	To provide the right of information transmission capacity	Colombia Móvil S.A.

CHILEAN CONCESSIONAIRES

As provided in the Bidding Terms and Supplementary Agreements, the concessionaires have to make payments to the State as detailed next:

CONCESSIONAIRE	FOR	AMOUNT
Ruta de la Araucanía	Administration of concession contract	UF 3,000 per year
Ruta de la Araucanía	Use of preexisting infrastructure	UF 10,000 since 2002, 5% increase payable, in two equal annual installments
Ruta de los Ríos	Administration of concession contract during exploitation stage.	UF 3,000 per year
Ruta del Bosque	Administration of concession project	UF 3,000 per year
Ruta del Maipo	Administration of concession contract during exploitation stage.	UF 24,000 per year
Ruta del Maule	Use of preexisting infrastructure	Installments of year 2012 are set at UF 326,000

TRANSMANTARO

- As commitment related to the issuance of corporate bonds and because of its obligations with financial entities, the company has to keep the following financial ratios:
 - (i) Working capital index higher than 1.00
 - (ii) Debt coverage ratio higher than 1.28
 - (iii) Leverage ratio lower than 2.23
 - (iv) Maximum guaranteed debt of USD173,000,000

- Loan from Banco de Crédito del Perú S.A.A. – Mid-term
The loan consists of the Administration Trust Estate, which must comply, until maturity and repayment, with certain obligations and restrictive clauses. Among them is maintaining certain financial ratios as part of the contractual commitments. The first indicators report is due at the end of the first quarter, that is, March 13, 2013:
 - (i) Maintain Debt Service Coverage Ratio no lower than 1.15x as of 2014.
 - (ii) Maintain Leverage Ratio no higher than (i) 2.80x in 2014; (ii) 2.50x in 2015; and (iii) 2.25x as of 2016.
 - (iii) Maintain Working Capital Ratio no lower than 1.00x.

Likewise, the company is bound to keep risk rating not lower than “AAA” for the bonds of the First Corporate Bonds Issue Program and cause the Bonds of the Second Program to have risk rating no lower than “AAA”.

The management considers that these financial ratios shall not include the liabilities with bondholders or third parties. In this context, the seventh amendment to the model issuance contract of the First Corporate Bonds Program adds the definition of Trust Projects, and therefore, all other terms and conditions contained in the model issuance contract keep full validity and force.

REP

As commitment related to the issuance of the first and second corporate bonds program and because of its obligations with financial institutions, the company has to keep the following financial ratios in the financial statements:

- (i) Leverage ratio lower than 1.5.
- (ii) Minimum net equity of USD90,000,000 at all times.
- (iii) Debt service coverage ratio higher than 1.3 at all times.
- (iv) Interest coverage ratio higher than 2.8.

ISA PERÚ

The loan contract subscribed with International Finance Corporation (IFC) on June 24 of 2002, for up to USD18 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 during the term of the contract, with a maximum ceiling for financial debt of USD40,000,000. Maturity date of this loan is April 15 of 2016.

ISA BOLIVIA

Covenants and commitments related to loans with IDB and CAF include the following.

- Compliance with environmental laws, regulations and issues. Any fact constituting breach of law and regulations could be considered as an event of default regarding contract with IDB and CAF.
- The corporation may not hire new loans other than those with IDB and CAF, except those expressly authorized by the financiers. Handling of cash flows related to operation and earmarked for payment of liabilities must be made through a trust subscribed with Banco de Crédito de Bolivia S.A. Likewise, the following financial ratios are part of covenants:

Debt / Equity equal to or lower than 9.

Historic debt service ratio equal to or higher than 1.2.

ISA Capital do Brasil's commitments derived from concession contract with CTEEP:

- Not transferring, assigning, or selling the controlling shares of CTEEP without previous authorization from ANEEL.
- As the guarantor of concession contract B, ISA Capital do Brasil jointly and severally assumes every obligation established.
- ISA Capital do Brasil and ISA commit themselves to making capital contributions necessary to make up for insufficient funds.
- ISA Capital do Brasil and ISA are bound not to transfer, assign or sell direct control capital participations, nor to change thereby the corporate structure of CTEEP.
- Any change in CTEEP's control shall be reported to ANEEL.
- 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.

NOTE 20: OPERATING REVENUES

Revenues from services rendered by the companies of ISA for: 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, design, construction, maintenance, exploitation and operation of road concessions, special studies, infrastructure availability, and project management, organization, administration, trading and delivery of telecommunications services, any activities related to construction of transmission lines, electricity projects of any type, Smart Management of Real Time Systems, and in general, any activity in the construction sector.

FOR		2012	2011
Electric energy transmission services	(1)	2,919,517	3,091,571
Roads	(2)	747,369	696,543
Connection charges		356,399	363,554
Telecommunications		113,810	98,348
Ancillary activities		47,898	30,806
Dispatch and coordination –CND–		41,712	39,455
MEM Services (STN, SIC, SDI)		41,126	29,781
Constructions for sale	(3)	35,244	18,541
Total operating revenues		4,303,075	4,368,600

- (1) Services delivered by the companies in Colombia ISA and TRANSELCA; they are regulated by the Energy and Gas Regulatory Commission (CREG), and affected by the behavior of the IPP, which closed in 2012 at -2.95% (2011: 5.20%). Also delivery of services under concession contracts in Brazil, Peru and Bolivia remunerated in accordance with each country's tariff system, and with annual readjustments during life of the concession, according to tariffs agreed on in each concession contract.

In ISA and TRANSELCA, unavailability of assets for delivery of service of use of and connection to the STN results in revenue decrease, showing in the invoices for services of the immediately following month through compensations. Legal action and administrative endeavors are underway by ISA to achieve both incorporation of STN assets of the Betania Substation into the system's asset base and corresponding remuneration.

- (2) Correspond to services from right of use of the roads, of the concessionaires in Chile, authorized for collection of tolls in the different toll plazas constructed along the roads, in compliance with the conditions that each country establishes as to maximum tariff amounts and defined road classifications.
- (3) The methodology used for recognition of construction revenues in each one of the projects is "costs incurred" or work progress, methodology reflecting the degree of realization by reference to costs incurred up to the date, including the contract costs effectively executed plus the scheduling of costs to be executed along project construction. This methodology applies to every project, except for those of technical assistance, whose revenues are recognized by service delivered. Revenues from project construction services are detailed below:

PROJECT NAME:	2012	2011
CANA	9,239	6,844
MOJANA	62	443
DISPAC	350	519
MITU	7,559	1,900
SPIE	7,670	7,065
IPSE	-	1,767
PRODECO	276	-
PORCEIII	-	3
FENIX	3,338	-
FENI POWER	918	-
Other minor	5,832	-
Total revenues from construction services	35,244	18,541

NOTE 21: OPERATING COSTS

Operating costs for the years ended December 31 are detailed as follows:

		2012	2011
Personnel expenses	(1)	320,584	312,685
Materials and maintenance	(2)	206,063	208,299
Taxes and contributions		171,433	170,293
Fees		10,744	6,629
Insurance		31,765	31,712
Rentals		18,189	16,951
Services	(3)	144,617	129,816
Advertising and publications		1,753	1,104
Studies and projects		6,872	8,191
Payments to MOP		110,017	107,615
Miscellaneous	(4)	37,397	27,307
Total operating costs before depreciation, amortization and transfers		1,059,434	1,020,602
Depreciation	(5)	149,022	165,272
Amortization		403,014	404,724
Total depreciation and amortization		552,036	569,996
Total operating costs		1,611,470	1,590,598

- (1) Increase generated mainly by ISA in employees' salaries and benefits resulting from negotiation of new labor contract (2011-2016), retroactive to 2011, applicable to all non-unionized workers, except for those with integral salary remuneration.
- (2) This item includes costs related to construction and building of assets for operation and maintenance of the road and electric networks, including those incurred in recovery of infrastructure affected by terrorist attacks and the rainy season. Reduction is concentrated fundamentally in ISA, given the lower number of both terrorist attacks in 2012, and damage from a milder rainy season.
- (3) Corresponds to the costs incurred in energy, security, cleaning and transport, among others, for construction, operation and maintenance of operations, and maintenance of roads and energy transport infrastructure. Increase shows especially in ISA from execution of third party project "CANA" in independent engineering and civil works, after having completed the design and studies stage in 2011, and in CTEEP for third party contracts related to electric grid maintenance.
- (4) Corresponds to other services: mail, communications, telegrams, subscriptions, etc. Increase mainly in ISA and associated to costs in projects for third parties from advancements in work execution; and in Internexa, from last-kilometer (UK) communications services.
- (5) Reduction from methodology change for calculation of remaining life of substations assets, based on the deterioration index for each asset (See Note 3.7, Property, plant and equipment).

NOTE 22: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

	2012	2011
Personnel expenses	(1) 208,538	191,901
Materials and maintenance	11,219	10,953
Taxes and contributions	(2) 27,464	33,309
Fees	35,224	30,528
Insurance	6,587	9,230
Rentals	11,514	9,158
Services	8,573	10,195
Advertising and publications	5,409	5,212
Studies and projects	10,949	8,387
Miscellaneous	(3) 47,548	40,880
Total administration expenses before depreciation, amortization and provisions	373,025	349,753
Depreciation	6,949	6,411
Amortization	(4) 252,739	164,632
Provisions	(5) 56,175	63,817
Total depreciation, amortization and provisions	315,863	234,860
Total administration expenses	688,888	584,613

- (1) Variation in salaries and benefits for ISA employees after negotiation of new labor contract (2011-2016), retroactive to 2011, applicable to all non-unionized workers, except for workers with integral-salary remuneration; and in REP for raises in salaries, rewards, workers' participation in earning, and diverse bonuses.
- (2) Reduction corresponds to lower contributions of ISA Capital do Brasil for PIS and COFINS associated to a lower interest on own capital and dividends receivable.
- (3) Corresponds to payments made in CTEEP for labor processes along the year.
- (4) Increase corresponds to partial amortization (61%) of goodwill previously held by ISA Capital do Brasil in CTEEP, which was linked to concession contract 059/2001.
- (5) Reduction on provisions for inventories and accounts receivable in ISA, payments of provisions for labor and civil contingencies in CTEEP, and lower cost from updating of balance of provisions for major maintenance and replacements in Transmantaro.

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2012 and 2011:

	2012	2011
Personnel expenses	529,122	504,586
Materials and maintenance	217,282	219,252
Taxes and contributions	198,897	203,602
Fees	45,968	37,157
Insurance	38,352	40,942
Rentals	29,703	26,109
Services	153,190	140,011
Advertising and publications	7,162	6,316
Studies and projects	17,821	16,578
Payments to MOP	110,017	107,615
Miscellaneous	84,945	68,187
Total costs and expenses before depreciation, amortization and provisions	1,432,459	1,370,355
Depreciation	155,971	171,683
Amortization	655,753	569,356
Provisions	56,175	63,817
Total depreciation, amortization and provisions	867,899	804,856
Total costs and expenses	2,300,358	2,175,211

NOTE 23: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

	2012	2011
Financial revenues		
Interest		
On overdue accounts receivable and other loans	43,207	43,255
Investment valuations	124,000	120,791
Commercial, conditioned and agreed discounts	21,229	15,246
Dividends	20	6
Monetary variation	48,719	9,611
Total interest	237,175	188,909
Exchange difference		
Cash	56,460	34,334
Accounts receivable	710	1,383
Investments abroad	738	2,663
Other assets	234	1,281
Accounts payable	36,685	7,305
Financial liabilities	119,935	121,073
Total exchange difference	214,762	168,039
Total financial revenues	451,937	356,948

Continuation 

		2012	2011
Extraordinary revenues			
Indemnities	(1)	2,602,110	5,611
Rentals		906	1,059
Recoveries	(2)	13,138	46,527
Revenue from prior years	(3)	15,263	57,964
Gain on sale of property, plant and equipment		612	791
Other	(4)	30,188	76,175
Total extraordinary revenues		2,662,217	188,127
Total non-operating revenues		3,114,154	545,075

Continued from previous page 

(1) Variation corresponds to recognition in CTEEP of compensation associated to assets commissioned as from May 2000 as a consequence of a regulatory change in Brazil's electric sector, a process culminating in December of the same year, with a 30-year extension (as of January 1, 2013) of Concession 059/2001 (initially to expire in June 2015), between CTEEP and the National Agency of Electric Energy Agency (ANEEL). Changes originated in the Provisory Measure (MP) 579 of September 11, 2012, which sought reduction of electric energy tariffs for consumers, anticipating to 2013 renewal of electric sector concessions originally to expire between 2015 and 2017; this in exchange for compensation of non-depreciated assets (exactly as consigned in the contracts), and future recognition of an annual payment for operation and maintenance of assets under concession. Upon consideration of the impact on the affected companies, the Brazilian government modified MP 579 by issuing the Provisory Measure (MP) 591, of November 29 of 2012 recognizing the companies' right of compensation for non-depreciated existing assets as of May 31, 2000 previously registered by the

cessionaires and recognized by ANEEL. This new proposal was approved by CTEEP's Special Shareholders' Meeting of December 3, 2012. On December 4, CTEEP signed with the federal government the extension of concession contract 059/2001 for 30 years, as of January 1, 2013.

Brazil's regulating authority is still to make a pronouncement regarding fiscal effects (PIS and CONFIS) on this compensation. CTEEP's tax advisors do not consider provisioning taxes on this revenue to be appropriate.

- (2) Corresponds basically to revenues from recovery of provisions for civil and labor contingencies, which were higher in CTEEP and ISA last year.
- (3) Variation corresponds mainly to revenues from recovery of deferred taxes from previous fiscal periods, recognized the previous year by INTERVIAL CHILE S.A. and its concessionaires.
- (4) Variation mainly in CTEEP, given that amortization of the balance remaining from the goodwill resulting from Empresa Paulista de Transmisión de Energía (EPTE) was recognized the previous year; there also was higher income from sale of assets.

Non-operating expenses for years ended December 31 included:

	2012	2011
Financial		
Interest and commissions		
On financial liabilities	218,117	216,808
Interest on bonds	464,602	429,657
Other interest	4,567	4,743
Fees and securities administration	59,168	86,249
Debt restructuring expenses	54,773	71,052
Loss from valuation and sale of investments	108,264	87,110
Miscellaneous	34,102	60,758
Total interests and commissions	943,593	956,377
Exchange difference		
Assets	28,831	1,981
Investments	3,919	7,479
Accounts payable	87,239	4,224
Financial liabilities	75,467	142,337
Total exchange difference	195,456	156,021
Total financial expenses	1,139,049	1,112,398

Continuation >>

	2012	2011
Other expenses		
Losses on casualties	605	94
Asset retirements	(1) 2,301,871	113,015
Other	38,170	6,808
Total extraordinary expenses	2,340,646	119,917
Prior years adjustments	5,362	19,478
Total other expenses	2,346,008	139,395
Total non-operating expenses	3,485,057	1,251,793

(1) Variation corresponds to recognition in CTEEP of costs associated with the retirement of assets that entered operation as from May of 2000 (NI), according to Law 12783 of January 2013, ratifying Provisory Measures 579 and 591 of 2012, and establishing provisions regarding renewal of concessions for energy generators, distributors and transporters; and reduction or sector rates and tariffs.

NOTE 24: FINANCIAL RATIOS

Some financial ratios at December 31:

RATIO	2012	2011
RETURN ON ASSETS		
Net income/Total assets (%)	1.06%	1.26%
RETURN ON EQUITY		
Net income / Equity (accounting income) (%)	4.47%	5.24%
EBITDA/operating interest (times)	4.25	4.68
EBITDA/ long-term debt (times)	0.36	0.38
LIQUIDITY (%)		
Current assets/ current liabilities	173.35%	66.82%
DEBT (%)		
Liabilities / Assets	60.09%	59.40%
LEVERAGE (%)		
Liabilities / Equity	253.45%	246.49%

RETURN ON ASSETS and RETURN ON EQUITY: Reduction of these two indicators is explained by reduction of income, which happens especially because of partial amortization of the goodwill of ISA Capital do Brasil due to early renewal of concession contract 059 of CTEEP and application of 100% of the losses of ISA Inversiones Chile, considering that the previous year 40% of generated losses corresponded to the minority shareholder.

EBITDA/ OPERATING INTEREST (TIMES): Reduction of this indicator is explained by lower revenues from translation effect, fundamentally of the Brazilian companies, and by increase of interest due to higher debt levels along the year.

LIQUIDITY: Improvement of this indicator is explained by increased short-term accounts receivable corresponding to compensation for early renewal of concession contract 059 of CTEEP, and by decrease in current accounts payable from translation effect.

LEVERAGE: Variation explained by reduction of liabilities at a proportion higher than that of equity reduction.

NOTE 25: SUBSEQUENT EVENTS

- In January 2013, articles 1, 4, and 5 of the bylaws of Autopistas de la Montaña were amended as a consequence of the special Shareholders' Meeting of Autopistas de la Montaña S.A.S. held on December 19, 2012. This meeting approved: absorption of the losses accumulated along 2011 and the period between January 1 and August 31, 2012, reduction of subscribed and paid-in capital, and reduction of the par value of the share; and additionally, in order to position the brand name "Intervial" for the business of road concessions, the change of corporate name of subsidiary Autopistas de la Montaña S.A.S to "INTERVIAL COLOMBIA S.A.S"-
- On February 1, 2013, shareholders of ISA Inversiones Chile Ltda., that is, Interconexión Eléctrica S.A., E.S.P. and INTERNEXA S.A., agreed on the spin-off of the Corporation, distributing its equity at December 31, 2012, among themselves and a new corporation by the corporate name "ISA Inversiones Maule Ltda.," with the same shareholders, corporation born as a consequence of the spin-off of the corporation. Distribution of the corporation's equity is conducted on the basis of the financial statements as of December 31, 2012 closing.

Once the spin-off materializes, the capital stock of ISA Inversiones Chile Ltda, will be CLP 98,793,833,536, and the capital stock of ISA Inversiones Maule Ltda. will be CLP 48,228,071,324.

CTEEP

- The sixth issuance of promissory notes took place on January 7, 2013.
- Substation Atibaida II of the company IEPinheiros entered operation on January 8, 2013.
- On January 11, 2013, Provisory Measure 579/2012 was promulgated as Law 12.783/2013.
- On January 16, 2013, Banco JP Morgan became the depository of the ADR's.
- On January 18, 2013 BRL 1,544,050 was received as 50% first installment of the compensation, registered as accounts receivable for payment of the new investments (NI) at December 31, 2012, pursuant to the provisions of Inter-ministerial Ordinance N°580.

ABBREVIATIONS

ACOLGEN:	Asociación Colombiana de Generadores (Colombian Association of Generators)	CREG:	Comisión de Regulación de Energía y Gas (Energy and Gas Regulatory Commission)
ANEEL:	Agência Nacional de Energia Elétrica (Brazilian National Agency of Electric Energy)	CTEs:	Energy Transmission Centers
ASIC:	Administración del Sistema de Intercambios Comerciales (Administration of the Commercial Settlement System)	CT:	Current Transformer
BCIE:	Banco Centroamericano de Integración Económica (Central American Bank for Economic Integration)	CVM:	Comissão de Valores Mobiliários (Brazil)
IDB:	Inter American Development Bank	DECEVAL:	Depósito Centralizado de Valores de Colombia
BRL:	Brazilian Real	DIAN:	Dirección de Impuestos y Aduanas Nacionales (Tax and Customs Authority)
CAN:	Comunidad Andina de Naciones (Andean Community of Nations)	DNP:	Dirección Nacional de Planeación (National Planning Department)
CDI:	Interbank Deposit Credit	ECA:	Export Credit Agency
CESP:	Compañía Energética de São Paulo (Brazil)	ECOPETROL:	Empresa Colombiana de Petróleos
CFO:	Cable de Fibra Oscura (Dark Fiber)	EEB:	Empresa de Energía de Bogotá
CGN:	Contaduría General de la Nación (National General Accounting Office)	ELETROBRÁS:	Centrales Eléctricas Brasileñas S.A. (Brazil)
CIGRE:	International Council on Large Electric Systems	ELETROPAULO:	Electropaulo Metropolitana Electricidad de São Paulo S.A.
CND:	Centro Nacional de Despacho (National Dispatch Center)	EPM:	Empresas Públicas de Medellín E.S.P.
COP:	Colombian Pesos	EPR:	Empresa Propietaria de la Red
CRD:	Centro Regional de Despacho (Regional Dispatch Center)	EPSA:	Empresa de Energía del Pacífico
		EPTE:	Compañía Paulista de Transmisión de Energía Eléctrica S.A. (Brazil)
		ETECEN:	Empresa de Transmisión Eléctrica Centro Norte S.A.
		ETESUR:	Empresa de Transmisión Eléctrica del Sur S.A. (Peru)
		FAER:	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)	PT:	Power Transformer
GMF:	Levy on Financial Transactions	RAG:	Guaranteed Annual Remuneration (Peru)
HVDC:	High Voltage Direct Current	REP:	Red de Energía del Perú S.A.
ICO:	Instituto de Crédito Oficial (Chile) (Chilean Official Credit Institute)	RTU:	Remote Terminal Unit
ISS:	Instituto de Seguros Sociales (Social Security Institute)	SAC:	South American Crossing
LAC:	Liquidación y Administración de Cuentas (Account Settling and Clearing)	SCI:	Sistema contra Incendio (Fire System)
LT:	Transmission Line	SIC:	Sistema de Intercambios Comerciales (Commercial Settlement System)
MEM:	Mercado de Energía Mayorista (Wholesale Energy Market)	SIEPAC:	Sistema de Transmisión Eléctrica para América Central (Central American Electrical Interconnection System)
MEM:	Ministry of Mines and Energy (Peru)	SID:	Atmospheric Discharge Information System
MOP:	Ministry of Public Works (Chile)	SINAC:	National Interconnected System (Peru)
NDF:	Non-Delivery Forward	SSPD:	Superintendency of Domiciliary Public Utilities (SSPD)
IAS:	International Accounting Standards	STE:	Servicio de Transporte de Energía (Energy Transport Service)
IFRS:	International Financial Reporting Standards	STN:	Sistema de Transmisión Nacional (National Transmission System)
OSINERGMIN:	Organismo Supervisor de la Inversión en Energía y Minería (Supervising Organism of Investment in Energy and Mining (Peru)	UF:	Unidad de Fomento (Promotion Unit)
PGE:	State Attorney General (Brazil)	UNE:	EPM Telecomunicaciones S.A. E.S.P. —UNE—
PLC:	Power Line Carrier	UPME:	Unidad de Planeación Minero Energética (Mining and Energy Planning Unit)
PROINVERSION:	Promoción de la Inversión Privada del Perú (Peruvian Promotion of Private Investment)	USD:	United States Dollar
PRONE:	Programa de Normalización de Redes Eléctricas (Network Standardization Program)	VQ:	Voltage Quality
		UK'S	Ultimos Kilómetros (Last kilometers)



Statutory Auditor's Report

To the Shareholders of Interconexión Eléctrica S.A. E.S.P. and its subordinated

I have audited the accompanying consolidated financial statements of Interconexión Eléctrica S.A. E.S.P. and its Subordinated, which comprise the balance sheets as at December 31, 2012 and 2011 and the related consolidated statements of financial, economic, social and environmental activity, of changes in equity, and cash flows for the years then ended and the summary of significant accounting policies and other explanatory notes.

The Company's management is responsible for the preparation and fair 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 internal control relevant to the preparation and fair presentation of financial statements free from material misstatements, either by fraud or error; of selecting and applying appropriate accounting policies; and of establishing accounting estimations that are reasonable in the circumstances.

My responsibility is to express an opinion thereon 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 whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant for the 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 opinion.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of de Interconexión Eléctrica S.A. E.S.P. at December 31, 2012 and 2011, 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.

As explained in Note 23 to the consolidated financial statements, upon the renewal of concession 059/2001 of CTEEP, a subordinated company of ISA Capital located in Brazil, the "Secretaria da Receita Federal do Brasil" has not provided orientation about the tax effects (PIS and CONFIS) on the values related with the indemnities of assets granted by the Federal Government of Brazil. Upon the lack of a statement of a competent entity on the referred matter, to date it is uncertain if a provision should be recorded for the taxes (PIS and CONFIS) on the indemnity in the financial statements of CTEEP at December 31, 2012.

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As described in Notes 7 and 19.1 to the consolidated financial statements, CTEEP, a subordinated company of ISA Capital located in Brazil, has receivable to State of Sao Paulo an account derived for the payments of the complementation plan for retirement 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.

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

Medellín, Colombia
March 1, 2013



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ASSETS	NOTES	DECEMBER 2012	DECEMBER 2011
Current assets			
Cash	(5)	97,797	34,813
Marketable investments	(5)	137,789	122,360
Accounts receivable – net	(7)	529,318	676,306
Inventories – net	(8)	28,284	9,815
Deferred charges and other assets	(10)	72,658	76,640
TOTAL CURRENT ASSETS		865,846	919,934
Non-current assets			
Long-term investments – net	(6)	2,727,530	3,002,573
Long-term accounts receivable	(7)	14,533	9,444
Inventories – net	(8)	53,328	52,069
Property, plant and equipment – net	(9)	2,368,664	2,349,813
Deferred charges and other assets	(10)	319,117	365,528
Reappraisals	(11)	2,563,287	2,685,472
TOTAL NON-CURRENT ASSETS		8,046,459	8,464,899
TOTAL ASSETS		8,912,305	9,384,833
Memorandum accounts			
Debit	(20)	2,892,181	3,054,688
Credit	(20)	7,333,919	1,610,569

See accompanying notes to Financial Statements
Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	DECEMBER 2012	DECEMBER 2011
Current liabilities			
Outstanding bonds	(12)	110,000	-
Financial liabilities	(13)	6,704	150,458
Related parties	(13)	31,908	-
Accounts payable	(15)	243,363	360,002
Labor liabilities	(16)	7,639	6,945
Accrued liabilities and estimated provisions	(17)	53,173	42,720
Other liabilities	(18)	11,110	12,847
TOTAL CURRENT LIABILITIES		463,897	572,972
Non-current liabilities			
Outstanding bonds	(12)	991,365	1,101,365
Financial liabilities	(13)	316,625	323,576
Related parties	(13)	255,060	265,121
Accounts payable	(15)	50,462	150,487
Labor liabilities	(16)	1,433	1,487
Accrued liabilities and estimated provisions	(17)	136,359	131,993
Other liabilities	(18)	577,398	441,489
TOTAL NON-CURRENT LIABILITIES		2,328,702	2,415,518
TOTAL LIABILITIES		2,792,599	2,988,490

See accompanying notes to Financial Statements

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

BALANCE SHEETS
DECEMBER 2012 - DECEMBER 2011Amounts expressed in millions
of Colombian Pesos

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	DECEMBER 2012	DECEMBER 2011
Equity	(19)		
Subscribed and paid share capital		36,916	36,916
Capital surplus		1,445,509	1,445,509
Reserves		934,492	795,990
Revaluation surplus		2,563,287	2,685,472
Surplus from equity method		450,919	680,035
Equity revaluation		415,645	415,645
Net income of the period		272,938	336,776
TOTAL SHAREHOLDERS' EQUITY		6,119,706	6,396,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,912,305	9,384,833
Memorandum accounts			
Credit	(20)	7,333,919	1,610,569
Debit	(20)	2,892,181	3,054,688

See accompanying notes to Financial Statements.
Continued from previous page [↩](#)


Luis Fernando Alarcón M.
Chief Executive Officer
(See attached opinion)



John Bayron Arango V.
Chief Accounting Officer
T.P. N° 34420-T
(See attached opinion)



Alba Lucía Guzmán L.
Statutory Auditor T.P. 35265-T
(See my report of February 22, 2013)
Designated by Ernst & Young Audit Ltda. TR-530

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY
 DECEMBER DECEMBER
2012 - 2011

In millions of Colombian Pesos,
 except for net income per share
 that is expressed in Colombian Pesos

	NOTES	DECEMBER 2012	DECEMBER 2011
OPERATING REVENUES	(21)		
Electric energy transmission services		837,892	833,063
Connection charges		100,928	97,679
Infrastructure projects		29,500	26,057
Telecommunications		17,853	16,991
Other operating revenues		22,685	22,898
TOTAL OPERATING REVENUES		1,008,858	996,688
OPERATING COSTS AND EXPENSES			
Operating costs	(22)	403,976	411,888
Administration expenses	(23)	115,702	106,149
TOTAL OPERATING COSTS AND EXPENSES		519,678	518,037
OPERATING INCOME		489,180	478,651
NON-OPERATING REVENUES (EXPENSES)			
Non-operating revenues	(24)	211,880	211,327
Non-operating expenses	(24)	(326,597)	(230,685)
NON-OPERATING LOSS		(114,717)	(19,358)
INCOME BEFORE TAXES		374,463	459,293
Income tax provision	(17.2)	101,525	122,517
NET INCOME		272,938	336,776
NET INCOME PER SHARE		246,41	304,04

See accompanying notes to Financial Statements

Luis Fernando Alarcón M.
 Chief Executive Officer
 (See attached opinion)

John Bayron Arango V.
 Chief Accounting Officer
 T.P. N° 34420-T
 (See attached opinion)

Alba Lucía Guzmán L.
 Statutory Auditor T.P. 35265-T
 (See my report of February 22, 2013)
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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CHANGES DECEMBER DECEMBER
IN SHAREHOLDERS' EQUITY **2012 - 2011**

In millions of Colombian pesos,
except for dividend per share
that is expressed in Colombian Pesos

	CAPITAL SURPLUS				RESERVES										
	Subscribed and paid share capital	Subscribed and paid share capital	Received for works	Total	Legal	For tax purposes mandatory	Repurchase of own shares	Equity reinforcement	Rehabilitation and replacement of STN assets	Total	Net income	Equity revaluation	Surplus from equity method	Revaluation surplus	Total
Balances at December 31, 2010	36,916	1,428,128	17,381	1,445,509	18,458	324,058	38,100	224,564	37,434	642,614	343,896	571,845	815,529	2,583,387	6,439,696
Transfers approved by the Shareholders' Meeting						83,785		69,591		153,376	(153,376)				-
Dividends declared of \$172 per share calculated on 1,107,677,894 outstanding shares payable in four quarterly installments on April, July, and October 2011 and January 2012											(190,520)				(190,520)
Variation in equity revaluation												(156,200)			(156,200)
Increase in surplus from equity method													(135,494)		(135,494)
Increase in re-appraisals of the year														102,085	102,085
Net income at December of 2011											336,776				336,776
Balances at December 31, 2011	36,916	1,428,128	17,381	1,445,509	18,458	407,843	38,100	294,155	37,434	795,990	336,776	415,645	680,035	2,685,472	6,396,343
Transfers approved by the Shareholders' Meeting						68,549		69,953		138,502	(138,502)				-
Dividends declared of \$179 per share calculated on 1,107,677,894 outstanding shares payable in one installment in June 2012											(198,274)				(198,274)
Variation in equity revaluation															-
Increase in surplus from equity method													(229,116)		(229,116)
Increase in re-appraisals of the year														(122,185)	(122,185)
Net income at December of 2012											272,938				272,938
Balances at December 31, 2012	36,916	1,428,128	17,381	1,445,509	18,458	476,392	38,100	364,108	37,434	934,492	272,938	415,645	450,919	2,563,287	6,119,706

See accompanying notes to Financial Statements

Luis Fernando Alarcón M.
Chief Executive Officer
(See attached opinion)

John Bayron Arango V.
Chief Accounting Officer
T.P. N° 34420-T
(See attached opinion)

Alba Lucía Guzmán L.
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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CASH FLOWS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

CASH FLOW FROM OPERATION ACTIVITIES	DECEMBER 2012	DECEMBER 2011
Net income	272,938	336,776
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	91,773	108,669
Amortization of deferred charges and other assets	7,412	6,928
Amortization of retirement pensions and fringe benefits - net	17,652	10,767
Allowance for doubtful accounts	344	910
Allowance (Recovery) for protection of inventories	(257)	3,082
Recovery of provisions for investments	(44)	(2,267)
Income tax provision	101,525	122,517
Loss on retirement of property, plant and equipment	1,135	2,727
Exchange difference expense (revenue)	15,247	(13,329)
Income from equity method	(8,099)	(62,204)
Interest and commissions accrued	129,053	103,442
	628,679	618,018
Changes in operating assets and liabilities		
Accounts receivable	110,836	(390,221)
Inventories	(19,471)	(6,594)
Deferred charges and other assets	(187)	23,693
Accounts payable	139,361	436,129
Labor liabilities	640	642
Accrued liabilities and estimated provisions	(78,623)	(167,584)
Other liabilities	59,893	45,520
Cash flow in other operations		
Payment of retirement pensions	(12,421)	(13,027)
Payment of taxes and contributions	(185,206)	(253,368)
NET CASH PROVIDED BY OPERATING ACTIVITIES	643,501	293,208

See accompanying notes to Financial Statements.

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF CASH FLOWS DECEMBER DECEMBER
2012 - 2011

Amounts expressed in millions
of Colombian Pesos

CASH FLOWS FROM INVESTMENT ACTIVITIES	DECEMBER 2012	DECEMBER 2011
Acquisition of long-term investments	(7,165)	(4,840)
Dividends received	64,885	76,989
Sale of property, plant and equipment	412	-
Reimbursement of studies costs	37,282	-
Acquisition of property, plant and equipment	(114,260)	(46,569)
Additions to deferred charges and other assets	(9,508)	(57,429)
NET CASH USED IN INVESTMENT ACTIVITIES	(28,354)	(31,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received in cash	13,302	1,704
Interest paid in cash	(186,132)	(103,678)
Dividends paid	(245,904)	(187,198)
Increase in financial liabilities	71,410	284,432
Bond issues	-	300,000
Payment of financial liabilities	(215,421)	(258,109)
Payment of bonds	-	(230,000)
Increase in related parties loans	26,011	1,076
NET CASH USED IN FINANCING ACTIVITIES	(536,734)	(191,773)
INCREASE IN CASH AND CASH EQUIVALENTS – NET	78,413	69,586
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	157,173	87,587
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	235,586	157,173

See accompanying notes to Financial Statements.
Continued from previous page 



Luis Fernando Alarcón M.
Chief Executive Officer
(See attached opinion)



John Bayron Arango V.
Chief Accounting Officer
T.P. N° 34420-T
(See attached opinion)



Alba Lucía Guzmán L.
Statutory Auditor T.P. 35265-T
(See my report of February 22, 2013)
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INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
(DETAILED BY ACCOUNT) 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ITEM	NOTES	DECEMBER 2012			DECEMBER 2011		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
ASSETS							
Cash		123	-	123	122	-	122
Deposits in financial institutions		97,361	-	97,361	34,691	-	34,691
Liquidity Management		313	-	313	-	-	-
Cash	(5)	97,797	-	97,797	34,813	-	34,813
Liquidity management investments in debt securities		30,304	-	30,304	47,516	-	47,516
Liquidity management investments in equity securities		107,485	-	107,485	74,844	-	74,844
Equity investments in non-controlled entities		-	23,611	23,611	-	24,745	24,745
Equity investments in controlled companies		-	2,713,910	2,713,910	-	2,987,863	2,987,863
Provision for investment protection (cr)		-	(9,991)	(9,991)	-	(10,035)	(10,035)
Investments and derivatives	(5) and (6)	137,789	2,727,530	2,865,319	122,360	3,002,573	3,124,933
Services rendered		6,923	-	6,923	4,204	-	4,204
Public utilities		93,788	-	93,788	171,687	-	171,687
Advances and pre-payments		16,283	-	16,283	6,228	-	6,228
Advances or credit balances for taxes and contributions		25,138	-	25,138	16,727	-	16,727
Funds given under administration		132,543	-	132,543	188,022	-	188,022
Deposits as guarantees		242	-	242	239	-	239
Other accounts receivable		255,489	14,533	270,022	289,012	9,444	298,456
Doubtful accounts receivable		10,120	-	10,120	11,051	-	11,051
Provision for accounts receivable (cr)		(11,208)	-	(11,208)	(10,864)	-	(10,864)
Accounts receivable	(7)	529,318	14,533	543,851	676,306	9,444	685,750

See accompanying notes to Financial Statements.

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
(DETAILED BY ACCOUNT) 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ITEM	NOTES	DECEMBER 2012			DECEMBER 2011		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
ASSETS							
Materials to render services		2,947	55,785	58,732	2,926	54,783	57,709
In transit		25,337	-	25,337	6,889	-	6,889
Provision for inventory protection (cr)		-	(2,457)	(2,457)	-	(2,714)	(2,714)
Inventories	(8)	28,284	53,328	81,612	9,815	52,069	61,884
Land		-	19,665	19,665	-	19,665	19,665
Constructions in progress		-	133,540	133,540	-	43,503	43,503
Machinery, plant and equipment in assembly		-	11,992	11,992	-	10,451	10,451
Un-exploited property, plant and equipment		-	10,377	10,377	-	10,377	10,377
Buildings		-	95,963	95,963	-	92,900	92,900
Plants, ducts and tunnels		-	1,516,080	1,516,080	-	1,519,226	1,519,226
Networks, lines and cables		-	2,150,635	2,150,635	-	2,148,796	2,148,796
Machinery and equipment		-	44,655	44,655	-	43,379	43,379
Furniture, fixtures and office equipment		-	14,369	14,369	-	13,540	13,540
Computer and communications equipment		-	26,488	26,488	-	25,451	25,451
Transport, traction and lifting equipment		-	3,532	3,532	-	1,845	1,845
Investment property		-	3,532	3,532	-	3,532	3,532
Accumulated depreciation (cr)		-	(1,653,243)	(1,653,243)	-	(1,573,875)	(1,573,875)
Allowance for protection of property, plant and equipment (cr)		-	(8,921)	(8,921)	-	(8,977)	(8,977)
Property, plant and equipment	(9)	-	2,368,664	2,368,664	-	2,349,813	2,349,813

See accompanying notes to Financial Statements.

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
(DETAILED BY ACCOUNT) 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ITEM	NOTES	DECEMBER 2012			DECEMBER 2011		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
ASSETS							
Prepaid assets and services		6,701	-	6,701	6,514	-	6,514
Deferred charges		65,957	14,963	80,920	70,126	51,293	121,419
Works and improvements in others' property		-	308	308	-	384	384
Assets in possession of third parties		-	3,383	3,383	-	3,383	3,383
Accumulated amortization of assets in possession of third parties (cr)		-	(596)	(596)	-	(567)	(567)
Trust rights		-	2,477	2,477	-	2,564	2,564
Intangibles		-	387,164	387,164	-	392,080	392,080
Intangibles' accumulated amortization (cr)		-	(88,582)	(88,582)	-	(83,609)	(83,609)
Reappraisals	(11)	-	2,563,287	2,563,287	-	2,685,472	2,685,472
Other assets	(10)	72,658	2,882,404	2,955,062	76,640	3,051,000	3,127,640
TOTAL ASSETS		865,846	8,046,459	8,912,305	919,934	8,464,899	9,384,833

See accompanying notes to Financial Statements.

Continuation ⇩

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
(DETAILED BY ACCOUNT) 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ITEM	NOTES	DECEMBER 2012			DECEMBER 2011		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
LIABILITIES							
Short-term public credit domestic operations	(12)	-	-	-	60,000	-	60,000
Long-term public credit domestic operations	(12) and (13)	110,000	1,284,527	1,394,527	53,000	1,391,797	1,444,797
Long-term public credit foreign operations	(13)	6,704	23,463	30,167	37,458	33,144	70,602
Public credit operations and central bank financing		116,704	1,307,990	1,424,694	150,458	1,424,941	1,575,399
Long-term domestic financing operations		31,908	212,976	244,884	-	218,885	218,885
Long-term foreign financing operations		-	42,084	42,084	-	46,236	46,236
Financing and derivatives operations	(13)	31,908	255,060	286,968	-	265,121	265,121
Acquisition of national assets and services		36,515	-	36,515	41,636	-	41,636
Acquisition of foreign assets and services		1,751	-	1,751	7,572	-	7,572
Interest payable		23,874	5,860	29,734	25,629	51,131	76,760
Creditors		5,118	-	5,118	51,664	-	51,664
Withholding and stamp tax		5,133	-	5,133	4,495	-	4,495
Taxes, imposts and duties payable		39,908	39,050	78,958	40,802	78,099	118,901
Value added tax - VAT		529	-	529	872	-	872
Advances and pre-payments received		-	4,104	4,104	-	21,257	21,257
Funds received under administration		130,535	-	130,535	187,332	-	187,332
Deposits received as guarantee		-	1,448	1,448	-	-	-
Accounts payable	(15)	243,363	50,462	293,825	360,002	150,487	510,489

See accompanying notes to Financial Statements.

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
(DETAILED BY ACCOUNT) 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ITEM	NOTES	DECEMBER 2012			DECEMBER 2011		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
LIABILITIES							
Salaries and labor benefits		7,280	1,433	8,713	6,586	1,487	8,073
Pensions and fringe benefits payable		359	-	359	359	-	359
Labor and social security liabilities	(16)	7,639	1,433	9,072	6,945	1,487	8,432
Provision for fiscal liabilities		108	-	108	90	-	90
Provision for contingencies		14,101	-	14,101	28,427	-	28,427
Provision for labor benefits		4,473	-	4,473	4,007	-	4,007
Provision for pensions		-	88,032	88,032	-	84,817	84,817
Miscellaneous provisions		34,491	48,327	82,818	10,196	47,176	57,372
Estimated liabilities	(17)	53,173	136,359	189,532	42,720	131,993	174,713
Collections for third parties		61	-	61	197	-	197
Advance revenues		11,049	-	11,049	12,650	-	12,650
Deferred credits		-	577,398	577,398	-	441,489	441,489
Other liabilities	(18)	11,110	577,398	588,508	12,847	441,489	454,336
TOTAL LIABILITIES		463,897	2,328,702	2,792,599	572,972	2,415,518	2,988,490

See accompanying notes to Financial Statements.

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
BALANCE SHEETS DECEMBER DECEMBER
(DETAILED BY ACCOUNT) 2012 - 2011

Amounts expressed in millions
of Colombian Pesos

ITEM	NOTES	DECEMBER 2012			DECEMBER 2011		
		SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
INSTITUTIONAL EQUITY							
Subscribed and paid share capital		-	36,916	36,916	-	36,916	36,916
Additional paid-in capital		-	1,428,128	1,428,128	-	1,428,128	1,428,128
Reserves		-	934,492	934,492	-	795,990	795,990
Year's results		-	272,938	272,938	-	336,776	336,776
Surplus from gifts		-	17,381	17,381	-	17,381	17,381
Revaluation surplus		-	2,563,287	2,563,287	-	2,685,472	2,685,472
Surplus from equity method		-	450,919	450,919	-	680,035	680,035
Equity revaluation		-	415,645	415,645	-	415,645	415,645
TOTAL INSTITUTIONAL EQUITY	(19)	-	6,119,706	6,119,706	-	6,396,343	6,396,343
LIABILITIES + EQUITY		463,897	8,448,408	8,912,305	572,972	8,811,861	9,384,833
Memorandum accounts (20)							
Contingent rights		-	42,961	42,961	-	24,355	24,355
Fiscal debit accounts		-	2,849,220	2,849,220	-	3,030,333	3,030,333
Debit accounts (cr)		-	2,892,181	2,892,181	-	3,054,688	3,054,688
Contingent liabilities		-	6,012,970	6,012,970	-	306,248	306,248
Fiscal credit accounts		-	127,538	127,538	-	142,274	142,274
Control credit accounts		-	1,193,411	1,193,411	-	1,162,047	1,162,047
Credit accounts (cr)		-	7,333,919	7,333,919	-	1,610,569	1,610,569

See accompanying notes to Financial Statements
Continued from previous page [↩](#)

Luis Fernando Alarcón M.
Chief Executive Officer
(See attached opinion)

John Bayron Arango V.
Chief Accounting Officer
T.P. N° 34420-T
(See attached opinion)

Alba Lucía Guzmán L.
Statutory Auditor T.P. 35265-T
(See my report of February 22, 2013)
Designated by Ernst & Young Audit Ltda. TR-530

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY (DETAILED BY ACCOUNT)
 DECEMBER DECEMBER
2012 - 2011

In millions of Colombian Pesos,
 except for net income per share
 that is expressed in Colombian Pesos

	NOTES	DECEMBER 2012	DECEMBER 2011
REGULAR ACTIVITIES			
OPERATING REVENUES			
Sale of services			
Energy service		948,153	935,402
Other services		70,134	66,118
Returns, rebates and discounts in sale of services (db)		(9,429)	(4,832)
Sale of services	(21)	1,008,858	996,688
Other operating revenues			
Financial		31,329	14,008
Exchange difference adjustment		20,865	28,942
Income from equity method		145,063	147,660
Other operating revenues	(24)	197,257	190,610
TOTAL OPERATING REVENUES		1,206,115	1,187,298
COST OF SALES AND OPERATION			
Cost of Sales of Services			
Public utilities		359,467	373,986
Other services		44,509	37,902
Cost of Sales of Services		403,976	411,888

See accompanying notes to Financial Statements

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY (DETAILED BY ACCOUNT)
 DECEMBER DECEMBER
2012 - 2011

In millions of Colombian Pesos,
 except for net income per share
 that is expressed in Colombian Pesos

	NOTES	DECEMBER 2012	DECEMBER 2011
Administration expenses			
Wages and salaries		33,784	30,408
Contributions charged		21,348	16,428
Actual contributions		11,530	10,730
Contributions on payroll		1,112	1,004
General		35,472	34,354
Taxes, imposts and duties		2,485	679
Administration expenses	(23)	105,731	93,603
Provisions, depreciation and amortization			
Allowance for protection of investments		-	225
Provision for accounts receivable		726	909
Provision for inventory protection		-	3,082
Provision for contingencies		3,319	2,698
Depreciation of property, plant and equipment		1,178	1,081
Amortization of intangible assets		4,748	4,551
Provisions, depreciation and amortization	(23)	9,971	12,546
Administration expenses and provisions, depreciation and amortization	(23)	115,702	106,149
Subtotal		519,678	518,037

See accompanying notes to Financial Statements
 Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY (DETAILED BY ACCOUNT)
 DECEMBER DECEMBER
2012 - 2011

In millions of Colombian Pesos,
 except for net income per share
 that is expressed in Colombian Pesos

	NOTES	DECEMBER 2012	DECEMBER 2011
Other operating expenses			
Interest		142,699	116,768
Commissions		492	349
Exchange difference adjustment		36,190	15,619
Financial		8,416	8,320
Loss from equity method		136,964	85,455
Other operating expenses	(24)	324,761	226,511
TOTAL OPERATING COSTS AND EXPENSES		844,439	744,548
OPERATING SURPLUS		361,676	442,750
NON-OPERATING RESULTS			
Other regular revenues		2,008	735
Other regular expenses		1,332	2,783
NON-OPERATING SURPLUS	(24)	676	(2,048)
TOTAL SURPLUS FROM REGULAR ACTIVITIES		362,352	440,702
EXTRAORDINARY REVENUES (EXPENSES)			
Extraordinary revenues			
Extraordinary revenues		9,129	17,167
Prior years adjustment		3,486	2,815
Total extraordinary revenues	(24)	12,615	19,982

See accompanying notes to Financial Statements

Continuation ⇩

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY (DETAILED BY ACCOUNT)
 DECEMBER DECEMBER
2012 - 2011

In millions of Colombian Pesos,
 except for net income per share
 that is expressed in Colombian Pesos

	NOTES	DECEMBER 2012	DECEMBER 2011
Extraordinary expenses			
Extraordinary expenses		1	2
Prior years adjustment		503	1,389
Total extraordinary expenses	(24)	504	1,391
EXTRAORDINARY ITEMS		12,111	18,591
INCOME BEFORE TAXES		374,463	459,293
Provision for fiscal liabilities	(17.2)	101,525	122,517
NET INCOME		272,938	336,776
NET INCOME PER SHARE		246,41	304,04

See accompanying notes to Financial Statements
 Continued from previous page [↗](#)



Luis Fernando Alarcón M.
 Chief Executive Officer
 (See attached opinion)



John Bayron Arango V.
 Chief Accounting Officer
 T.P. N° 34420-T
 (See attached opinion)



Alba Lucía Guzmán L.
 Statutory Auditor T.P. 35265-T
 (See my report of February 22, 2013)
 Designated by Ernst & Young Audit Ltda. TR-530

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
NOTES TO THE FINANCIAL STATEMENTS DECEMBER 2012 · DECEMBER 2011

Amounts expressed in millions
of Colombian Pesos

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.

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, with indefinite term 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 utility-decentralized mixed-ownership public utility company that is part of the executive branch under a special legal regime of private law.

ISA's main corporate purpose is:

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

Direction and management

As to direction and management, the company has directive and administrative bodies that legally and statutorily set the guidelines for its corporate endeavors and execute and carry out every act in pursue of its corporate purpose.

The Shareholders' Meeting is the company's upper directive body, consisting of every natural and legal person that holds subscribed shares, either present or represented, gathered in regular or special meetings.

The company's administration consists of the Board of Directors, the Chief Executive Officer, the Area Managers and the Directors.

The Board of Directors occupies second position after the Shareholders' Meeting and before the Legal Representative. It is an administrative body for cooperation with the legal representative that circumscribes its activities to achieving compliance with the goals for which the company was established.

The Chief Executive Officer is in charge of carrying out the decisions and orders of the Shareholders' Meeting and the Board of Directors, conducts and administers the company, and holds its legal representation. The Chief Executive Officer has three alternates appointed by the Board of Directors, who replace him(her) in his(her) absolute, temporary or accidental absences.

In the hierarchical structure of the company and depending from the Chief Executive Officer, the area managers have as their mission ensuring the permanence, profitability and integral growth of the organization by means of the strategic direction of their management area. Their responsibilities include creation of conditions for development and integral satisfaction of human talent, assuring efficient use of resources by applying cost-benefit criteria, and guaranteeing the creation of economic value for the company.

Branches

Peru ISA Branch

ISA established a branch in Peru on September 4, 2002. 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. 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 callable, respectively, within a term not longer than one year.

2.3 ADJUSTMENTS FOR INFLATION

Until December 31, 2000, non-monetary assets and liabilities and shareholders' equity, except for the surplus from revaluation of assets and income statement accounts, were monetarily updated

on a prospective basis, using general consumer-price index (or Tax Year's Adjustment Percentages –PAAG, for its Spanish initials–). The respective adjustments were recorded in the income statement's inflation adjustments 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).

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 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 for the public sector.

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 income statement accounts. With regard to liability accounts, only exchange differences that are not imputable to costs of acquisition of assets are recorded in income statement accounts. Exchange differences are imputable to the acquisition cost of assets while such assets are under construction or installation, and until they become operational.

3.2 CASH EQUIVALENTS

For purposes of preparing the statement of cash flows, due to their liquidity, 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.

The Public Accounting Regime establishes that for matters of their valuation, the company's investments are classified in three categories: i) investments for liquidity management, ii) investments for policy purposes and iii) equity investments.

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

Investments for liquidity management

Liquidity management investments in debt and equity securities and derivatives with the aim of earning profits as a result of short-term price fluctuations, are initially recorded at cost and are updated monthly through methodology issued by the Colombian Financial Superintendency. Changes arising from each valuation made of investments for liquidity management are recognized in income statement accounts.

Investments for policy purposes

Investments for policy purposes include debt securities issued by local or foreign entities acquired in compliance with macroeconomic policies or 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

Equity investments correspond to funds placed in equity securities of national and international entities, represented by shares or participation rights that may permit the company to control, share control or exercise significant influence on the decisions of the issuer.

a. Equity investment in controlled companies

Equity investments in controlled companies include investments made with the intention of exercising or sharing control, as well as those in which the company exercises significant influence. These investments are updated through the equity method, according to CGN Resolution N° 356 of 2007 and its amendments. Under the equity method investments in subsidiaries are recognized at cost and subsequently adjusted as follows:

- Credit or charge to the investment's cost equal to the participation of the company in profits and losses of the subsidiary, with a matching entry in the income statement.
- Credit or charge to the investment equal to the participation of the company in the subsidiary's equity variation with a matching entry in the surplus from equity method account in the event of

an increase; in the event of a decrease, as surplus from equity method, until its exhaustion, and the excess charged to the income statement, except when originated in equity variations from translation effect and the effective portion of earnings and losses obtained from valuation of foreign entities derivatives, resulting from accounting of the hedging.

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

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

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

Investments in subordinated companies abroad are recorded on the basis of their financial statements at closing date 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's closing; net effect with respect to closing rate is recognized in equity 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 or present low or minimal market capitalization, are recorded at cost plus the dividends received in shares. If at year end, the intrinsic value of investments is greater than their book value, a charge is recorded in the re-appraisals account with a contra entry in revaluation surplus in equity; otherwise, re-appraisal has to be decreased until its exhaustion, and beyond this value, a provision has to be recognized charged to the income statement.

3.4 DERIVATIVES WITH HEDGING PURPOSES

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

According to the rules issued by the Colombian General Accounting Office, derivative instruments for hedging purposes are recognized for the amount of the right or of the liability on the

date of commencement of the contract, are monthly updated using methodologies of recognized technical value, and the difference is recorded as derivative valuation revenue or expense, as the case may be.

3.5 ALLOWANCE FOR DOUBTFUL ACCOUNTS

On each quarter's closing date, the associated credit risk of 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 collection probability 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 receivable	31-90 days	20
		91-180 days	50
		>= 180 days	100

For the debts of companies subject to reorganization or under liquidation, the allowance for accounts receivable must be adjusted to one hundred percent (100%) of nonperforming accounts receivable, regardless of debt age.

3.6 INVENTORIES

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

3.7 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 cost, and differences between sale price and net adjusted cost are recorded in the income statement.

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.

During 2012, the company developed a new methodology for calculation of remaining useful life of assets based on the deterioration index of each asset associated to an instantaneous failure rate, in turn associated to its effective age. The aging rate is calculated with the actual age; then, life expectation and remaining life are calculated on the basis of international survival curves. This methodology has permitted to obtain more reliable values for estimates of remaining life of assets that are very useful for assets renewal plan and their valuation.

For the useful life of assets, the model took as reference the document "Assets management, experiences in the calculation of useful life and impact of assets' survival in the development of electric systems" (presented at the XIII Ibero-American Symposium CIGRE 2009). This study has compiled over 160 databases of fixed assets of power sector companies in ten Latin American countries.

Until 2011, at ISA, remaining life estimation was calculated as the useful life determined by the company's specialists based on international documents (CIGRE: "Ageing of the System Impact on Planning", worldwide study of useful life, 2000), minus the chronological age of the equipment.

Depreciation is calculated over the asset's cost by the straight-line method, based on the estimated useful life of assets. For matters of depreciation calculation, the results of the new methodology presented variations in 8 of the 30 components of substations. Below is the estimated useful life of assets:

ASSET / COMPONENT	USEFUL LIFE 2012 (YEARS)	USEFUL LIFE 2011 (YEARS)
Transmission lines	63	63
Buildings	100	100
Optic fiber	25	25
Machinery and equipment	15	15
Telecommunications equipment	15	15
Furniture, office equipment, laboratory equipment	10	10
Communications equipment	10	10
Transport, traction and lifting equipment	10	10

Continuation »

ASSET / COMPONENT	USEFUL LIFE 2012 (YEARS)	USEFUL LIFE 2011 (YEARS)
Supervision and Switching Center's (CSM) equipment	6	6
Computer equipment and accessories	5	5
Substation components		
Battery Bank	15	15
Charger	15	15
SAS Components	15	15
Condensers *	25	15
SVC Condensers *	25	15
Series compensation control	15	15
SVC control	15	15
Converter	15	15
CT *	39	30
Breaker *	40	32
Inverter	15	15
Lines (Substations' grounding nets)	63	63
Lightning Arrester	30	30
Diesel Plant	30	30

Continuation »

ASSET / COMPONENT	USEFUL LIFE 2012 (YEARS)	USEFUL LIFE 2011 (YEARS)
Telephone Exchange	15	15
PLC	15	15
PT *	39	38
Reactor *	32	27
SVC Reactors	30	30
Sequence of Events Recorder	15	15
Protection Relays	15	15
RTU	15	15
Fire System (SCI)	20	20
Main Breaker *	40	30
Sensors (Atmospheric Discharge Information System)	15	15
SubMovil	25	25
Teleprotection	15	15
Power Transformer	40	40
SVC Thiristor valve *	18	15
VQ	15	15

* Assets whose estimated useful life has been modified.

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Maintenance expenditures of these assets are charged to income statement accounts, 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 of 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.

3.8 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, among others, bond underwriting commissions and legal stability agreement premium, which are amortized on a straight-line basis or through a methodology of acknowledged technical value that reflects the amortization conditions during the periods over which their benefits are expected to be received.

The policy related to intangibles is summarized below:

	USEFUL LIFE	AMORTIZATION METHOD	INTERNALLY GENERATED OR ACQUIRED
Easement	Indefinite	Non amortized	Acquired
Rights of use	Term of the contract	Straight line	Acquired
Software/ Licenses	Finite	Straight line	Acquired
Goodwill	Indefinite Finite	Non amortized Straight line	Acquired Acquired
Research / Development	Finite	Straight line	Acquired

3.9 RE-APPRAISALS

Re-appraisals that are part of equity include:

3.9.1 The excess of the valuation 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).

3.9.2 The excess of intrinsic value of long-term investments over their net cost.

3.10 CURRENT INCOME TAX AND DEFERRED TAX

Income tax expense for the period includes current and deferred income tax.

3.10.1 Current tax

Income tax provision is calculated on the period's net taxable income, which is obtained from relevant revenues, costs and expenses. Fiscal income differs from that of the income statement because of revenues and expenses items taxable or deductible in

other years and items that are never taxable or deductible. Current income tax liabilities are calculated using the fiscal rate in force at the end of the period.

3.10.2 Deferred taxes

Deferred income tax is recognized on the temporary differences between the book value of assets and liabilities included in the financial statements and the corresponding fiscal bases used to determine fiscal income.

The credit deferred tax is the lesser current tax calculated during the period, resulting mainly 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 current income tax. Basically, this includes inflation adjustments on non-monetary depreciable and amortizable assets, balances of allowances 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.

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

The balance of deferred taxes must be subjected to revision at the end of every reporting period and the deferred tax balance must be reduced whenever it is estimated as probable that there will not be enough future fiscal income to allow its recovery in whole or in part.

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 inflation adjustment 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).

3.11 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, 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 term provided for by regulation is 30 years starting on December 31, 1994.

With respect to the amortization methodology for the actuarial estimate of aids and benefits, for 2012, the company decided to use the same term provided in Resolution N° 356 of 2007, issued by the General Accounting Office; until 2011 they were 100% amortized (See Note 17.1).

3.12 DEFERRED REVENUES AND OTHER ASSETS

Revenues received in advance and deferred revenues are recognized when rights or benefits have been received that are susceptible of becoming revenues in the periods when the consideration for the services by the company effectively takes place. Among others, amounts received to remunerate recovery of investments made along UPME bids, 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.

3.13 NET INCOME PER SHARE

Net income per share is calculated on the annual weighted average number of outstanding shares.

3.14 RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS

Certain amounts included in the financial statements at December 31, 2011 were reclassified to conform to the presentation of the financial statements for 2012.

3.15 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.

3.16 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.

Revenues from project construction services are recognized in the income statement in accordance with the proportion of the contract's costs executed until that date with respect to the total costs estimated for the contract.

3.17 USE OF ESTIMATES

The preparation of financial statements according to accounting principles generally accepted 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.

3.18 OPERATING AND ADMINISTRATIVE LIMITATIONS AND DEFICIENCIES

During 2012 and 2011, 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.

3.19 CONTINGENCIES

Contingent conditions may exist on the date of issue of the financial statements that can result in a loss for the company; they will only be solved in the future upon the occurrence of one or several facts and they are estimated by the management and its legal counsels. The estimation of loss contingencies is necessarily a matter of judgment and opinion. When estimating contingent losses in legal processes, legal counsels assess the merit of claims, related decisions, and the current state of processes, among other issues.

If evaluation indicates that a material loss will probably occur 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 disclosed.

3.20 JUDGMENTS, ESTIMATES

In the preparation of financial statements management must use judgments, estimates and assumptions to determine the figures reported for assets, liabilities, revenues, expenses and costs.

Relevant estimates and assumptions are based on management's

experience and expectations. They are revised regularly and actual results may differ from such estimates, reason why, adjustments are recognized in the period when the estimate is revised and in any future period affected

STATEMENT OF CASH FLOWS

The cash flows statement shows the movements of cash or cash equivalents made during the year and determined by the indirect method. In addition to cash represented in cash and banks, it includes the cash equivalent of short-term highly liquid investments that are easily convertible into known amounts of cash with insignificant risk of change and maturing not later than within 90 days.

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, 2012 and 2011, expressed in Colombian pesos, were as follows:

CURRENCY	CODE	2012	2011
US Dollar	USD	1,768,23	1,942,70
Euro	EUR	2,331,59	2,522,20
Nuevo sol	PEN	692,07	720,31
Boliviano	BOB	254,06	279,12
Brazilian Real	BRL	865,29	1,035,66
Chilean Peso	CLP	3,68	3,74

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

	2012	2011
Assets		
Current assets		
Cash and marketable investments	7,448	13,119
Accounts receivable	147,238	151,628
Total current assets	154,686	164,747
Non-current assets		
Foreign currency investments	1,038,220	1,081,957
Total non-current assets	1,038,220	1,081,957
Total assets	1,192,906	1,246,704
Liabilities		
Current liabilities		
Current portion of financial liabilities	3,791	19,281
Accounts payable	7,395	9,599
Total current liabilities	11,186	28,880
Long-term liabilities	13,270	17,061
Related parties	23,800	23,800
Total non-current liabilities	37,070	40,861
Total liabilities	48,256	69,741
Net asset monetary position	1,144,650	1,176,963

With respect to foreign-currency liabilities, for 2012 and 2011, the company had no hedging operations contracted.

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

	2012	2011
Financial revenues (See Note 24)	20,865	28,941
Financial expenses (See Note 24)	(36,190)	(15,620)
Total exchange difference net	(15,325)	13,321

Along 2012, accounts receivable generated \$26,409 (2011: \$477) net expense from exchange rate difference, whereas financial liabilities and related parties loans generated \$10,858 (2011: \$15,831) net income from exchange rate difference. (See Note 24).

NOTE 5: CASH AND MARKETABLE INVESTMENTS

Cash and marketable investments on December 31 included:

ACCOUNT		2012	2011	2012 RATE	2011 RATE
Cash					
Cash and deposits in banks	(1)	97,797	34,813	5.41%	3.86% (COP)
Total cash		97,797	34,813		
Marketable investments					
CDs, bonds and securities	(2)	10,805	13,236	6.06%	3.97% (COP)
Other fixed-income investments	(3)	19,499	34,280	5.10%	6.32% (COP)
Trusts	(1)	107,485	74,844	5.40%	3.33% (COP)
Total marketable investments		137,789	122,360		
Total cash and marketable investments		235,586	157,173		

(1) The variation is accounted for by changes in the collection terms of STN use service, according to CREG Resolution 157 of 2011; also, by advance payment by Internexa of the "Availability agreement" for \$40,395, plus reimbursement of value of studies for Autopistas de la Montaña project by the National Infrastructure Agency (ANI) for \$39,526.

(2) Includes CD \$8,007 (2011: \$10,831), private Bonds and Securities \$2,798 (2011: \$2,054).

(3) Includes TES invested through the investment trust portfolio of the risk retention fund administered by Fiducolumbia S.A. plus time-deposit investments.

NOTE 6: LONG-TERM INVESTMENTS – NET

INVESTMENTS IN THE ELECTRIC POWER TRANSPORT BUSINESS

Below are a description of the corporate purpose and other relevant information of the subsidiary 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 term of the corporation is indefinite. ISA directly owns 99.99% of shares, thus exercising control.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

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

RED DE ENERGÍA DEL PERÚ S.A. –REP–

REP is a Peruvian corporation with main offices in the city of Lima.

It was incorporated on July 3, 2002. The corporation's term is indefinite. REP provides services of electric power transmission, ancillary services such as operation and maintenance of energy transmission and transport facilities, and specialized technical services. ISA owns 30% of the capital stock of ISA Perú, and additional 30% indirectly through TRANSELCA, thus controlling ISA Perú.

CONSORCIO TRANSMANTARO S.A. –CTM–

Transmantaro is a Peruvian corporation with main offices in the city of Lima. It was incorporated in January 1998. On December 13, 1998 ISA became a shareholder of this corporation. The term is indefinite and its main activities are the transport of electric energy and provision of operation and maintenance services. ISA directly owns 60% of the corporation's capital stock, thus exercising control.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

ISA Bolivia is a Bolivian corporation with main offices in the city of Santa Cruz de la Sierra. It was incorporated on July 14, 2003. Its term is indefinite and its main activities are the transmission of electric energy and the construction, operation and maintenance of electricity grids. ISA owns directly 51.00% of capital stock, and indirectly, through TRANSELCA and Internexa, 48.99% and 0.01%, respectively; it has therefore, control over this company.

ISA CAPITAL DO BRASIL S.A.

ISA Capital do Brasil S.A. is a Brazilian corporation with main offices

in the city of São Paulo. It was established as investment vehicle on April 28, 2006. Its corporate purpose includes participation in the capital of other corporations and in other undertakings, either as partner or as shareholder, as party in a joint venture, as member of a consortium, or under any other type of business cooperation. It was made into a stock company on September 19, 2006, and on January 4, 2007, it obtained from CVM (Comissão de Valores Mobiliários - Securities and Exchange Commission of Brazil) registration as a public corporation, status that it kept until May 27, 2010, when its shareholders decided to cancel its registration. The corporation's term is indefinite.

ISA owns 58.60% of capital stock and 99.99% of common shares of ISA Capital do Brasil.

ISA Capital do Brasil owns 37.81% of CTEEP capital stock and 89.5% of common shares, controlling the corporation.

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 transmission 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 issues. ISA owns

50% of this company's authorized capital, sharing its control with Empresa de Transmisión Eléctrica S.A. - ETESA -. This corporation has not yet entered commercial operation.

INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ S.A.S. E.S.P.

ICP S.A.S. is a corporation with main offices in Medellín. It was incorporated on February 4, 2010. Its main activities are electric power transmission, operation and maintenance of electricity transmission 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% of this company's capital stock, sharing its control with Empresa de Transmisión Eléctrica S.A. - ETESA -. This corporation is not yet in commercial operation.

INTERCHILE S.A.

Corporation established on December 13, 2012 with main offices in the city of Santiago de Chile. The corporate purpose of this indefinite-term corporation is transmission of electric power by means of trunk transmission, sub-transmission, and/or additional systems or any other transmission facility classification that the rules may include in the future, trading of electricity transport and transformation capacity in the Central Interconnected System, as well as other activities related to the industry of electric transmission and transport. ISA owns 99.9% of capital at this corporation.

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 of and owns directly 99.97%, plus 0.03% indirectly through TRANSELCA S.A.

INVESTMENTS IN THE ROAD 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% stake in ISA Inversiones Chile Ltda., through which it purchased total stake in INTERVIAL CHILE.

AUTOPISTAS DE LA MONTAÑA S.A.S.

Corporation established on January 18, 2011 with main offices in Medellín and Interconexión Eléctrica S.A. E.S.P. –ISA– as sole shareholder. This corporation can carry out any activity both in Colombia and abroad, especially activities related to engineering, operation and maintenance of road transport infrastructure,

deliver services to users of road transport infrastructure as well as promotion and structuring of road infrastructure projects.

This corporation is not in commercial operation yet.

INVESTMENTS IN THE BUSINESS UNIT OF SMART MANAGEMENT OF REAL TIME SYSTEMS

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

Colombian mixed-ownership utility with main offices in Medellín. It was incorporated on September 1, 2005. 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, the planning, design, optimization, commissioning, operation and administration of goods and services markets requiring the development of information systems or technological platforms that involve value added information exchange, the operation of toll control centers of the road transport infrastructure, the planning and operation of supervision and control centers, management of transport mobility systems both nationally and internationally and of mass transport integrated systems, among others. ISA directly owns 99.73% of capital stock of XM.

SISTEMAS INTELIGENTES EN RED S.A.S.

Incorporated on August 10 of 2011, this company has as its corporate purpose the planning, design, optimization, commissioning, operation, management of goods and services markets requiring development of information systems and technological platforms that involve information exchange with value added, operation of road toll collection centers, as well as planning and operation of supervision, control and management of traffic mobility systems, both domestic and international, and also integrated mass transport systems. XM owns 85% of this company's capital stock, while ISA holds the remaining 15%.

INVESTMENTS IN THE TELECOMMUNICATIONS TRANSPORT BUSINESS UNIT

INTERNEXA S.A.

Internexa is a Colombian mixed-ownership utility with main offices in Medellín. It was incorporated on January 4, 2000, with indefinite term. Its corporate purpose is the organization, administration, commercialization and rendering of telecommunications services. It is currently engaged in development and promotion of the telecommunications transport business locally and internationally. ISA has control over this company and owns, directly, 99.27% of capital stock. In October of 2011, Internexa S.A. E.S.P. changed its corporate name, due to the fact that, pursuant to Law 1341 of 2009, articles 55 and 73, telecommunications sector companies will no longer be subject to the domiciliary public utilities regime (Law 142 of 1994),

and as a consequence, it must eliminate the abbreviation "E.S.P." from its corporate name.

OTHER INVESTMENTS

FINANCIERA DE DESARROLLO NACIONAL S.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. Decree 4174 of 2011 modified the denomination of Financiera Energética Nacional S.A. (FEN) into Financiera de Desarrollo Nacional S.A. It also widened its corporate purpose, so that references to the power sector will be extensive to every sector of the economy. Investment is represented by 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 inter-connection system that will link Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and Panama. ISA owns 11.11% participation in this corporation. This company has already begun operation in some of the line segments.

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

ELECTRICARIBE delivers electric energy distribution and trading services in the Colombian Caribbean. ISA has 0.48072666% participation.

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

		2012	2011
Investments in controlled companies			
TRANSELCA S.A. E.S.P.		766,257	759,379
INTERNEXA S. A.	(1)	86,826	107,310
Compañía de Expertos en Mercados S. A. E.S.P. –XM–		26,875	23,210
Autopistas de la Montaña S.A.S.		422	955
Sistemas Inteligentes en Red S.A.S. –SIR–		451	214
ISA Capital do Brasil S.A.	(2)	988,026	1,125,200
ISA Inversiones Chile Ltda	(3)	375,822	484,858
Consorcio Transmantaro S.A.	(4)	293,654	302,666
Red de Energía del Perú S. A. –REP–		131,749	130,278
ISA Bolivia S. A.	(4)	19,751	21,806
ISA Perú S. A.		13,017	14,171
Proyecto de Infraestructura Perú S. A. C. –PDI–		9,945	13,851
Interchile S. A.	(5)	11	-
Total investments in controlled companies		2,712,806	2,983,898
Investments with shared control			
Interconexión Eléctrica Colombia Panamá S. A. –ICP–	(6)	85	3,965
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	(7)	1,019	-
Total investments with shared control		1,104	3,965

Continuation 

	2012	2011
Investments at cost		
Electricaribe S.A. E.S.P.	12,114	12,114
Empresa propietaria de la RED –EPR–	11,493	12,628
Financiera de Desarrollo Nacional S. A.	4	3
Total investments at cost	23,611	24,745
Subtotal investments in corporations	2,737,521	3,012,608
Provision for investments in corporations	(8)	
Investments in controlled companies	(7,742)	(7,742)
Investments at cost	(2,249)	(2,293)
Total provision for investments in corporations	(9,991)	(10,035)
Total investments in corporations	2,727,530	3,002,573

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- (1) Decrease corresponds to loss generated in the period, resulting mainly from application of the equity method in subsidiaries.
- (2) Reduction is basically explained by the translation effect of the financial statements from Reais into Colombian pesos; as of December of 2012 and 2011, the exchange rate was \$865.29 and \$1,035.66 to the Real, respectively.
- (3) Reduction corresponds to losses from higher expenses from deferred taxes recorded as a consequence of tax rate increase approved as part of Chile's fiscal reform, plus incorporation of 100% of this company's results; last year only included 60%.
- (4) Reduction is basically explained by the translation effect of the financial statements

from Dollars to Colombian Pesos; as of December of 2012 and 2011, the exchange rate was \$1,035.66 and \$1,148.71 to the Dollar, respectively.

- (5) Corporation at pre-operating stage, incorporated in December of 2012.
- (6) Reduction corresponds to accumulated losses.
- (7) In 2012, contributions for \$1,200 were made to the corporation; it is currently at pre-operating stage.
- (8) Provision on ELECTRICARIBE investments \$2,247 (2011: \$2,291) and ISA Bolivia S.A. \$2,045 (2011: \$2,045), Proyectos de Infraestructura del Perú S.A.C. –PDI– \$238 (2011: \$238), Consorcio Transmantaro \$5,459 (2011: \$5,459).

The following table includes financial information of the affiliates and subsidiaries with which ISA applies the equity method:

COMPANY	2012		FINANCIAL INFORMATION			
	ISA PARTICIPATION SHARES	%	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
In controlled companies						
ISA Capital do Brasil S.A. (1)	840,624,995	58,60000	2,445,425	1,457,919	987,506	31,139
Consorcio Transmantaro S.A.	348,428,555	60,00000	1,379,689	899,829	479,860	27,860
TRANSELCA S.A. E.S.P.	1,809,679,227	99,99670	1,312,919	546,637	766,282	74,833
Red de Energía del Perú S.A. –REP–	21,648,000	30,00000	1,039,134	600,684	438,450	42,774
ISA Inversiones Chile Ltda. (2)	-	99,99979	680,905	302,882	378,023	(113,632)
INTERNEXA S.A.	34,302,597	99,27450	272,810	185,350	87,460	(16,694)
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99,73030	221,847	194,900	26,947	4,058
ISA Bolivia S.A.	95,638	51,00000	101,479	66,931	34,548	(911)
Proyectos de Infraestructura de Perú S.A.C. –PDI–	299,901	99,96700	92,078	82,418	9,660	2,946
ISA Perú S.A.	18,586,446	28,07230	77,722	31,486	46,236	8,254
Sistemas Inteligentes en Red S.A.S. –SIR–	113,850	15,00000	12,314	9,309	3,005	1,576
Autopistas de la Montaña S.A.S.	1,500,000	100,00000	435	13	422	(1,035)
Interchile S.A.	999	99,90000	11	-	11	-
With shared control						
Interconexión Eléctrica Colombia -Panamá S.A. –ICP–	1,936	50,00000	366	197	169	(10,333)
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	1,200,000	50,00000	2,043	5	2,038	(343)

COMPANY	2011		FINANCIAL INFORMATION			
	ISA PARTICIPATION SHARES	%	ASSETS	LIABILITIES	EQUITY	INCOME (LOSS)
In controlled companies						
ISA Capital do Brasil S.A. (1)	840,624,995	58,60000	2,879,888	1,752,203	1,127,685	48,587
Consortio Transmantaro S.A.	348,428,555	60,00000	1,202,356	705,247	497,109	34,514
TRANSELCA S.A. E.S.P.	1,809,679,227	99,99670	1,278,871	519,466	759,405	56,481
Red de Energía del Perú S.A. –REP–	21,648,000	30,00000	1,024,651	588,325	436,326	40,411
ISA Inversiones Chile Ltda. (2)	-	99,99980	901,457	420,684	480,772	(79,888)
INTERNEXA S.A.	34,302,597	99,27450	295,500	187,406	108,094	(3,955)
XM, Compañía de Expertos en Mercados S.A. E.S.P.	14,789,000	99,73030	255,004	231,731	23,272	282
ISA Bolivia S.A.	95,638	51,01000	121,520	82,295	39,226	(1,104)
Proyectos de Infraestructura de Perú S.A.C. –PDI–	299,901	99,97000	84,764	70,795	13,969	6,852
ISA Perú S.A.	18,586,446	28,07230	91,611	40,799	50,812	9,294
Sistemas Inteligentes en Red S.A.S. –SIR–	113,850	15,00000	1,649	220	1,429	153
Autopistas de la Montaña S.A.S.	1,000,000	100,00000	1,299	344	955	(45)
With shared control						
Interconexión Eléctrica Colombia Panamá S.A. –ICP–	1,936	50,00000	9,117	1,265	7,852	(1,513)

(1) Liabilities include \$343,430 (2011: \$402,529) to be paid to Secretaría de Fazenda, Gobierno de Brasil, as payment commitment for the difference between the purchase price of the shares of CTEEP and pension payments established in

Law 4819/58, in case CTEEP is exonerated. ISA owns 58.60% of ISA Capital do Brasil's capital stock, and holds 99.99% of common shares.

(2) Capital contributions from ISA to ISA Inversiones Chile are divided into corporate rights.

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 year's results and equity, as loss or income.

INCOME FROM EQUITY METHOD		2012	2011
In controlled investments			
TRANSELCA S.A. E.S.P.	(1)	74,830	56,479
Internexa S.A.	(2)	(16,572)	(3,927)
XM, Compañía de Expertos en Mercados S.A.		4,047	282
Autopistas de la Montaña S.A.S.		(1,033)	(44)
Sistemas Inteligentes en Red S.A.S. –SIR–		236	23
ISA Inversiones Chile Ltda.	(3)	(113,632)	(79,888)
ISA Capital do Brasil S.A.	(4)	31,139	48,587
Consortio Transmantaro S.A.		16,716	20,708
Red de Energía del Perú S.A. –REP–		12,832	12,123
ISA Perú S.A.		2,317	2,609
Proyectos de Infraestructura de Perú S.A.C. –PDI–		2,945	6,848
ISA Bolivia S.A.		(465)	(839)
Total in controlled investments		13,360	62,961
In investments with shared control			
Interconexión Eléctrica Colombia Panamá –ICP–	(5)	(5,080)	(756)
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.		(181)	-
Total in investments with shared control		(5,261)	(756)
Net income from equity method		8,099	62,205

- (1) Higher income is explained by indemnities for the Termoguajira and Sabanalarga losses as well as higher income from equity method.
- (2) Higher loss generated from subsidiaries' results.
- (3) Loss increase corresponds to the fact that year 2012 included 100% of the company's losses for the period, whereas the previous year it only included 60%; also, higher expenses for deferred taxes arose as a consequence of increased tax rate approved as part of Chile's fiscal reform.
- (4) Income reduction corresponds especially to partial amortization of goodwill at ISA Capital do Brasil, derived from early renewal of Contract 059 of 2001 in CTEEP. Period's results also include compensation and costs associated with this renewal. Brazil's regulating authority is still to make a pronouncement regarding fiscal effects (PIS and CONFIS) on this compensation. CTEEP's tax advisors do not consider provisioning taxes on this revenue to be appropriate.

Compensation occurring in 2012 arose from a regulatory change in Brazil's electric sector, a process culminating in December of the same year, with a 30-year extension (as of January 1, 2013) of Concession 059/2001 (initially to expire in June 2015), between CTEEP and the National Agency of Electric Energy Agency (ANEEL). Changes originated in the Provisory Measure (MP)

579 of September 11, 2012, which sought reduction of electric energy tariffs for consumers, anticipating to 2013 renovation of electric sector concessions originally to expire between 2015 and 2017; this in exchange for compensation of non-depreciated assets (exactly as consigned in the contracts), and future recognition of an annual payment for operation and maintenance of assets under concession.

Upon consideration of the impact on the affected companies, the Brazilian government modified MP 579 by issuing the Provisory Measure (MP) 591, of November 29 of 2012 recognizing the companies' right of compensation for non-depreciated existing assets as of May 31, 2000 previously registered by the concessionaires and recognized by ANEEL. This new proposal was approved by CTEEP's Special Shareholders' Meeting of December 3, 2012. On December 4, CTEEP signed with the federal government the extension of concession contract 059/2001 for 30 years, as of January 1, 2013.

- (5) Higher losses associated with pre-operating costs.

To record the equity method, revenues and expenses resulting from reciprocal transactions are deleted in the subsidiaries. (See Note 26)

NOTE 7: ACCOUNTS RECEIVABLE – NET

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

		2012	2011
Customers			
Electric energy transmission services	(1)	93,207	166,981
Telecommunications	(2)	3,877	5,571
Infrastructure projects	(3)	6,923	4,204
Technical services	(4)	3,839	7,148
Total customers		107,846	183,904
Interest receivable		1,528	1,184
Prepayments and advances			
Taxes and contributions	(5)	25,138	16,727
To suppliers		470	408
For purchase of goods and services	(6)	15,704	5,360
Advances and prepayments of per-diem and travel expenses		109	106
Other		-	354
Total prepayments and advances		41,421	22,955
Other accounts receivable			
Related parties		248,925	273,960
Loans extended	(7)	14,467	10,924
Miscellaneous accounts receivable	(8)	140,872	203,687
Total other accounts receivable		404,264	488,571
Total accounts receivable		555,059	696,614

Continuation 

	2012	2011
Less – Allowance for doubtful accounts	(9)	(10,864)
Total accounts receivable - net	543,851	685,750
Long-term accounts receivable		
Loans extended	10,226	6,058
Other accounts receivable	4,307	3,386
Total long-term accounts receivable	14,533	9,444
Total short-term accounts receivable	529,318	676,306

Continued from previous page [↗](#)

- (1) Reduction corresponds to application in 2012 of CREG Resolution 157 of 2011, establishing maturity of ASIC-issued invoicing for services delivered by the STN to be on the fifth business day after issuance of monthly invoicing.
- (2) 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 optics network between Bogotá, Medellín and Cali, to improve the national telecommunications system.
- (3) Corresponding to accounts receivable including mainly: a) \$1,505 (2011: \$1,859) for execution of Piedecuesta sales project, b) \$3,260 (2011: \$1,324) execution of Mitú sales project, c) \$2,158 (2011: \$408) for CANA, DISPAC and La Mojana delegated administration projects.
- (4) Variation is explained by the fact that along 2012, ISA delivered no laboratory services.
- (5) Includes mainly amounts in favor of ISA regarding income tax based on provision for \$15,470 (2011: \$12,011). Additionally, it includes prepayment of withholding tax for \$6,622 (2011: \$1,741).
- (6) Corresponds to advancements to suppliers of goods and services for execution of construction projects: a) Cana delegated administration \$7,288 (2011: \$2,893), b) Primavera-Sogamoso-Ocaña Line \$3,728 (2011: \$0), c) Bosque-Tenera Line \$3,180 (2011: \$1,032), d) Autopistas de la Montaña \$590 (2011: \$590), e) Centro de Control -CSM- Investment Project \$918 (2011: \$0), f) La Mojana delegated administration \$0 (2011: \$741), g) Piedecuesta project \$0 (2011: \$104).

- (7) Loans extended include employee receivables from housing loans, vehicle-purchase loans and other general-purpose 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.
- (8) Decrease corresponds mainly to collection of loan to EPR for USD 4.5 million in April 2012 and execution of resources from delegated administration of FAER and FAZNI projects, and Distribuidora del Pacifico S.A. E.S.P. DISPAC.
- (9) Movements of provision for doubtful accounts are as follows:

MOVEMENTS OF PROVISION FOR ACCOUNTS RECEIVABLE	2012
Initial balance	10,864
Charges to results *	726
Recoveries **	(382)
Ending Balance	11,208

*Corresponds to Atlas Ingeniería Ltda and debtors of pension portions.

**Corresponds to customers Enelar and Emcali.

No accounts receivable were written off in the years 2012 and 2011, and there were no debt recalculations and new payment agreements bringing provision down.

The composition of receivables (capital only) on December 31 is as follows:

CUSTOMERS	2012	2011
Shareholders		
Empresas Públicas de Medellín –EPM–	(1)	11,953
Empresa de Energía de Bogotá –EEB–	14	42
Empresa Colombiana de Petróleos –ECOPETROL–	79	79
Total shareholders	410	12,074
Other customers	107,436	171,830
Total accounts receivable from customers	107,846	183,904

(1) Decrease from application of CREG Resolution N° 157 of 2011.

Classification of accounts receivable from customers according to maturity date:

TOTAL ACCOUNTS RECEIVABLE FROM CUSTOMERS BY AGE	(1)	2012	2011
Current		98,611	173,555
Overdue	(2)		
> 1 and <= 90 days Overdue		1,651	1,084
> 91 and <= 180 days Overdue		-	111
> 181 and <= 360 days Overdue		227	1,735
> 360 days Overdue		7,357	7,419
Total overdue		9,235	10,349
Total accounts receivable		107,846	183,904

(1) 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.

(2) The company invoices for interest on past due accounts at the highest rate allowed by law; for December of 2012 and 2011 the rates were 31.34% and 29.09%, respectively.

Power sector companies, Electribolívar, Caucasia and Electrotolima, all undergoing liquidation processes initiated by the Superintendency of Public Utilities (SSPD), owed as of December 31, 2012 and 2010, \$3,728. These overdue liabilities are 100% provisioned.

Emcali is under intervention by SSPD; in 2012 it paid \$334 (2011: \$272), for liabilities that were supported on payment agreements.

NOTE 8: INVENTORIES – NET

Inventories at December 31 included:

		2012	2011
Short-term inventories			
Materials to render services		2,947	2,926
Inventories in transit	(1)	25,337	6,889
Total short-term inventories		28,284	9,815
Long-term inventories			
Materials to render services	(2)	55,785	54,783
Provision	(3)	(2,457)	(2,714)
Total long-term inventories		53,328	52,069
Total inventories		81,612	61,884

(1) Corresponding to supply of construction materials and equipment for the Sogamoso, Cauca Narino (CANA) projects, renovation of inductive equipment and high voltage equipment. These materials and equipment are currently undergoing proceedings, transport, and import legalization process.

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

(3) Related to identification of the company's surplus, obsolete, and useless assets.

The company conducts actions to guarantee adequate preservation and safeguarding of inventories, and takes periodic stock count with no significant differences found; additionally, inventories are insured under a combined material damage policy. Inventories have no restrictions or liens limiting their use or realization.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – NET

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

	2012	2011
Property, plant and equipment in operation (1)		
Networks, lines and cables	2,150,635	2,148,797
Plants and ducts	1,516,080	1,519,226
Buildings	95,963	92,900
Machinery and equipment	44,655	43,379
Computer and communications equipment	26,488	25,451
Transport, traction and lifting equipment	3,532	1,845
Furniture, fixtures and office equipment	14,369	13,540
Land	19,665	19,665
Subtotal property, plant and equipment in operation	3,871,387	3,864,803
Less accumulated depreciation (2)	(1,651,775)	(1,572,435)
Less provisions	(173)	(229)
Total property, plant and equipment in operation	2,219,439	2,292,139
Investment property (3)		
Buildings	3,532	3,532
Less accumulated depreciation	(1,468)	(1,441)
Total investment property	(2,064)	(2,091)

Continuation 

		2012	2011
Non-productive assets	(4)		
Land		71	71
Buildings		1,411	1,411
Constructions received as payment		8,895	8,895
Subtotal propiedades no explotadas		10,377	10,377
Less provisions	(5)	(8,748)	(8,748)
Total non-productive assets		1,629	1,629
Constructions in progress	(6)	133,540	43,503
Machinery, plant and equipment in assembly		11,992	10,451
Total property, plant and equipment, net		2,368,664	2,349,813

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- (1) 2012 saw activation of the projects Torca Substation Expansion, for \$2,564, Guatiguara Substation Expansion, for \$3,043, SVC Chinú Improvement, for \$1,663 and Jamondino Reactor Assembly, for \$726. Constructions in progress were transferred to operational projects for \$464 (substations); additions to substations equipment for \$3,942 (2011: \$1,736); also, retirements for \$1,040 were recorded as expenses (2011: \$2,727). Retirement and sales of property, plant and equipment during the year generated gain for \$392 (2011: loss \$2,525).
- (2) Accrual of depreciation expense worth \$91,773 (2011: \$108,669), showing reduction with respect to previous year explained by change

of useful lives (See Note 3.7). Additionally, retirements of depreciation were made for \$12,405 (2011: \$7,558).

- (3) Buildings II and V of ISA's headquarters, leased to affiliates XM and Internexa S.A., respectively.
- (4) Corresponding to: telecommunications assets received as payment from the company South American Crossing Ltd. – SAC Colombia Ltda., for which, in 2013 a fiber optic availability agreement is expected to be reached with Internexa S.A. Also included are the Pailitas land and Manizales facilities, currently without an open or ongoing sales process, and unused by the company.

(5) Provision of constructions received as payment from SAC corporation.

(6) Includes mainly:

- El Bosque 220 kV Substation project and its associated transmission lines for \$75,330, for whose construction, erection, commissioning, management, operation and maintenance ISA is responsible. The project's commissioning date established in UPME bidding was May 2011; however, the construction of the project was delayed due to problems with authorizations by the Municipality of Cartagena and issuance of the environmental license, granted by the Ministry of the Environment in March 2012, factors that caused the company to pay compensations set by regulation. Considering the project's advancement stage, it is expected to enter operation in May 2013.
- Sogamoso 500 kV Substation project and related transmission works for \$21,415, with estimated commissioning date May 2014. The commissioning date set in in the project's selection documents is June 2013; however, delays in issuance of the environmental license, not under ISA's control and due diligence, will not allow compliance with that date. Consequently, extension will be requested from the Ministry of Mines and Energy, which, if granted, will allow ampler project construction term without payment of compensations for delays. Corresponding procedures before the environmental authority are currently underway, and necessary authorization is expected in order to start project construction and achieve commissioning as soon as possible.

- ISA Medellin Headquarters refurbishing project for \$7,120, currently showing 17.8% advancement, with entry into service expected for December 2013.
- High voltage equipment renovation project for \$7,848, with 78% advancement and commissioning expected for October 2013.

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

Every year, ISA contracts insurance for combined material damages, terrorism, and consequential loss 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 under Constructive Units, their corresponding as-new value being estimated as provided in regulations, and the respective refining and adjustment for insurance effects.

In Colombia, towers and transmission lines are not insured. Accordingly, maintenance to electric infrastructure due to attacks and heavy rains is recorded as Administration, Operation and Maintenance (AOM) expenses in the period when the losses occur and they do not increase the useful life originally assigned to the assets (See Note 3.7).

NOTE 10: DEFERRED CHARGES AND OTHER ASSETS

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

	2012	2011
Deferred charges and other short-term assets		
Prepaid expenses	6,701	6,514
Deferred taxes	65,957	70,126
Total deferred charges and other short-term assets	72,658	76,640
Deferred charges and other long-term assets		
Deferred charges		
Trust rights	2,477	2,564
Studies and research (1)	-	32,279
Other deferred charges	14,963	19,013
Total deferred charges	17,440	53,856
Intangibles		
Software	22,350	24,486
Licenses	13,115	11,948
Easements (2)	74,183	78,128
Rights and brands	43,422	43,422
Goodwill (3)	234,095	234,095
Less amortization of intangible assets	(88,582)	(83,609)
Total intangible assets	298,583	308,470
Miscellaneous	3,094	3,202
Total deferred charges and other long-term assets	319,117	365,528
Total deferred charges and other assets	391,775	442,168

- (1) For 2011, it corresponded to the assessment stage studies related to the Autopistas de la Prosperidad (former Autopistas de la Montaña). In December 2012, the National Infrastructure Agency (ANI, former INCO), recognized 100% of the cost of those studies, in accordance with the inter-administrative agreement.
- (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 Transmataro 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.

NOTE 11: RE-APPRAISALS

Re-appraisals at December 31 included:

		2012	2011
Investments		4,649	181
Property, plant and equipment	(1)	2,558,638	2,685,291
Total re-appraisals		2,563,287	2,685,472

(1) Economic appraisal was conducted in 2012 and 2011 for main components of property, plant and equipment, in compliance with the provisions of the Public Accounting Regime - Resolution N° 354 of September 5 of 2007.

Economic appraisal of operational assets use the Linear Depreciated Replacement Cost methodology, a methodology of recognized technical value for ascertaining the value of State assets approved by Colombia's General Accounting Office as indicated in number 18 of accounting procedure for recognition

and disclosure of facts related to plant and equipment issued by Resolution N° 356 of September 5, 2007. Such methodology consists of determining the current value of the equipment in operation on the basis of the cost of similar equipment that can provide the same service, the as-new-replacement value (VRN¹), proportionally affected by the service time remaining (remaining life) in proportion to its total useful life established. This criterion is applied to every specialized asset² that ISA has in operation, that is those intended for the service of energy transmission (use and connection). Market value is used for non-specialized³ assets such as vehicles.

¹ Values determined according to regulation applicable for their remuneration.

² Assets not often offered or demanded on the market.

³ Assets often offered and demanded on the market.

The following table details the re-appraisal of property, plant and equipment:

Assets	2012				2011		
	Appraisal	Accounting balance net	Revaluation	Adjustment	Appraisal	Accounting balance net	Revaluation
Transmission lines	2,596,647	1,255,659	1,340,988	(153,203)	2,772,697	1,278,506	1,494,191
Transmission substations	1,725,214	780,300	944,914	20,659	1,751,921	827,666	924,255
Land	165,409	19,665	145,744	3,935	161,475	19,665	141,809
Buildings	204,019	78,733	125,286	1,899	199,166	75,779	123,387
Telecommunications usufruct	79,199	79,199	-	-	85,237	85,237	-
Vehicles	3,594	1,890	1,705	57	1,857	209	1,648
Total	4,774,083	2,215,446	2,558,638	(126,653)	4,972,353	2,287,061	2,685,291

Of total valuation of ISA's operational assets, transmission lines assets account for 54.39%, substation assets for 36.14%, land and buildings for 7.74%, and telecommunications 1.66%. Vehicles represent the lowest value with respect to total.

Assets valuation changes in relation to 2011 figures show 3.99% reduction, explained basically by

- Negative PPI behavior for 2012: -2.95%.
- Variations explained by remaining service life updating, as shown in note 3.7, upon which some equipment's useful life increased, and other decreased.

NOTE 12: OUTSTANDING BONDS

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

ISSUE	SERIES	TERM (YEARS)	INTEREST RATE	2012	2011	MATURITY
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 Batch 1		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	A	6	IPC + 4.99%	150,000	150,000	Apr-02-15
Program Tranche 6	B	9	IPC + 5.90%	59,500	59,500	Apr-02-18
Program Tranche 7	A	12	IPC + 4.47%	180,000	180,000	Dec-01-23
Program Tranche 7	B	30	IPC + 4.84%	120,000	120,000	Dec-01-41
Total outstanding bonds				1,101,365	1,101,365	
Total long-term outstanding bonds				991,365	1,101,365	
Total short-term outstanding bonds				110,000	-	

Bonds accrued interest during 2012 for \$95,347 and in 2011 for \$80,702, which were recorded as financial expense (See Note 24). Below is the detail of maturities for outstanding bonds:

YEAR	CAPITAL
2013	110,000
2015	150,000
2016	150,000
2017 onwards	691,365
Total	1,101,365

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

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

In 2006, the company issued the Fourth Tranche of the Bonds Program for \$380,000, of which a total \$118,500 was placed along 2006, with maturity in 2026, and in 2008 a total \$104,500, with maturity in April 2026. Additionally, bonds for \$110,000 were issued in 2008 to finance the UPME 01 and UPME 02 projects.

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

In 2011 the company issued Tranche 7 for \$300,000, of which, \$180,000 was placed for Series A maturing in December of 2023, and \$120,000 for Series B maturing in December of 2041. Resources from underwriting went to investment and cash flow.

NOTE 13: FINANCIAL LIABILITIES

The balance of financial liabilities at December 31 included:

ENTITY	CURRENCY	INTEREST RATE	2012	2011	LATEST PAYMENT	GUARANTEE
BBVA	COP	DTF + 3.80% (1)	222,432	222,432	Aug-21-21	(2)
BANCO DE BOGOTA	USD	Libor 6M + 3.5%	70,730	-	Jul-09-17	(2)
DAVIVIENDA	COP	DTF + 3.88% (1)	-	25,000	Jul-18-13	(2)
BBVA	COP	DTF + 3.89% (1)	-	75,000	Jul-18-13	(2)
BANCO AGRARIO	COP	DTF + 4.50% (1)	-	21,000	Dec-30-18	(2)
CITIBANK	COP	DTF + 1.00% (1)	-	20,000	Jul-15-12	(2)
AV VILLAS	COP	DTF + 1.25% (1)	-	40,000	Jul-15-12	(2)
Total domestic financial liabilities			293,162	403,432		

ENTITY	CURRENCY	INTEREST RATE	2012	2011	LATEST PAYMENT	GUARANTEE
BNP PARIBAS	USD	Libor 6 M + 0.345%	30,167	40,510	15-may-17	(2)
BIRF-3955-CO	USD	Libor 6 M + Spread	-	30,092	15-oct-12	(3)
Total foreign financial liabilities			30,167	70,602		
Total financial liabilities			323,329	474,034		
Less - short-term portion			6,704	150,458		
Total long-term financial liabilities			316,625	323,576		

(1) DTF and the spread are expressed as Quarterly in Advance (TA)

(2) Unsecured.

(3) Loans in foreign currency are guaranteed by the State.

Financial liabilities accrued interest in 2012 for \$30,966 (2011: \$24,775), which was recorded as financial expense. (See Note 24).

There is a BNP-PARIBAS loan outstanding with German Export Credit Agency (ECA) for financing substations' assets and supplies. This USD37.9 million loan at Libor + 0.345% and 10-year term has political and commercial risk coverage from German ECA Euler Hermes. In 2011 and 2012, capital was repaid every year in the amount of USD 3.8 million; remaining balance payable is USD 17.06 million that will be paid in 9 equal semi-annual installments.

In 2011, so as to manage exchange rate risk of debt portfolio, the loan from BBVA Colombia for USD \$124 million was prepaid by means of a debt-management operation, through which this loan was substituted with a loan in Pesos from the same bank for COL \$222,432.

In the year 2011, \$60,000 in bridge loans was obtained as follows: \$20,000 from CITIBANK Colombia and \$40,000 from Banco AV VILLAS; these funds were used for cash flow. The previous loans were paid in July 2012 according to their maturity terms.

In 2012, USD15.5 million was amortized for BIRF loans corresponding to contractually agreed installments, among them, the last installment of BIRF-3955 loan.

Also funds for USD40 millions were obtained from Banco de Bogotá to finance cash flow in 2012.

Likewise, and with own resources, the Davivienda, BBVA and Banco Agrario loans worth \$69,500, were prepaid through a debt-management operation.

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)	
		2012	2011	2012	2011
US Dollar	Between Libor + 0.345% and Libor + 3.50%	57,061	36,342	100,897	70,602
Colombian Pesos	DTF + 3.80%	222,432	403,432	222,432	403,432
				323,329	474,034

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

Maturity of long-term financial liabilities at December 31:

YEAR	VALUE
2014	6,704
2015	66,772
2016	38,480
2017	77,564
2018 onwards	127,105
Total long-term liabilities	316,625

LOANS WITH RELATED PARTIES

Loans with related parties accrued interest in 2012 for \$12,793 (2011: \$9,109).
Financing balance with related parties at December 31 included:

AÑO 2012

SUBSIDIARY	MATURITY	INTEREST RATE	CAPITAL BALANCE	INTEREST BALANCE PAYABLE
Loans from local subsidiaries				
TRANSELCA S.A. E.S.P.	Oct-12-22	Fixed rate DTF AE December 31 of former year	60,798	618
TRANSELCA S.A. E.S.P.	Oct-12-24	Fixed rate DTF AE December 31 of former year	72,642	738
TRANSELCA S.A. E.S.P.	Oct-12-24	Fixed rate DTF AE December 31 of former year	12,537	127
TRANSELCA S.A. E.S.P.	Oct-12-25	Fixed rate DTF AE December 31 of former year	28,500	290
TRANSELCA S.A. E.S.P.	Oct-12-25	Fixed rate DTF AE December 31 of former year	12,500	127
TRANSELCA S.A. E.S.P.	Dec-26-13	Fixed rate DTF AE December 31 of former year	31,908	3760
TRANSELCA S.A. E.S.P.	Oct-31-27	Fixed rate DTF AE December 31 of former year	26,000	201
Total loans with local subsidiaries			244,885	5,861
Loans from foreign subsidiaries				
ISA Capital do Brasil	Dec-28-14	Libor 6M + 3%	53,153	8
Valuation exchange difference			(11,070)	-
Total loans with foreign subsidiaries			42,083	8
Total loans with subsidiaries			286,968	5,869
Less – long-term portion			31,908	9
Total long-term loans with subsidiaries			255,060	5,860

AÑO 2011

SUBSIDIARY	MATURITY	INTEREST RATE	CAPITAL BALANCE	INTEREST BALANCE PAYABLE
Loans from local subsidiaries				
TRANSELCA S.A. E.S.P.	Nov-07-12	Fixed rate DTF AE December 31 of former year	60,798	15,580
TRANSELCA S.A. E.S.P.	07-Dec-12	Fixed rate DTF AE December 31 of former year	72,642	22,828
TRANSELCA S.A. E.S.P.	Dec-27-12	Fixed rate DTF AE December 31 of former year	12,537	3,899
TRANSELCA S.A. E.S.P.	30-Dec-12	Fixed rate DTF AE December 31 of former year	28,500	4,612
TRANSELCA S.A. E.S.P.	Jan-30-13	Fixed rate DTF AE December 31 of former year	12,500	1,931
TRANSELCA S.A. E.S.P.	Dec-26-13	Fixed rate DTF AE December 31 of former year	31,908	2,282
Total loans with local subsidiaries			218,885	51,132
Loans from foreign subsidiaries				
ISA Capital do Brasil	28-dic-14	Libor 6M + 3%	53,153	10
Valuation exchange difference			(6,917)	-
Total loans with foreign subsidiaries			46,236	10
Total loans with subsidiaries			265,121	51,142
Less – long-term portion			-	12
Total long-term loans with subsidiaries			265,121	51,130

In 2012, a debt-management operation was conducted with TRANSELCA for \$186, 976, through which the terms of loans maturing in 2012 were extended. Additionally, a new loan agreement was subscribed with TRANSELCA for \$26,000.

NOTE 14: HEDGING OPERATIONS

No hedging operations on liabilities existed on December 31, 2012 and 2011.

NOTE 15: ACCOUNTS PAYABLE

The balance of accounts payable at December 31 included:

		2012	2011
Related parties	(1)	5,869	51,142
Suppliers and contractors	(2)	38,263	49,208
Financial expenses		23,867	25,620
Creditors		5,118	4,033
Dividends	(3)	-	47,631
Equity tax payable	(4)	78,100	117,150
Other taxes		6,521	7,117
Deposits received	(5)	131,983	187,331
Sales prepayments	(6)	4,104	21,257
Total accounts payable		293,825	510,489
Total long-term accounts payable		50,462	150,487
Total short-term accounts payable		243,363	360,002

- (1) Decrease is explained by payment of interest on loans granted to TRANSELCA for \$59,794.
- (2) Variation corresponds mainly to accounts payable for purchase of equipment and supplies for construction of the Sogamoso, CANA, Piedecuesta and Guatiguará projects.
Commercial accounts payable originate mainly from acquisition of goods and services destined to develop company operations; these liabilities are denominated in domestic and foreign currency, no interest on them is accrued, and they are normally paid according to payment schedule in 15, 30, and 45 days.
- (3) Payment of dividends approved by the shareholders' meeting was made in a single installment in June 2012.
- (4) Variation corresponds to payment of the two installments of 2012.
- (5) Corresponds mainly to funds received for execution of delegated administration projects: FAZNI – Pacific Coast of Cauca-Nariño Pacific Coast Interconnection \$123,642 (2011: \$170,567), FAER – Construction of electric distribution networks in rural zones of Sucre municipalities \$1,643 (2011: \$6,645), (DISPAC) Interconnection Project \$2,700 (2011: \$5,998), FAZNI – Construction of Sub-transmission and Interconnection line in Cauca Province \$0 (2011: \$1,630) and IPSE Agreement, Colombia –Venezuela Interconnection \$2,619 (2011: \$2,497).
- (6) Reduction corresponds mainly to renegotiation of fiber optics availability agreements reached with subsidiary Internexa S.A.

NOTE 16: LABOR LIABILITIES

Labor liabilities at December 31 included:

	2012	2011
Labor liabilities		
Severance payments and interest	3,821	3,616
Vacations	2,378	2,065
Agreed fringe benefits	2,343	2,212
Other	530	539
Total labor liabilities	9,072	8,432
Less long-term portion	1,433	1,487
Short-term labor liabilities	7,639	6,945

NOTE 17: ACCRUED LIABILITIES AND ESTIMATED PROVISIONS

Accrued liabilities and estimated provisions at December 31 included:

		2012	2011
Retirement pensions	(1)	88,031	84,817
Other provisions for agreed labor benefits	(2)	46,576	44,559
Other provisions for estimated assets		1,752	2,617
Provision for other fiscal liabilities	(3)	108	90
Provision for contingencies	(4)	14,101	28,427
Other estimated liabilities and provisions	(5)	38,964	14,203
Total estimated liabilities and provisions		189,532	174,713
Retirement pensions		88,031	84,817
Other provisions for estimated assets		1,752	2,617
Other provisions for agreed labor benefits		46,576	44,559
Less long-term portion		136,359	131,993
Total short-term estimated liabilities and provisions		53,173	42,720

- (1) Corresponds to the amortized present value of pension liabilities at December 31 of 2012 and 2011, 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 and to active personnel with retirement expectations.
- (3) Turnover tax
- (4) Includes the following processes:

	2012		2011	
	Number	Value	Number	Value
Administrative	5	12,416	6	11,389
Civil	34	1,003	64	16,369
Labor	6	682	22	669
Total	45	14,101	92	28,427

In 2012, \$3,319 (2011: \$2,698) was carried as provision expenditure and \$212 (2011: \$28) expenditure for judgment, conciliations and arbitration awards. (See Note 20.1).

- (5) Includes mainly: \$25,337 for acquisition of assets along execution of projects that are in transit (2011: \$934), \$4,676 FAER provision (2011: \$4,572), \$3,435 PRONE provision (2011: \$3,529), \$3,895 for provision for bonuses, labor benefits, and variable compensation (2011: \$4,007) and \$88 for recovery of towers (2011: \$49).

17.1 RETIREMENT PENSIONS AND AGREED LABOR BENEFITS

Retirement pensions

Under the labor agreements (individual and collective) subscribed, the company is required to pay pensions to employees who meet certain conditions of age and length of service. However, the Social Security Institute (ISS) and the pension management funds have assumed the greater part of this obligation upon compliance with certain legal requirements.

The present value for pension liability as of December 31, 2012 and 2011 was determined using actuarial calculations that comply with the law and specifically with labor contracts and collective bargaining agreements. To determine pension liability, provisions of Resolution 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:

VARIABLES	2012	2011
Technical interest rate	4.80%	4.80%
Inflation	3.26%	3.53%
Future increase of pensions and salaries	3.26%	3.53%
Mortality rate	Valid pensioners 2008	Valid pensioners 2008
Number of people covered by the plan	422	425

On December 31, 2012, the company had 707 (2011: 663) active employees, of whom 6 (2011: 7) are covered by the pension plan provided in the collective and individual agreements, while the remaining 701 (2011: 656) are subject to the regime contemplated in Law 100 of 1993. The actuarial estimate covers active personnel (6), retired personnel (350), surviving spouse pension benefit substitutions (50), 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, 2012, 71.34% has been amortized (2011: 67.3%) 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 Colombian General Accounting Office.

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, 2010		43,143	86,830
Less decrease in actuarial estimate	(3,963)	(1,950)	(2,013)
Balance at December 31, 2011	126,010	41,193	84,817
Less decrease in actuarial estimate	(2,619)	(5,833)	3,214
Balance at December 31, 2012	123,391	35,360	88,031

During the year, pension monthly payments totaled \$12,421 (2011: \$13,027).

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.

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:

	NUMBER OF PEOPLE 2012	NUMBER OF PEOPLE 2011	TOTAL LIABI- LITIES 2012	TOTAL LIABI- LITIES 2011	TOTAL AMORTIZED 2012	TOTAL AMORTIZED 2011
Social security contribution plan	91	112	1,722	2,604	1,166	2,604
Education benefit plan	729	165	7,982	2,306	5,407	2,306
Health plans	1,592	1,004	59,054	39,649	40,003	39,649
Total			68,758	44,559	46,576	44,559
Amortization percentage					67.74%	100%

In 2012, as a result of negotiation of the labor contract, the company extended health and education benefits to every employee affiliated to the contract, with expectations of retiring at the service of ISA and who have started work at the company before the contract was signed (May 18, 2012). As of 2012, the company decided to amortize fringe aids and benefits on the basis of the methodology stated in Resolution N° 356 of September 5, 2007 issued by the Colombian General Accounting Office.

17.2 INCOME TAX

Tax regulations applicable to the company provide:

- a. Nominal income tax rate is 33%, to be applied to net taxable income.
- b. The basis to determine income tax for the year shall not be lower than 3% of net fiscal equity on the last day of the preceding taxable year, refined on the basis of items duly authorized by tax regulations in force.
- c. As of fiscal 2011, no taxpayer can benefit from the special 30% deduction for investment in real fixed productive assets. However, ISA benefits from special 40% deduction, in virtue of the legal stability agreement signed with the State (Ministry of Mines and Energy), for the activity of energy transmission. Avail of this benefit does not result in income taxable for shareholders.
- d. As of taxable 2004, income tax payers performing transactions with foreign related or associated parties and/or with residents of countries considered as tax haven, are required, for income tax purposes, to determine their ordinary and extraordinary revenues, costs and deductions, assets and liabilities, taking into consideration for these transactions the prices and profit margins of the market. At this time, the company's management and its counsels have not concluded the updating study for 2012; however, based on the satisfactory results of the study conducted for 2011, their opinion is that no significant additional income tax provisions shall be required as a result of the study.
- e. As a result of application of Resolution 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 on 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 is considered to be tax exempt.
- g. Starting 2011, Article 254 of the Tax Law permits discounting tax paid on earnings of the corporation that pays the dividends, as well as payment by the corporations from which this latter receives the dividends, regardless of jurisdiction.

Additionally, application of this discount is allowed either in the fiscal year when dividends are received, or in the next four (4) years.

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

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

The reconciliation between pre-tax income and taxable income for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Income before taxes	374,463	459,293
Plus - Items that increase taxable income:		
Amortization of goodwill	4,318	4,318
Net cost of assets sold	1,041	2,703
Dividends received	65,520	77,570
Non-deductible provisions	7,839	14,625
Non-deductible costs and expenses	577	1,533
Less - Items that decrease taxable income:		
Investments exchange difference	(177,338)	(140,033)
Excess of depreciation and amortization	(47,316)	(66,340)
Additional depreciation/amortization for tax inflation adjustment	(37,960)	(48,607)
Write-off and tax provision for accounts receivable	(1,052)	(1,158)
Recovery of provisions	(7,291)	(19,387)
Equity method	(13,518)	(66,850)
Non-taxable dividends and participations	(48,686)	(46,282)
Special deduction for productive real fixed assets	(38,837)	(8,553)
Other	(1,177)	607
Total regular income	80,582	163,439

	2012	2011
Gross taxable income	80,582	163,439
Less exempt income	(18,177)	(14,483)
Net taxable income	62,405	148,956
Tax rate	33%	33%
Income Tax	20,594	49,155

Net tax effect on the results of the year:

	2012	2011
Income tax	20,594	49,155
Deferred taxes net, preceding years income adjustment	78,434	71,702
CAN countries tax	2,497	1,660
Net charge to income	101,525	122,517

Reconciliation between accounting and taxable equity at December 31:

	2012	2011
Accounting equity	6.119.706	6.396.343
Plus:		
Non-deductible provisions	70,742	78,611
Credit deferred tax	314,092	239,813
Monetary correction effect	380,678	419,313
Less:		
Accounting re-appraisals	2,563,287	2,685,472
(Lower) higher fiscal value of investments	(1,402,411)	536,830
Debit deferred tax	65,957	70,126
Excess of tax depreciation of fixed assets	643,511	593,920
Excess of amortization of deferred charges and intangible assets	99,804	104,210
Total taxable equity	4,915,069	3,143,522

The following temporary differences generated a deferred tax liability for tax years ended December 31:

Credit deferred tax:

	2012	2011
Excess of tax depreciation	643,511	593,920
Excess of tax amortization	22,268	23,684
Exchange difference	267,879	90,541
Retirement pensions	18,135	18,561
Total deferred tax basis	951,793	726,706
Tax rate	33%	33%
Credit deferred tax	314,092	239,813

Debit deferred tax:

	2012	2011
Provision for accounts receivable	3,106	3,947
Estimated liabilities	10,830	13,246
Inflation adjustments	139,006	150,398
Agreed Fringe Benefits	46,576	44,559
Total deferred tax basis	199,518	212,150
Tax rate	33%	33%
Debit deferred tax	65,841	70,010
Branch's deferred tax	116	116
Debit deferred tax	65,957	70,126

Income tax return for fiscal 2010 is subject to reviewing and acceptance by the fiscal authorities, and that for 2012 shall be filed and paid according to the schedule set by the tax administration. Additionally, tax return for 2011 was reviewed and accepted by the fiscal authority. The company's management and its legal counsels consider that the amounts accounted as income tax payable suffice to pay any liability that could be determined for such years.

Equity tax

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

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

Although equity tax would not be applicable to taxpayers covered by the special legal stability regime determined by Law 963 of 2005, DIAN, through opinion 098797 of December 28 of 2010, indicated that this constitutes a new equity tax, and thus it is not under the umbrella of legal stability agreements under which equity tax had stabilized, as ruled by Law 1111 of 2006, in force until the year 2010.

According to the above, ISA calculated equity tax for fiscal 2011 on the total value of net fiscal equity. Tax amounted to \$124,960 and surcharge to \$31,240, for a total \$156,200 equity tax, of which two installments were paid during 2012 for \$19,525 each. Such tax was charged in its entirety against the equity revaluation account.

Levy on financial transactions (GMF) (4x1000)

Law 1430 of 2010 permits gradual reduction of this tax rate. For years 2014 and 2015, tax rate shall be 2x1000, for years 2016 and 2017 1x1000, and from 2018 onwards 0x1000. New tax-generating facts were created: investments that upon their liquidation are paid to persons other than the initial investor, and loans not directly disbursed to the debtor. Starting 2013, deductions applicable to this tax will be 50% (today 25%).

Tax Law Amendment of 2012

The new tax law (Law 1607) was issued on December 26, 2012; the following aspects are highlighted:

- Income tax rate was lowered from 33% to 25%. For non-resident foreign natural and legal persons, the rate remains at 33%.
- Business Equity Contribution (CREE, for its Spanish initials) was created, levying taxes on revenue earned susceptible of increasing the equity of passive subjects; taxable basis is

similar to that used in refining regular income, but it does not allow certain deductions like investment on productive real fixed assets, environmental control and improvement, presumptive income excesses, and fiscal loss, and it shall have an 8% rate. For the years 2013, 2014 and 2015 it will be 9%.

- Tax tariff on windfall profit from transfer of fixed assets was lowered from 33% to 10%.
- The law that allowed subscribing legal stability agreements with the State was derogated, and it was clarified that legal stability agreements under execution on the date the law was issued will remain valid on the exact terms agreed on up to termination.
- Article 254 of the Tax Law was modified, stipulating that whoever is the beneficiary of foreign profit levied in the source country has the right to discount from the amount of income tax plus the CREE, the tax paid abroad.
- As to VAT, rate was lowered from 7% to four different rates (0%, 5%, 16% and 35%) and assets and services were classified as levied, excluded and exempted.
- Tax on consumption was created, covering mobile phone service, sale of some vehicles, and sale of food and beverages prepared in restaurants, cafeterias, self-service shops, ice-cream parlors, fruit shops, pastry shops and bakeries, bars, taverns and discotheques. This tax shall be paid bimonthly, and applicable rates shall be 4%, 8%, or 16%. Some transactions levied with this tax are additionally levied with VAT.
- The new Law classified individuals into two large groups: employees, and self-employed individuals. For fiscal purposes

only, independent workers were likened to employees. Changes were introduced to withholding tax for individuals, and a minimal tax withholding rate was created.

- Law 1607 of 2012 brought, among other provisions:
 - Requirements and terms to set fiscal residence.
 - It eliminated non-levied revenue, among them, additional paid-in capital.
 - It set parameters for corporate reorganizations (mergers and spin-offs) and for contributions in kind whenever corporations are incorporated.
 - It established an amnesty without penalties and tax for undeclared assets, besides exempting them from generating income through equity comparison.
 - In the case of transformations, creation and capitalization of business corporations, additional paid-in capital and contributions were included within the taxable basis for documentary tax.
 - It introduced the concept of sub-capitalization. Expenses from interest generated by debt exceeding the result of multiplying the taxpayer's net fiscal equity for the previous year by three will not be deductible.
 - It set parameters for transactions abroad and established modifications to the regime of transfer pricing.
 - The taxpayer's rights and the principles of the penalties regime were outlined.

NOTE 18: OTHER LIABILITIES

Balance of other liabilities at December 31:

		2012	2011
Advance revenue from sales		11,086	12,847
Other collections for third parties		24	-
Total other short-term liabilities		11,110	12,847
Other long-term liabilities			
Deferred taxes	(1)	314,092	239,813
Deferred revenues and others	(2)	263,306	201,676
Total other long-term liabilities		577,398	441,489
Total other expenses		588,508	454,336

(1) Variation corresponds to the lower value of current tax calculated during the fiscal year resulting from excess of exchange difference of investments abroad. (See Note 17.2)

(2) Corresponds mainly to deferred revenues of the National Transmission System (STN) \$202,768 (2011: \$162,330), for UPME bid assets and infrastructure usage rights for \$51,965 (2011: \$21,897).

NOTE 19: EQUITY

SUBSCRIBED AND PAID-IN CAPITAL

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

SHAREHOLDER	2012		
	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
State 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

Continuation 

SHAREHOLDER	2012		
	NUMBER OF SHARES	VALUE	% PARTICIPATION (1)
Private capital investors			
Fondo de Pensiones Obligatorias Porvenir Moderado	52,443,705	1,720	4.735
Fondo de Pensiones Obligatorias Protección Moderado	40,917,785	1,342	3.694
Fondo de Pensiones Horizonte	28,312,427	929	2.556
Fondo de Pensiones Obligatorias Colfondos Moderado	23,427,526	768	2.115
ING Fondo de Pensiones -Moderado	19,868,458	652	1.794
Fondo Bursátil ISHARES COLCAP	10,151,260	333	0.916
Fondo de Pensiones Obligatorias Skandia S.A.	8,303,131	272	0.750
Vanguard Emerging Markets Stock Index Fund	5,715,348	187	0.516
Abu Dhabi Investment Authority	3,390,528	111	0.306
Ishares MSCI Emerging Markets Index Fund	3,160,990	104	0.285
Other shareholders	152,535,098	5,003	13.771
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	585	
Total subscribed and paid-in capital	1,125,498,016	36,916	

Continued from previous page 

SHAREHOLDER	2011		
	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
State and private capital investors			
Empresa Colombiana de Petróleos –ECOPETROL–	58,925,480	1,933	5.320
Empresa de Energía de Bogotá –EEB–	18,448,050	605	1.665
Subtotal	77,373,530	2,538	6.985
Subtotal	759,451,638	24,910	68.562
Private capital investors			
Fondo de Pensiones Obligatorias Porvenir Moderado	51,999,357	1,706	4.694
Fondo de Pensiones Obligatorias Protección Moderado	40,857,785	1,340	3.689
Fondo de Pensiones Horizonte	28,906,788	948	2.610
Fondo de Pensiones Obligatorias Colfondos	24,455,920	802	2.208
ING Fondo de Pensiones	19,488,028	639	1.759

Continuation 

SHAREHOLDER	2011		
	NUMBER OF SHARES	VALUE	% PARTICIPATION (1)
Private capital investors			
Fondo de Pensiones Obligatorias Skandia S.A.	9,167,248	301	0.828
Fondo Bursátil ISHARES COLCAP	8,100,785	266	0.731
Abu Dhabi Investment Authority	3,510,649	115	0.317
Fondo de Pensiones Protección-Diversificado	2,396,262	79	0.216
Blackrock Institutional Trust Company N.A.	2,385,556	78	0.215
Other shareholders	156,957,878	5,148	14.170
Subtotal	348,226,256	11,422	31.438
Total outstanding subscribed capital	1,107,677,894	36,332	100.000
Repurchased own shares (2)	17,820,122	585	
Total subscribed and paid-in capital	1,125,498,016	36,916	

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(1) Participation percentage on outstanding shares.

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

As of December 31, 2012 and 2011, authorized capital stock included 1,371,951,219 common shares. Shares had a par value of \$32.800000005352. All shares issued have been fully paid. Unissued shares as of December 31, 2012 and 2011 are detailed below:

	SHARES	VALUE
Authorized	1,371,951,219	45,000
Subscribed and paid	1,125,498,016	36,916
To be subscribed	246,453,203	8,084

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

Outstanding shares are common, registered and dematerialized. Depósito Centralizado de Valores de Colombia, DECEVAL, is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

CAPITAL SURPLUS

Additional paid-in capital

The additional paid-in capital is the excess of the sales price over the par value of the subscribed shares.

Received for works

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

RESERVES

RESERVAS		2012	2011
Legal	(1)	18,458	18,458
Mandatory for tax purposes	(2)	476,392	407,843
Repurchase of own shares	(3)	38,100	38,100
Equity reinforcement	(4)	364,108	294,155
Rehabilitation and replacement of STN assets	(5)	37,434	37,434
Total reserves		934,492	795,990

(1) 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.

(2) 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.

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

(4) 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 rating and comply with contractual commitments to financial entities.

(5) The Shareholders Meeting held on March 30, 2000, approved \$24,933 reserve for the rehabilitation and replacement of assets of the National Transmission System, and on March 18, 2002, approved an additional reserve of \$12,502 for a total of \$37,434

EQUITY REVALUATION

Adjustments for inflation on balances of equity accounts, recognized until December 31, 2000 have been credited to this account, with charge to the income statement. Although this value is not distributable as dividend, it can be used to increase subscribed capital.

As of year 2007, and according to regulations in force, the tax on equity is accrued by decreasing this account. For 2011 the account decreased by \$156,200 to take into account 100% accrual of such tax.

SURPLUS FROM EQUITY METHOD

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

DIVIDENDS DECLARED

Dividends declared in 2012 and 2011 on earnings of corresponding previous year are detailed below:

	2012	2011
Net income for last year	336,776	343,896
Outstanding shares	1,107,677,894	1,107,677,894
Dividend per share (in \$)	179	172
Dividends declared	198,274	190,521
Terms of payment	One installment in June 2012	Four quarterly installments in April, July and October of 2011 and January of 2012

NET INCOME PER SHARE

Net income per share has been calculated on the annual weighted average number of outstanding shares.

Calculation was as follows

	2012	2011
Net income for the year	272,938	336,776
Average outstanding shares in the period	1,107,677,894	1,107,677,894
Net income per share (in \$)	246,41	304,04

NOTE 20: MEMORANDUM ACCOUNTS

The balance of memorandum accounts at December 31 was:

		2012	2011
Debit			
Fiscal debit accounts	(1)	2,849,221	3,030,333
Other contingent rights	(2)	42,960	24,355
Total debit memorandum accounts		2,892,181	3,054,688
Credit			
Claims and lawsuits (See Note 20.1)	(3)	5,744,209	56,073
Guarantees granted	(4)	268,721	250,135
Fiscal credit accounts	(5)	127,538	142,274
Claims and lawsuits of third parties' administration (See Note 20.1)	(3)	1,192,961	1,161,545
Other credit control accounts		490	542
Total credit memorandum accounts		7,333,919	1,610,569

(1) Represents differences with accounting that result from applying the inflation adjustment system for tax effects, and differences in accounting and tax deductions when determining ordinary net taxable income.

(2) Claims and suits in favor of the company

(3) Includes eventual-and-remote-occurrence claims and suits: Includes:

(4) See Note 20.2.

(5) Shows the net effect of the year's monetary correction on the period's distributable income and the accounting and tax difference on liabilities.

2012						
	ALL PROCESSES		EVENTUAL		REMOTE	
	NUMBER	VALUE	NUMBER	VALUE	NUMBER	VALUE
Administrative	180	6,920,037	14	84,132	166	6,835,905
Civil	10	9,621	9	9,615	1	6
Labor	53	7,512	39	4,760	14	2,752
Total	243	6,937,170	62	98,507	181	6,838,663

2011						
	ALL PROCESSES		EVENTUAL		REMOTE	
	NUMBER	VALUE	NUMBER	VALUE	NUMBER	VALUE
Administrative	164	1,191,207	10	16,703	154	1,174,504
Civil	16	25,622	15	25,604	1	18
Labor	45	789	30	733	15	56
Total	225	1,217,618	55	43,040	170	1,174,578

20.1 CLAIMS AND LAWSUITS

ISA currently appears as party, as a defendant, plaintiff or as an intervening third party, of judicial processes of administrative, civil and labor nature. None of the processes in which the company appears as a defendant or as an intervening third party could affect

its stability. In its own name, it has taken the necessary judicial measures to carry out the defense of its interests.

Below is the information regarding the main judicial processes which the company is a party to and their estimated amounts expressed in millions:

PROCESSES FILED BY ISA

TYPE AND INSTANCE	DEFENDANT	PROCESS DESCRIPTION	ESTIMATED VALUE
Civil. Trial Court	Comercializar S.A. E.S.P.	Executive claim for the payment of promissory note 03 of September 22, 1995, signed by Comercializar S.A. payable to different companies, ISA among them.	46
Civil. Trial Court	Energen S.A. E.S.P.	Claims payment of all debts from this company to ISA.	508
Civil. Trial Court	Luz Bibiana Castaño Loaiza	The plaintiff asks for a writ of execution to be issued in favor of Interconexión Eléctrica S.A. E.S.P-ISA, and against Luz Bibiana Castaño Loaiza and Carlos Alberto Ramírez Rubio.	40
Administrative. Trial Court	Atlas Ingeniería Ltda. and Aseguradora Confianza S.A.	Contractual liability claim for not fulfilling works related to laser photogrammetry.	6,409

Continuation 

TYPE AND INSTANCE	DEFENDANT	PROCESS DESCRIPTION	ESTIMATED VALUE
Administrative. Trial Court	Unión Temporal de Empresas UTE APS	Contractual liability claim for not delivering structures related to UPME 2003 projects.	3,318
Administrative. Trial Court	Municipality of San Carlos, Antioquia	Nullity claim of the decision ordering payment of municipal taxes.	1,838
Administrative. Trial Court	DIAN	Nullity claim of the decision ordering payment of municipal taxes.	4,779
Administrative. Trial Court	Aseguradora de Fianzas S.A. CONFIANZA, SISTEP Ltda.	Contractual liability claim for supply of transformers.	3,284
Administrative. Trial Court	Electrificadora del Atlántico S.A. E.S.P.	Nullity claim against a resolution of the defendant's liquidator.	12,962
Administrative Tribunal of Antioquia.	DIAN	Relative to default interest in favor of ISA for the untimely return of excess income tax paid in 1995.	4,780
Administrative Tribunal of Cundinamarca.	Superintendency of Domiciliary Public Utilities (SSPD)	SSPD charged ISA \$1,882,924,000 as a special contribution in 2011 because they included expense accounts that shouldn't be considered. Actual ISA's contribution should be \$733,791,720.	1,149

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PROCESSES AGAINST ISA

TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
Administrative. Trial Court	Fernando Rodríguez Garcia	<p>Related to a Group Action filed by Fernando Rodríguez García and others against the State –the Ministry of Finance and Public Credit, the Ministry of Mines and Energy and Interconexión Eléctrica S.A. E.S.P. –ISA– with the Eight Administrative Circuit Court of Cali. The amount of the claim was defined by the plaintiffs at \$5,693,476 million, amount that is considered unreasonable because there was no real estimation as it is legally required and it was based on hypothetical damages without any proof or support in the claim.</p> <p>This claim is considered as a remote contingency, taking into account that it has no factual and legal basis to succeed.</p>	5,693,476
Civil. Trial Court	Parque Empresarial San Miguel S.A.	The plaintiff asks ISA to be declared as invader of its property without any legal authorization, establishing this way an illegal right of way. For this reason the plaintiff asks to be indemnified.	4,572
Civil. Trial Court	Roberto Ebrath Rojas Estate	To issue decision imposing electric energy transmission legal right of way, considered in Article 18 of Law 126/1938 and Law 56/1981, in favor of Interconexión Eléctrica S. A. E.S.P., over a piece of land owned by the defendants, called “Tierra Grata”, located in La Esperanza, Municipality of El Paso, identified with real state register 192 – 00463, from the Public Instruments Register Office of Chimichagua (Cesar).	321
Civil. Trial Court	Claudia Andrea Córdoba	The plaintiff requests to declare Interconexión Eléctrica S.A. E.S.P. –ISA– liable for the missing and alleged death by drowning of Mr. Giampietro Zanin (Juan Pedro Zanin), while working at the crossing of a fiber optics cable belonging to the company, and to award material and moral damages payable by Interconexión Eléctrica S.A. E.S.P. –ISA–.	4,000

Continuation 

TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
Civil. Trial Court	Eliel Zapata Díaz	The plaintiff requests to condemn Interconexión Eléctrica S.A. E.S.P. and/or ISA to restore the plaintiff's real property, which he has held in an irregular way for approximately nine (9) years.	400
Administrative. Trial Court Filing 05001233100020030346100	CHIVOR S.A. E.S.P.	CHIVOR S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). CHIVOR S.A. E.S.P. requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	40,771
Administrative. Trial Court Filing 05001233100020040461800	CHIVOR S.A. E.S.P.	CHIVOR S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). CHIVOR S.A. E.S.P. requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	51,243
Administrative. Trial Court Filing 05001233100020030029200	EMGESA S.A. E.S.P.	EMGESA S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A.E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). EMGESA S.A. E.S.P. requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	78,686

Continuation 

TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
Administrative. Trial Court Filing 05001233100020050591700	CHIVOR S.A. E.S.P.	CHIVOR S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). CHIVOR S.A. E.S.P. requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	50,463
Administrative. Trial Court Filing 05001233100020020472100	EMGESA S.A. E.S.P.	EMGESA S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). EMGESA S.A. E.S.P. requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	63,823
Administrative. Trial Court Filing 05001233100020050591900	EMGESA S.A. E.S.P.	EMGESA S.A. E.S.P. requests a nullity declaration for the administrative actions issued by Interconexión Eléctrica S.A. E.S.P. –ISA–, allegedly according to CREG 077/2000 and CREG 111/2000 resolutions, which are illegal and unconstitutional (validity of these resolutions is under challenge before the Administrative Supreme Court). EMGESA S.A. E.S.P. requests full repair of damages suffered as a consequence of issuing of the administrative actions under challenge.	57,496
Labor. Trial Court	Others, Rosa Maria Vásquez Medina	The plaintiff requests to decide that between Mr. Luis Eduardo Vásquez Mahecha and Mr. Edwin Medina Castillo and the defendant, Transmilineas Servicio Ambiental LTDA., existed a labor relationship which ended due to the death caused by a work-related accident of Luis Eduardo Vásquez Mahecha and Edwin Medina Castillo. The plaintiff requests the defendants, Transmilineas Servicio Ambiental LTDA. and Interconexión Eléctrica S.A. E.S.P., to be declared jointly and severally liable in all aspects related to the payment of employee benefits, wages, compensations and other labor issues resulting from the labor relationship existing with Mr. Luis Eduardo Vásquez Mahecha and Mr. Edwin Medina Castillo.	1,625

Continuation 

TYPE AND INSTANCE	PLAINTIFF	PROCESS DESCRIPTION	ESTIMATED VALUE
Labor. Supreme Court Recourse	Isabel Gutiérrez, Others, Rosalba González	The plaintiffs request a decision accepting they have right to receive the benefits established in the labor agreement existing between Interconexión Eléctrica S.A. E.S.P. –ISA– and the National Workers Union of Interconexión Eléctrica S.A. E.S.P. (SINTRAIISA, for its Spanish initials), and, as a consequence, all benefits and damages to be paid to them.	1,452
Labor. Supreme Court Recourse	Rogerio Alcides Ruiz and Others	The plaintiffs request that all employee benefits be paid according to the labor contract subscribed with the company.	628
Labor. Appellate Court	Víctor Hugo Mosos Campos	The plaintiff requests to order ISA to re-calculate the retirement pension and to pay the additional pension payment corresponding to the month of June.	368
Administrative Tribunal of Antioquia.	Municipality of San Carlos, Antioquia	Claim against Resolution 1233/2001 because the Municipality requested payment of taxes for common space occupation. In December 2012 there was first stage judgment favorable to ISA.	1,839
Administrative Tribunal of Antioquia.	Municipality of San Carlos, Antioquia	The tax on billboards and signs is under discussion in San Carlos, where it was not paid because ISA had no billboards or signs in the municipality's public space. Additionally, ISA had no signs and the municipality acted extemporaneously. The process is in the discovery stage.	329

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

20.2 GUARANTEES AND COMMITMENTS IN FORCE

At 2012 year's end the following guarantees and commitments were in force:

BANK GUARANTEES							
Guaranteed	Type	Beneficiary	Guarantee balance original currency (in units)	Balance In millions of Pesos	Purpose	Initial Date	Ending Date
UPME 02-2008 BOSQUE PROJECT	PERFORMANCE	UPME	COP 5,734,980,000	5,735	Performance guarantee for liabilities incurred in awarding of UPME 02-2008 El Bosque Project public bid	28-09-09	31-08-13
UPME 04-2009 SOGAMOSO PROJECT	PERFORMANCE	UPME	COP 30,000,000,000	30.000	Performance guarantee for liabilities incurred under UPME 04-2009 Sogamoso Project public bid.	23-05-11	23-09-13
UPME 02-2010 TERMOCOL	PERFORMANCE	UPME	COP 8,885,000,000	8,885	Performance guarantee for liabilities incurred under UPME 02-2010 TERMOCOL Project public bid.	18-07-12	01-12-13
ISA	PERFORMANCE	MUNICIPALITY OF YUMBO, VALLE PROVINCE	COP 2,052,020,530	2,052	Performance guarantee of liabilities included in Resolution N°. 031 of July 12, 2012, containing official calculation of revision issued by the Municipality of Yumbo, Valle Province.	25-10-12	25-10-13

Continuation 

BANK GUARANTEES							
Guaranteed	Type	Beneficiary	Guarantee balance original currency (in units)	Balance In millions of Pesos	Purpose	Initial Date	Ending Date
MINISTRY OF ENERGY OF CHILE	SERIOUSNESS OF THE OFFER	MINISTRY OF ENERGY OF CHILE	COP 12,240,000	21,643	Seriousness guarantee for proposal in bidding process for awarding of exploitation and execution rights of the new works New Cardones-Maitencillo 2x500 kV Line, New Maitencillo -Pan de Azúcar 2x500 kV Line and New Pan de Azúcar -Polpaico 2x500 kV Line.	30-08-12	26-02-13
MINISTRY OF ENERGY OF CHILE	PERFORMAN-CE	MINISTRY OF ENERGY OF CHILE	COP 2,000,000	3,536	Performance guarantee of incorporation of Public Corporation with exclusive social purpose of transmission and transport, according to the terms and conditions established in Awarding Decree of exploitation and execution rights of the new works New Cardones-Maitencillo 2x500 kV Line, New Maitencillo -Pan de Azúcar 2x500 kV Line and New Pan de Azúcar -Polpaico 2x500 kV Line, first circuit laying of the SIC's trunk transmission system, issued by the Ministry of Energy.	30-08-12	07-04-13
SALE AND PURCHASE AGREEMENT N°. 4500038014	PERFORMAN-CE	CROMPTON GREAVES LIMITED	COP 1,878,556	3,322	Payment guarantee in purchase of single-phase reactors, as established in sale and purchase agreement N°. ISA 4500038014.	05-12-12	04-04-13
Subtotal				75,173			

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BANK GUARANTEES							
Guaranteed	Type	Beneficiary	Guarantee balance original currency (in units)	Balance in millions of Pesos	Purpose	Initial Date	Ending Date
ITX	JOINT AND SEVERAL	LEASING DE CREDITO S.A.	COP 178,938,804	179	Joint and several guarantee for payment of leasing agreement, Infrastructure Leasing, granted in 2004 by Leasing de Crédito to Flycom Comunicaciones S.A. E.S.P., subsequently transferred in 2007 to INTERNEXA S.A. E.S.P.	30-12-04	17-09-17
ISA BOLIVIA	POWER OF ATTORNEY	BID - CAF	USD 16,102,886	28,474	Pledge on 100% of value of current and future shares in subordinate companies Red de Energía del Perú –REP– and ISA Perú. For ISA Bolivia, granting of unlimited proxy on its shares as payment guarantee of the loans in favor of the lenders.	24-05-05	15-02-19
ISA PERÚ - 3	PLEDGE ON SHARES	IFC	USD 2,034,256	3,597		24-06-02	14-04-16
REP	PLEDGE ON SHARES	BONDHOLDERS	USD 46,720,224	82,612		14-07-03	08-11-22
EPR	JOINT AND SEVERAL	BCIE	USD 44,500,000	78,686	Joint and several guarantee from ISA for loan agreement entered into EPR and BCIE up to USD 44,500,000, related to SIEPAC Project financing. The guarantee must be valid until total principal is paid off	29-06-07	29-06-27
Subtotal				193,548			
TOTAL				268,721			

COMMITMENT	MATURITY
<p>Derived from subsidiary ISA Bolivia:</p> <p>Support and Guaranty Agreement under which, ISA and TRANSELCA are bound, as sponsors of ISA Bolivia, to guarantee loans granted by BID and CAF.</p> <p>Outstanding obligation: paying balance pending with IDB and CAF in case of Government intervention or as of the moment the license is revoked.</p> <p>Loans were earmarked for execution of 30-year licenses for Santivañez–Sucre, Punutuma and Carrasco–Urubó transmission lines and the license for Arboleda Substation.</p>	<p>Termination of contracts (February 15, 2019)</p>
<p>Derived from affiliate ISA Perú:</p> <p>Share retention agreement with TRANSELCA and IFC, which sets the following limitations on transfers of the company's shares: Interconexión Eléctrica S.A. E.S.P. Neither ISA nor TRANSELCA will be able to transfer their shares if: (i) upon such transfer, their stake is reduced below 51% of the company's total shares or (ii) they cease to control the company, except for cases foreseen in the contract.</p>	<p>Termination of the contract (April 15, 2016)</p>

NOTE 21: OPERATING REVENUES

Remuneration of services rendered by the company for concept of transmission of electric power (use of the STN), connection to the National Transmission System(STN) and energy transport ancillary services (administration, operation, and maintenance, specialized technical services, special studies, infrastructure availability, infrastructure projects), technology transfers and corporate services to subsidiaries.

OPERATING REVENUES	(1)	2012	2011
Use of STN existing network	(2)	759,334	737,839
UPME bids use of STN	(2)	78,558	95,225
Connection to STN	(3)	100,928	97,679
Telecommunications	(4)	17,853	16,991
Rights of use		3,269	3,242
Studies and consulting		682	735
Administration, operation and maintenance		3,964	4,631
Other services to subsidiaries		328	349
Energy transport service subtotal		964,916	956,691
Services of construction of infrastructure projects	(5)	29,500	26,057
Energy transport service total		994,416	982,748
Technology transfers		6,903	7,465
Corporate services to subsidiaries		7,539	6,475
Total revenues from other services		14,442	13,940
Total operating revenues		1,008,858	996,688

(1) General aspects of revenues:

- STN Use tariffs are updated on the basis of the Producer Price Index (PPI), the Market Representative Rate (TRM for its Spanish initials) and the USA Producer Price Index.
- Connection tariffs are updated on the basis of the Producer Price Index (PPI).
- Unavailability of assets for delivery of service of use and connection to the STN results in revenue decrease, showing in the utility invoices of the immediately following month through compensations.
- No regulatory change arose in 2012 affecting revenues from use and connection.
- Legal action is underway by ISA to achieve both incorporation of STN assets of the Betania Substation into the system's asset base and corresponding remuneration.
- Given that use rights are invoiced in dollars, they are affected by the behavior of the Market Representative Rate.

(2) Revenues from service of use of existing STN network are explained by PPI behavior, which closed at -2.95% (2011: 5.51%).

(3) Increase arises from execution of new contracts with EMGESA, EEB and ESSA, as well as from higher invoicing to CENS, OXY and OXYANDINA.

(4) Positive variation corresponds to renegotiated tariffs.

(5) Revenues from project construction services are detailed below:

PROJECT NAME:	2012	2011
CANA	9,239	6,844
MOJANA	62	443
DISPAC	350	519
MITÚ	7,559	1,900
SPIE	7,670	7,065
IPSE	-	1,767
PRODECO	276	-
PORCE	-	3
Technical assistance	4,344	7,516
Total revenues from projects services	29,500	26,057

The methodology used for recognition of construction revenues in each one of the projects is “costs incurred”, methodology reflecting

the degree of realization by reference to costs incurred up to date, including the contract costs effectively executed plus the scheduling of costs to be executed along project construction. This methodology applies to every project, except for those of technical assistance, whose revenues are recognized by service delivered. At December 31, 2012, the value of advance payments received from customers for execution of construction contracts totaled \$132,005 (2011: \$189,944).

A list of the main customers and their participation in revenues, whenever higher than 10% of the services delivered by the company, is as follows:

CUSTOMERS	2012	2011
EPM	144,057	143,462
CODENSA	140,877	141,238
Electricaribe	135,610	133,631
Other customers with invoicing less than 10% of total	588,314	578,357
Total operating revenues	1,008,858	996,688

NOTE 22: OPERATING COSTS

Operating costs for the years ended December 31 are detailed as follows:

		2012	2011
Personnel expenses	(1)	60,607	53,072
Materials and maintenance	(2)	69,162	78,279
Fees	(3)	9,701	11,330
Rentals		1,814	1,910
Insurance		6,599	6,452
Services	(4)	25,245	19,236
Intangibles		4,558	4,392
Environment and Social – ISA Región		4,653	3,884
Communications		889	865
Advertising, prints and publications		78	73
Studies	(5)	1,206	278
Research and Development		270	290
Miscellaneous	(6)	14,330	10,155
Taxes and contributions		111,605	111,707
Operating costs before depreciation and amortization		310,717	301,923
Depreciation	(7)	90,595	107,588
Amortization		2,664	2,377
Total depreciation and amortization		93,259	109,965
Total operating costs		403,976	411,888

- (1) Variation in employees' salaries and benefits resulting from negotiation of new labor contract (2011-2016), retroactive to 2011, applicable to all non-unionized workers, except for those with integral salary remuneration.
- (2) Corresponds to recovery of towers affected by terrorist attacks or damage to the electric infrastructure from the rainy season, additionally to scheduled maintenance to the transmission grid and to operation construction works and buildings; year 2011 saw great impact on the electric infrastructure from these factors, reaching costs of \$23,625, while in 2012 they totaled \$14,574.
- (3) Decrease in designs and studies hired for third party's CANA project, whose development was more active along 2011.
- (4) Increase from execution of third party's CANA project in engineering and civil works upon completion of design and study stage in 2011.
- (5) Increase in studies for preparation of bids related to energy transmission.
- (6) Increase in third parties' projects because of advance in development of works.
- (7) Reduction from methodology change for calculation of remaining life of substations assets, based on the deterioration index for each asset (See Note 3.7).

The following table summarizes total operating costs detailing capitalization expenses and/or cost assignment:

	2012			2011		
	TOTAL	CAPITALIZED	NET	TOTAL	CAPITALIZED	NET
Operating costs before depreciation and amortization	315,043	(4,326)	310,717	305,598	(3,675)	301,923
Depreciation and amortization	93,259	-	93,259	109,965	-	109,965
Total	408,302	(4,326)	403,976	415,563	(3,675)	411,888

NOTE 23: ADMINISTRATION EXPENSES

Administration expenses at December 31 consisted of:

		2012	2011
Personnel expenses	(1)	67,774	58,570
Materials and maintenance	(2)	1,047	2,132
Fees	(3)	6,213	4,384
Rentals		519	374
Insurance		442	329
Services		9,368	8,285
Intangibles		3,301	3,220
Environment and Social – ISA Región		4,385	4,181
Communications		646	638
Advertising, prints and publications		2,149	1,914
Studies	(4)	5,050	6,742
Research and Development		233	226
Miscellaneous		2,119	1,929
Taxes and contributions	(5)	2,485	679
Total administration expenses before depreciation, amortization and provisions		105,731	93,603
Depreciation		1,178	1,081
Amortization		4,748	4,551
Provisions	(6)	4,045	6,914
Total depreciation, amortization and provisions		9,971	12,546
Total administration expenses		115,702	106,149

- (1) Variation in employees' salaries and benefits resulting from negotiation of new labor contract (2011-2016), retroactive to 2011, applicable to all non-unionized workers, except for those with integral salary remuneration.
- (2) Reduction in maintenance of constructions and buildings (Medellin headquarters) for works executed in 2011, related to the refurbishing integral design of offices building 1, as well as restaurant reforms and supplementary works.
- (3) Increase in Statutory Auditing, financial, technical and administrative consulting services.

- (4) Reduction from completion of studies for Autopistas para la Prosperidad, former Autopistas de la Montaña, with high execution levels in 2011.
- (5) Increase from change of accounting account upon recommendation from the External Audit AOM CREG, changing from operations costs account to administration expenses account.
- (6) Reduced provisions for inventories and accounts receivable.

The following table summarizes total administration expenses, detailing expenses capitalization and/or assignation:

	2012			2011		
	TOTAL	CAPITALIZED	NET	TOTAL	CAPITALIZED	NET
Operating costs before depreciation and amortization	106,197	(466)	105,731	94,059	(456)	93,603
Depreciation and amortization	5,926	-	5,926	5,632	-	5,632
Provisions	4,045	-	4,045	6,914	-	6,914
Total	116,168	(466)	115,702	106,605	(456)	106,149

TOTAL OPERATING COSTS AND EXPENSES

The following table details total operating costs and expenses for 2012 and 2011:

	2012	2011
Personnel expenses (1)	128,381	111,642
Materials and maintenance	70,209	80,411
Fees	15,914	15,714
Rentals	2,333	2,284
Insurance	7,041	6,781
Services	34,613	27,521
Intangibles	7,859	7,612
Environment and Social – ISA Región	9,038	8,065
Communications	1,535	1,503
Advertising, prints and publications	2,227	1,987
Studies	6,256	7,020
Research and Development	503	516
Miscellaneous	16,449	12,084
Taxes and contributions	114,090	112,386
Operating costs and expenses before depreciation, amortization and provisions	416,448	395,526
Depreciation	91,773	108,669
Amortization	7,412	6,928
Provisions	4,045	6,914
Total depreciation, amortization and provisions	103,230	122,511
Total operating costs and expenses	519,678	518,037

(1) Detail of personnel expenses

ITEM	2012	2011
Wages and salaries	43,574	38,854
Social security and other	19,111	17,422
Contribution plans with set payments (retirement pension)	16,857	13,048
Post-employment service costs and long-term benefits (fringe benefits)	796	-
Mandatory benefits costs	8,241	7,420
Fringe benefits costs	10,958	9,795
Other benefits for personnel	28,844	25,103
Total Personnel Costs / Expenses	128,381	111,642

In 2012 and 2011, 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 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 units 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 2012.

NOTE 24: NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues at December 31 included:

		2012	2011
Financial revenues			
Interest			
On overdue accounts receivable and other loans	(1)	13,646	2,035
Return on other assets		2,674	2,005
Monetary readjustment yields		3,521	2,320
Dividends	(2)	5,419	4,646
Investment valuations		5,167	2,259
Commercial, conditioned discounts and agreements		902	744
Total interest		31,329	14,009
Exchange difference			
Cash		816	1,815
Accounts receivable		394	1,077
Loans		130	-
Accounts payable		1,724	471
Related parties		4,164	392
Financial liabilities		13,637	25,186
Total exchange difference		20,865	28,941
Total financial revenues		52,194	42,950

Continuation 

	2012	2011
Revenues from equity method	145,063	147,659
Other regular revenues		
Revenues from sale of property, plant and equipment	1,481	238
Rentals	508	480
Other regular revenues	19	17
Total other regular revenues	2,008	735
Extraordinary revenues		
Indemnities	239	4,025
Recoveries	(3)	12,875
Revenue from prior years	3,486	2,815
Other extraordinary revenues	145	268
Total extraordinary revenues	12,615	19,983
Total extraordinary revenues and others	14,623	20,718
Total non-operating revenues	211,880	211,327

Continued from previous page [↗](#)

- (1) Increase corresponds to interest on loan granted to ISA Inversiones Chile Ltda. at the end of the previous year.
- (2) Corresponds to dividends paid by ISA Bolivia, which contained a component of inflation adjustment showing in its financial statements prepared under Bolivian standards
- (3) A higher value was included the previous year from recovery of civil contingencies.

	2012	2011
Financial expenses		
Interest and commissions		
On financial liabilities and public credit (See Note 13)	30,966	24,775
Interest and commissions on bonds (See Note 12)	95,347	80,702
Interest on loans with related parties	12,793	9,109
Other interest	3,593	2,182
Commissions and other interest	739	1,231
Administration of security issues	2,723	2,963
Loss from valuation and sale of investments	4,645	3,786
Miscellaneous	802	690
Total interest and commissions	151,608	125,438
Exchange difference		
Cash	894	1,823
Accounts receivable	(1)	1,554
Investments abroad	1,134	2,066
Accounts payable	416	430

Continuation 

	2012	2011
Financial liabilities	6,943	9,747
Total exchange difference	36,190	15,620
Total financial expenses	187,798	141,058
Expense from equity method	136,964	85,455
Other regular and extraordinary expenses		
Other regular expenses		
Loss from retirement of assets	1,041	2,727
Other regular expenses	291	56
Total other regular expenses	1,332	2,783
Other extraordinary expenses		
Prior years adjustments	503	1,389
Total other regular expenses	503	1,389
Total extraordinary expenses and others	1,835	4,172
Total non-operating expenses	326,597	230,685

Continued from previous page [↗](#)

(1) Corresponds mainly to exchange rate difference generated by loan granted to ISA Inversiones Chile at the end of the previous year.

NOTE 25: FINANCIAL RATIOS

Some financial ratios at December 31:

INDICADOR	2012	2011
RETURN ON ASSETS	3.1%	3.6%
Net income/Total assets (%)	(1)	
RETURN ON EQUITY	4.5%	5.3%
Net income / Equity (%)		
EBITDA/Operating interest (times)	(2) 4.3	5.3
LIQUIDITY		
Current assets/Current liabilities (%)	(3) 186.6%	160.6%
DEBT RATIO Liabilities/Assets (%)	31.3%	31.8%
ACCOUNTS RECEIVABLE TURNOVER (days)		
Receivables from customers/Operating revenues * 365	39	67

- (1) Decrease from lower income originating in application of equity method, mainly in Chile subsidiaries, where 100% of results was recognized in 2012, whereas only 60% was incorporated the previous year; additionally, lower profits in Brazil for partial amortization of goodwill in ISA Capital do Brazil for early renewal of concession contract 059 of 2011 in CTEEP.
- (2) Decrease corresponds to lower EBITDA, affected by behavior of macroeconomic variables, while interest on debt rose.
- (3) Improvement is explained by decreased current liabilities from payment of debt and accounts payable.

Leverage ratio for the reporting period:

	2012	2011
Debt	1,424,694	1,575,399
Cash and cash equivalents	235,586	157,173
Net debt	1,189,108	1,418,226
Equity	6,119,706	6,396,343
Net debt / equity index	0,19	0,22

NOTE 26: TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions with related parties during 2012 and 2011 are:

	2012	2011
Balance sheet		
Equity investments		
ISA Capital do Brasil S.A.	988,026	1,125,200
TRANSELCA S.A. E.S.P.	766,257	759,379
ISA Inversiones Chile Ltda.	375,822	484,858
Transmantaro S.A.	293,654	302,666
Red de Energía del Perú S.A. –REP–	131,749	130,278
Internexa S.A.	86,826	107,310
XM, Compañía de Expertos en Mercados S.A. E.S.P.	26,875	23,210
ISA Bolivia S.A.	19,751	21,806
ISA Perú S.A.	13,017	14,171
Proyectos de Infraestructura de Perú –PDI–	9,945	13,851
Interconexión Eléctrica Colombia – Panamá S.A. –ICP–	85	3,965
Autopistas de la Montaña S.A.S.	422	955
Sistemas Inteligentes en Red S.A.S. –SIR–	451	214
Interchile S.A.	11	-
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	1,019	-
Accounts receivable		

Continuation 

	2012	2011
ISA Inversiones Chile Ltda.	248,712	273,252
Internexa S.A.	2,122	2,962
Red de Energía del Perú S.A. –REP–	2,263	2,854
ISA Perú S.A.	269	884
ISA Bolivia S.A.	1,495	756
Intervial Chile S.A.	463	752
Ruta de la Araucanía Sociedad Concesionaria S.A.	632	727
XM, Compañía de Expertos en Mercados S.A. E.S.P.	397	721
Autopista del MAIPO Sociedad Concesionaria S.A.	558	650
Proyectos de Infraestructura de Perú –PDI–	18	614
Autopistas de la Montaña S.A.S.	-	338
TRANSELCA S.A. E.S.P.	349	130
Transmantaro S.A.	157	38
INTERNEXA PERÚ S.A.	16	-
Transnexa S.A. E.M.A	29	26
Accounts payable and financial liabilities		
TRANSELCA S.A. E.S.P.	251,277	270,888
ISA Capital do Brasil S.A.	42,092	46,246
Internexa S.A.	3,929	19,778
XM, Compañía de Expertos en Mercados S.A. E.S.P.	234	8,319
Red de Energía del Perú S.A. –REP–	-	84

Continuation 

	2012	2011
Proyectos de Infraestructura de Perú –PDI–	59	53
Equity transactions		
Dividends declared in favor of ISA		
TRANSELCA S.A. E.S.P.	51,457	38,859
ISA Bolivia S.A.	5,419	4,645
ISA Perú S.A.	2,304	2,276
XM, Compañía de Expertos en Mercados S.A. E.S.P.	382	805
Proyectos de Infraestructura de Perú –PDI–	5,958	-
Transactions related to income statement		
Revenues		
ISA Inversiones Chile Ltda.	10,969	-
Internexa S.A.	53,174	19,451
Proyectos de Infraestructura de Perú –PDI–	4,557	7,587
ISA Bolivia S.A. (1)	6,355	5,475
Red de Energía del Perú S.A. –REP–	2,563	2,886
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,751	2,631
Intervial Chile S.A.	2,202	1,846
ISA Perú S.A.	237	1,763
TRANSELCA S.A. E.S.P.	1,321	1,278
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,234	1,200
Autopista del MAIPO Sociedad Concesionaria S.A.	1,107	1,053
Autopistas de la Montaña S.A.S.	101	751

Continuation 

	2012	2011
Transnexus S.A. E.M.A	696	595
Transmantaro S.A.	172	63
Internexa Perú S.A.	90	30
Expenses		
TRANSELCA S.A. E.S.P.	13,820	10,902
XM, Compañía de Expertos en Mercados S.A. E.S.P.	8,230	8,172
Internexa S.A.	7,798	6,644
ISA Capital do Brasil S.A.	1,677	1,514
Red de Energía del Perú S.A. –REP–	83	843
Proyectos de Infraestructura de Perú –PDI–	191	251

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(1) Includes dividends declared for \$5,419 (2011: \$4,645).

	2012	2011
Administrators (1)		
Board of Director's fees	804	452
Executives' salaries and benefits	7,139	7,328
Executives' bonuses	1,583	1,747
Aids to executives and others	778	739
Loans receivable from executives	1,955	1,678

(1) The detail of amounts received by the company's executives is:

YEAR 2012

ITEM	DIRECTORS (*)	MANAGERS (**)	TOTAL
Integral salary	4,222	2,440	6,662
Benefits (education and health)	247	66	313
Bonuses (temporary transfers, results, directive position)	814	769	1,583
Vacations	296	181	477
Other (sick leaves and non-variable per-diems)	316	149	465
Total earned	5,895	3,605	9,500
Loans balance	1,462	493	1,955

YEAR 2011

ITEM	DIRECTORS (*)	MANAGERS (**)	TOTAL
Integral salary	4,223	2,648	6,871
Benefits (education and health)	247	75	322
Bonuses (temporary transfers, results, directive position)	1,007	740	1,747
Vacations	287	170	457
Other (sick leaves and non-variable per-diems)	251	166	417
Total earned	6,015	3,799	9,814
Loans balance	1,248	430	1,678

(*) “Directors” includes 28 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	Project Manager

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

Covenants or contracts with subsidiaries for the acquisition of goods and services take into account the terms, conditions and costs generally used by ISA with non-related third parties, i.e. the market conditions.

Application of transfer pricing introduced by Law No 788 of December of 2002, started in January 1, 2004. This law states that transactions with related parties abroad should be priced at the same prices that would be applied to independent third parties.

NOTE 27: SUBSEQUENT EVENTS

- The special Shareholders Meeting of Autopistas de la Montaña S.A.S., held on December 19, 2012, aiming to thwart the dissolution event then affecting the corporation, approved: absorption of losses accumulated along 2011 and the period between January 1 and August 31, 2012, reduction of subscribed and paid-in capital, and reduction of the share’s par value. Also, so as to position the brand name “Intervial” for the business of road concessions, change of the corporate name of the subsidiary was approved from Autopistas de la Montaña S.A.S.

to “INTERVIAL COLOMBIA S.A.S.”. As a consequence of the aforementioned decisions, articles 1, 4 and 5 of the bylaws were amended in January, 2013.

- On February 1, 2013, shareholders of ISA Inversiones Chile Ltda., that is, Interconexión Eléctrica S.A., E.S.P. and Internexa S.A., agreed on the spin-off of the Corporation, distributing its equity at December 31, 2012, among themselves and a new corporation by the corporate name “ISA Inversiones Maule Ltda.”, with the same shareholders, corporation born as a consequence of the spin-off of the corporation. Distribution of the corporation’s equity is conducted on the basis of the financial statements as of December 31, 2012 closing.
- Once the spin-off materializes, the capital stock of ISA Inversiones Chile Ltda, will be CLP 98,793,833,536, and the capital stock of ISA Inversiones Maule Limitada will be CLP 48,228,071,324.
- Pursuant to the provisions of Law 1314 of 2009 and regulatory decrees 2706 and 2784 of December, 2012, the company is bound to initiate convergence between the accounting principles generally accepted in Colombia and the International Financial Reporting Standards (IFRS), as they are issued by the IASB (International Accounting Standards Board). Taking into account the complexity of this convergence with IFRS, and the significant effects it will have on the companies, the Technical Council of Public Accounting classified companies into three groups to make the transition.

ISA, as a company classified in Group 1, (securities issuers and others) has January 1, 2014, as the date set to start its mandatory transition period, and December 31, 2015, as the issuance date of the first comparative financial statements under IFRS.

The company must submit to Colombia’s Financial Superintendency an IFRS implementation plan before February 28, 2013, in compliance with circular letter 10 of January 24, 2013.

ABBREVIATIONS

- ANI:** Agencia Nacional de Infraestructura (National Infrastructure Agency, formerly, Instituto Nacional de Concesiones –(INCO))
- ANEEL:** Agência Nacional de Energia Elétrica (Brazilian National Agency of Electric Energy)
- AOM:** Administration, Operation and Maintenance
- ASIC:** Administración del Sistema de Intercambios Comerciales (Administration of the Commercial Settlement System)
- IDB:** Inter American Development Bank
- BRL:** Brazilian Real
- CAF:** Corporación Andina de Fomento (Andean Promotion Corporación)
- CAN:** Comunidad Andina de Naciones (Andean Community of Nations)

CIGRE: International Council on Large Electric Systems	Energéticas para las Zonas no Interconectadas (Planning and Promotion Institute for Energy Solutions for Non-interconnected Areas)
CIDET: Power Sector Technological Research and Development Center	LAC: Liquidación y Administración de Cuentas (Account Settling and Clearing)
CGN: Contaduría General de la Nación (National General Accounting Office)	MEM: Mercado de Energía Mayorista (Wholesale Energy Market)
CND: Centro Nacional de Despacho (National Dispatch Center)	NDF: Non-Delivery Forward
COP: Colombian Pesos	PLC: Power Line Carrier
CREG: Comisión de Regulación de Energía y Gas (Energy and Gas Regulatory Commission)	PRONE: Programa de Normalización de Redes Eléctricas (Network Standardization Program)
CREE: Contribución Empresarial para la Equidad (Business Equity Contribution)	PT: Power Transformer
CT: Current Transformer	REP: Red de Energía del Perú S.A.
CVM: Comissão de Valores Mobiliários - CVM (Securities and Exchange Commission of Brazil)	RTU: Remote Terminal Unit
DIAN: Dirección de Impuestos y Aduanas Nacionales (Tax and Customs Authority)	SAC: South American Crossing
ECA: Export Credit Agency	SIC: Sistema de Intercambios Comerciales (Commercial Settlement System)
EPR: Empresa Propietaria de la Red	SCI: Sistema contra Incendio (Fire System)
FAER: Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Electrification of Interconnected Rural Areas)	SIR: Sistemas Inteligentes en Red
FAZNI: Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Electrification of Non-Interconnected Areas)	STE: Servicio de Transporte de Energía (Energy Transport Service)
HVDC: High Voltage Direct Current	STN: Sistema de Transmisión Nacional (National Transmission System)
IFC: International Finance Corporation	UPME: Unidad de Planeación Minero Energética (Mining and Energy Planning Unit)
IPSE: Instituto de Planificación y Promoción de Soluciones	USD: United States Dollar
	VQ: Voltage Quality



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 as at December 31, 2012 and 2011 and the related statements of financial, economic, social and environmental activity, of changes in equity, and cash flows for the years then ended and the summary of significant accounting policies and other explanatory notes.

The Company's management is responsible for the preparation and fair 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 internal control relevant to the preparation and fair presentation of financial statements free from material misstatements, either by fraud or error; of selecting and applying appropriate accounting policies; and of establishing accounting estimations that are reasonable in the circumstances.

My responsibility is to express an opinion thereon 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 whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant for the 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 opinion.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of de Interconexión Eléctrica S.A. E.S.P. at December 31, 2012 and 2011, 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.

As explained in Note 6 to the financial statements, upon the renewal of concession 059/2001 of CTEEP, a subordinated company of ISA Capital located in Brazil, the "Secretaria da Receita Federal do Brasil" has not provided guide about the tax effects (PIS and CONFIS) on the values related with the indemnities of assets granted by the Federal Government of Brazil. Upon the lack of a statement of a competent entity on the referred matter, to date it is uncertain if a provision should be recorded for the taxes (PIS and CONFIS) on the indemnity in the financial statements of CTEEP at December 31, 2012.

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Further, based on the scope of my audits, I am not aware of situations indicating that the Company has not: 1) kept the minute books, the shareholders' register and the accounting records in accordance with legal requirements and prescribed accounting techniques; 2) carried out the operations in accordance with the by-laws and the decisions of the General Shareholders' and the Board of Directors' meetings, and the rules related with the integral social security; 3) kept the 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 management.

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

Medellín, Colombia
February 22, 2013



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.

SPECIAL REPORT ON TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES DECEMBER DECEMBER
2012 · 2011

Amounts expressed in millions
of Colombian Pesos and original
foreign 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 2012 and 2011 that have been directed and coordinated by the parent company, Interconexión Eléctrica S.A. E.S.P. –ISA–.

Commercial transactions carried out during 2012 among ISA's companies, either directly or indirectly, abide by the provisions of Law 788 regarding transfer prices in force since January 1, 2004.

The main transactions between ISA and its subsidiaries correspond to:

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

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

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

As to equity participation in subsidiaries and affiliates, ISA updates investments in the companies through application of the equity method, after homologating accounting rules and practices and translating the financial statements into Colombian pesos with the United States Dollar as reference currency for the investments in foreign 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 2012 and 2011 are:

	2012	2011
BALANCE SHEET		
Equity investments		
ISA Capital do Brasil S.A.	988,026	1,125,200
TRANSELCA S.A. E.S.P.	766,257	759,379
ISA Inversiones Chile Ltda.	375,822	484,858
Transmantaro S.A.	293,654	302,666
Red de Energía del Perú S.A. –REP–	131,749	130,278
INTERNEXA S.A.	86,826	107,310
XM, Compañía de Expertos en Mercados S.A. E.S.P.	26,875	23,210
ISA Bolivia S.A.	19,751	21,806
ISA Perú S.A.	13,017	14,171
Proyectos de Infraestructura de Perú –PDI–	9,945	13,851

Continuation 

	2012	2011
Interconexión Eléctrica Colombia – Panamá S.A. –ICP–	85	3,965
Autopistas de la Montaña S.A.S.	422	955
Sistemas Inteligentes en Red S.A.S. –SIR–	451	214
Interchile S.A.	11	-
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	1,019	-
Accounts receivable		
ISA Inversiones Chile Ltda.	248,712	273,252
INTERNEXA S.A.	2,122	2,962
Red de Energía del Perú S.A. –REP–	2,263	2,854
ISA Perú S.A.	269	884
ISA Bolivia S.A.	1,495	756
Intervial Chile S.A.	463	752
Ruta de la Araucanía Sociedad Concesionaria S.A.	632	727
XM, Compañía de Expertos en Mercados S.A. E.S.P.	397	721
Autopista del MAIPO Sociedad Concesionaria S.A.	558	650
Proyectos de Infraestructura de Perú –PDI–	18	614

Continuation 

	2012	2011
Autopistas de la Montaña S.A.S.	-	338
TRANSELCA S.A. E.S.P.	349	130
Transmantaro S.A.	157	38
Internexa Perú S.A.	16	-
Transnexa S.A. E.M.A	29	26
Accounts payable and financial liabilities		
TRANSELCA S.A. E.S.P.	251,277	270,888
ISA Capital do Brasil S.A.	42,092	46,246
INTERNEXA S.A.	3,929	19,778
XM, Compañía de Expertos en Mercados S.A. E.S.P.	234	8,319
Red de Energía del Perú S.A. –REP–	-	84
Proyectos de Infraestructura de Perú –PDI–	59	53
Equity transactions		
Dividends declared in favor of ISA		
TRANSELCA S.A. E.S.P.	51,457	38,859

Continuation 

	2012	2011
ISA Bolivia S.A.	5,419	4,645
ISA Perú S.A.	2,304	2,276
XM, Compañía de Expertos en Mercados S.A. E.S.P.	382	805
Proyectos de Infraestructura de Perú –PDI–	5,958	-
Transactions related to income statement		
Revenues		
ISA Inversiones Chile Ltda.	10,969	-
INTERNEXA S.A.	53,174	19,451
Proyectos de Infraestructura de Perú –PDI–	4,557	7,587
ISA Bolivia S.A. (1)	6,355	5,475
Red de Energía del Perú S.A. –REP–	2,563	2,886
XM, Compañía de Expertos en Mercados S.A. E.S.P.	2,751	2,631
Intervial Chile S.A.	2,202	1,846
ISA Perú S.A.	237	1,763
TRANSELCA S.A. E.S.P.	1,321	1,278
Ruta de la Araucanía Sociedad Concesionaria S.A.	1,234	1,200

Continuation 

	2012	2011
Autopista del MAIPO Sociedad Concesionaria S.A.	1,107	1,053
Autopistas de la Montaña S.A.S.	101	751
Transnexa S.A. E.M.A	696	595
Transmantaro S.A.	172	63
Internexa Perú S.A.	90	30
Expenses		
TRANSELCA S.A. E.S.P.	13,820	10,902
XM, Compañía de Expertos en Mercados S.A. E.S.P.	8,230	8,172
INTERNEXA S.A.	7,798	6,644
ISA Capital do Brasil S.A.	1,677	1,514
Red de Energía del Perú S.A. –REP–	83	843
Proyectos de Infraestructura de Perú –PDI–	191	251

Continued from previous page [↗](#)

(1) Includes dividends declared for \$5,419 (2011: \$4,645).

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 2012, are as follows:

TRANSELCA S.A. E.S.P.

As approved by the Board of Directors of Transelca in meeting held on February 17, 2012, loans for \$186,976 million were extended to ISA to replace existing loans for the same amount. The debt management operation establishes new conditions as follows: \$60,798 million at 10 years, \$85,179 million at 12 years, and \$40,999 million at 13 years.

Transelca's Shareholders' Meeting held on March 27, 2012, approved the project for earnings distribution of year 2011 for \$51,458 million. \$51,456 million corresponded to ISA.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

During 2012, the Shareholders' Meeting of ISA Perú, in meetings held on March 20 and December 3 of same year, declared, respectively, the following dividend payments: distribution of earnings on the basis of the financial statements of 2011 for USD1.3 million and advance payment of dividends for USD3.3 million on the basis of earnings generated in the period of January - September of 2012. USD0.4 million and USD0.9 million, respectively, corresponded to ISA.

RED DE ENERGÍA DEL PERÚ S.A. –REP–

The meeting of REP's Directorate held on June 19, 2012, authorized

subordinated loan to Consorcio Transmantaro S.A. -CTM- for up to USD65 million, of which, USD50 were disbursed by REP to CTM during 2012.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

The Shareholders' Meeting of ISA Bolivia, held on March 21, 2012, approved distribution of freely available earnings for the year 2011 for BOB42 million. BOB21.4 million corresponded to ISA.

ISA CAPITAL DO BRASIL S.A.

The Special Shareholders' Meeting of ISA Capital do Brasil held on December 3, 2012, approved extension of concession contract 059/2001 of CTEEP under the terms and conditions of Provisory Measure N° 579 of September 11, 2012 that includes generation, transmission and distribution of electric energy, reduction of sector assignments, tariff reduction, and other decisions, regulated by Decree N° 7805 of September 14, 2012 and amended by Provisory Measure N° 591 of November 29, 2012.

COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA –CTEEP–

The Shareholders' Meeting of CTEEP held on April 16, 2012, approved distribution of earnings of 2011 to its shareholders as dividends for BRL31.3 million.

The meetings of CTEEP's Administration Council held on March 29 and June 29 of 2012, authorized distribution to its shareholders of period's earnings for BRL114.3 million and BRL161 million, respectively.

During 2012, CTEEP made capital contributions to its affiliates for BRL210.5 million. The most significant outlays were made to IE MADEIRA for BRL140.8 million and to IE PINHEIROS for BRL30 million.

During 2012, CTEEP was affected by a regulatory change in Brazil's electric sector, a process culminating in December of the same year with a 30-year extension (as of January 1, 2013) of Concession 059/2001 (initially to expire in June 2015) between CTEEP and the National Agency of Electric Energy Agency (ANEEL).

Changes originated in announcement by Brazilian President, Dilma Rousseff, of Provisory Measure MP 579 of September 11, 2012, which sought reduction of electric energy tariffs for consumers, anticipating to 2013 renewal of electric sector concessions originally to expire between 2015 and 2017; this in exchange for compensation of non-depreciated assets (exactly as consigned in the contracts), and future recognition of an annual payment for operation and maintenance of assets under concession.

Issuance of MP 579, which seriously affected the Brazilian electric sector, initially took CTEEP's Administration Council, based on

economic and financial studies hired with the prestigious Getulio Vargas Foundation, to consider not renewing concession contract 059/2001 and continue operating under the same conditions until 2015. Among other reasons, CTEEP expressed that it was necessary to make adjustments to MP 579, such as to compensate investments in assets not yet amortized or depreciated existing as of May 2000, acknowledgment of improvements and tax neutrality over compensated values.

Upon consideration of the impact on the affected companies, the Brazilian government modified MP 579 by issuing Provisory Measure (MP) 591, of November 29 of 2012 recognizing the companies' right of compensation for non-depreciated assets existing as of May 31, 2000 previously registered by the concessionaires and recognized by ANEEL. This new proposal, supported on the integral analysis of experts in the different subjects, was approved by the shareholders of CTEEP in the Special Meeting held on December 3, 2012. On December 4, CTEEP signed with the federal government the extension of concession contract 059/2001 for 30 years, as of January 1, 2013.

In December 2012, CTEEP acquired 100% of assets of Evrecy Participações Ltda., the concessionaire that operates the LT Governador Valadares - Mascarenhas 230 kV, 154 km transmission line, (and the Mascarenhas substation) between the States of Minas Gerais and Espírito Santo. The corporation has revenues for BRL8.2 million, plus authorized reinforcement with additional revenues of BRL1.2 million.

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

During 2012, Interconexión Eléctrica S. A. E.S.P. made capital contributions to ICP for USD900,000.

Funds are earmarked mainly for execution of activities required for viability of Colombia – Panama interconnection project (technical and environmental studies).

INTERCONEXIÓN ELÉCTRICA COLOMBIA PANAMÁ S.A.S. E.S.P.

During 2012, Interconexión Eléctrica S. A. E.S.P. made capital contributions to ICP S.A.S. for USD1,200 million.

Funds are earmarked mainly for execution of activities required for viability of Colombia – Panama interconnection project (technical and environmental studies).

INTERCHILE S.A.

In October 2012, ISA Colombia won the Chilean Trunk Transmission project between Polpaico and Cardones substations, with approximate length of 730 km. Upon being awarded this project, ISA Colombia established a corporation with electric transmission

as exclusive social purpose called INTERCHILE S.A. The new project shall be in operation within five years. Awarding to ISA of transmission project in Chile was formalized on January 16, 2013.

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

On March 29, 2012, the Shareholders' Meeting of PDI approved distribution of dividends from earnings accumulated until 2010 for the amount of USD3.3650 million. USD3.3639 million corresponded to ISA.

ISA INVERSIONES CHILE LTDA.

Along 2012, Interconexión Eléctrica S. A. E.S.P. made capital contributions to ISA Inversiones Chile for USD2 million.

On November 30, ISA Inversiones Chile repaid loan and interest owed to INTERVIAL CHILE for CLP39,505 million, repaying the debt in full.

On December 16, 2012, ISA Inversiones Chile Ltda. and Interconexión Eléctrica S. A. E.S.P. agreed to postpone for one year (until December 16, 2013) the payment of principal owed for a loan extended by ISA to ISA Inversiones Chile on December 16, 2011, whose amount totals USD140.4 million.

The spin-off of ISA Inversiones Chile to create ISA Inversiones Maule is currently in process. Upon the spin-off, ISA Inversiones Chile will hold 55% of the shares of Intervial Chile, with the remaining 45% being held by ISA Inversiones Maule.

ISA Inversiones Maule will also receive 0.1% of the participation in Interchile S. A.

INTERVIAL CHILE S.A.

The Special Shareholders' Meeting of INTERVIAL CHILE held on November 29, 2012 declared dividends for CLP43,167 million, of which CLP43,163 million corresponded to ISA Inversiones Chile and the remaining CLP4 to Internexa S.A. (ISA's affiliates).

RUTA DE LOS RÍOS SOCIEDAD CONCESIONARIA S.A.

The Special Shareholders' Meeting held on October 16, 2012 approved distribution of dividends from retained earnings of prior years existing as on December 31, 2011. Distribution amounted to CLP20,159 million, of which CLP15,119.6 million corresponded to INTERVIAL CHILE (affiliate of ISA).

AUTOPISTAS DE LA MONTAÑA S.A.S.

Upon authorization of the Board of Directors in meeting held on December 17, 2010, ISA filed on January 18, 2011 with the Medellin

Chamber of Commerce the deed of incorporation of Autopistas de la Montaña S.A.S., a simplified joint stock company established by private document of its single shareholder with \$20,000 authorized capital and \$1,000 paid-in capital.

The inter-administrative contract subscribed between ISA and Agencia Nacional de Infraestructura (ANI) (former Instituto Nacional de Concesiones (INCO)) was terminated early after ISA declared the occurrence of events of early termination upon non-compliance with two of the contractual conditions required: Guaranteed IRR and bankability according to the analysis and designs delivered by ISA to ANI at the end of Phase 1 of the contract. The contract had been subscribed by the parties on January 28, 2010 for execution of the Autopistas de la Prosperidad project (former Autopistas de la Montaña).

Upon subscription of the Mutual Liquidation Agreement of the Inter-administrative Contract, ISA received on December 28, 2012, the amount of \$39,526 million for the studies conducted in the evaluation stage of the road corridors of Autopistas de la Montaña, and accordingly, transferred to ANI the copyrights on the studies.

The special Shareholders' Meeting of Autopistas de la Montaña held on December 19, 2012, and upon approval of the amendment to the bylaws, agreed to change the corporate name and adopt the denomination of INTERVIAL COLOMBIA S.A.S. The same meeting approved absorption of losses for \$1,079 million through reduction

of subscribed capital down to \$420,265 million in order to reinstate the ratio between net equity and subscribed capital to a level above 50%, without reimbursing any contribution to shareholders.

During 2012, ISA made capital contributions for \$500 million to Autopistas de la Montaña.

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

The Shareholders' Meeting of XM held on February 9, 2012, declared distribution of earnings of the year 2011 for \$382. \$381.8 million corresponded to ISA.

ABBREVIATIONS

BOB	Boliviano
BRL	Brazilian Real
\$	Colombian Peso
USD	United States Dollar
CLP	Chilean Peso
ARS	Argentine Peso

CODE OF COMMERCE ARTICLE 446 - REPORT

December 31, 2012

(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 company's executives.

Details of amounts received by the Corporation's executives:

FOR	DIRECTORS (*)	MANAGERS (**)	TOTAL
Integral salary	4,222	2,440	6,662
Benefits (education and health)	247	66	313
Bonuses (temporary transfers, results, directive position)	814	769	1,583
Vacations	296	181	477
Other (sick leaves and non-variable per-diems)	316	149	465
Total earned	5,895	3,605	9,500
Loans balance	1,462	493	1,955

(*) "Directors" includes 28 executives of the company, whose posts are as follows:

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

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	Project Manager

Fees paid to the members of the Board of Directors

Between January 1 and December 31 of 2012, payments of fees to the members of the Board of Directors totaled \$804 million.

B. In 2012, no payments were made for salaries, fees, per-diems, representation expenses, bonuses, premiums in cash or in kind, and no expenditures were made for transportation, in favor of advisors or intermediaries, either or not related to the corporation through work contract, whose main duty were 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 2012 under the social management model and not requiring consideration from the other party:

	\$ MILLION
Municipality of San Carlos, Antioquia Province	31
Municipality of Herveo, Tolima Province	10
Municipality of Campamento	14
Municipality of Montelíbano	2
Army Fourth Brigade	59

D. Between January 1 and December 31 of 2012, expenses paid for public relations with stakeholders totaled \$9 million.

Between January 1 and December 31 of 2012, \$2,227 million were paid for publicity and advertising, as follows: prints and publications: \$267 and publicity and advertising: \$1,960.

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

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

	2012
Assets	
Current assets	
Cash and marketable investments	7,448
Accounts receivable	147,238
Total current assets	154,686
Non-current assets	
Foreign currency investments	1,038,220
Total non-current assets	1,038,220
Total assets	1,192,906
Liabilities	
Current liabilities	
Current portion of financial liabilities	3,791
Accounts payable	7,395
Total current liabilities	11,186
Long-term liabilities	13,270
Related parties	23,800
Total non-current liabilities	37,070
Total liabilities	48,256
Net asset monetary position	1,144,650

F. Net equity investments, domestic or foreign, are as follows:

EQUITY INVESTMENTS	2012
Investments in controlled companies	
TRANSELCA S.A. E.S.P.	766,257
INTERNEXA S. A.	86,826
XM, Compañía de Expertos en Mercados S.A. E.S.P.	26,875
Autopistas de la Montaña S.A.S.	422
Sistemas Inteligentes en Red S.A.S. -SIR-	451
ISA Capital do Brasil S.A.	988,026
ISA Inversiones Chile Ltda.	375,822
Consortio Transmantaro S.A.	293,654
Red de Energía del Perú S. A. - REP -	131,749
ISA Bolivia S. A.	19,751
ISA PERÚ S.A.	13,017
Proyecto de Infraestructura Perú S. A. C. -PDI-	9,945
Interchile S. A.	11
Total investments in controlled companies	2,712,806

Continuation 

	2012
Investments with shared control	
Interconexión Eléctrica Colombia Panamá S. A. -ICP-	85
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	1,019
Total investments with shared control	1,104
Investments at cost	
Electricaribe S.A. E.S.P.	12,114
Empresa propietaria de la RED - EPR-	11,493
Financiera de Desarrollo Nacional S. A.	4
Total investments at cost	23,611
Total investments in corporations	2,737,521
Provision for investments in corporations	
Investments in controlled companies	(7,742)
Investments at cost	(2,249)
Total provision for investments in corporations	(9,991)
Total investments in corporations	2,727,530

Continued from previous page [↗](#)

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 22, 2013

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

In connection with the 2012 Annual Report of ISA and its companies, the undersigned, Legal Agent and Chief Accounting Officer of Interconexión Eléctrica S.A. E.S.P., in compliance with Article 37 of Law 222 of 1995, Law 964 of 2005, and Resolution 356 of 2007 of the Colombian General Accounting Office, hereby certify that:

1. The financial statements of ISA parent company, and the consolidated financial statements, at December 31, 2012 and 2011, have been faithfully taken from the books, and before making them available to you and to third parties, we have verified the following assertions therein contained:

- a. That facts, transactions and operations have been recognized and carried out during the accounting period.
 - b. That the economic facts are disclosed in compliance with the provisions of the Public Accounting Regime.
 - c. That the total value of assets, liabilities, equity, revenues, expenses, costs and memorandum accounts has been disclosed in the basic accounting statements up to the closing date.
 - d. That assets represent potential services or future economic benefits while liabilities represent past facts that imply an outflow of resources in execution of its activities, at the closing date.
2. That the financial statements and other reports relevant to the public, related to the fiscal years ended December 31, 2012 and 2011, do not contain defects, inaccuracies or errors that prevent ascertaining the true financial position and operations of ISA and its companies.



Luis Fernando Alarcón M.
Chief Executive Officer



John Bayron Arango V.
Chief Accounting Officer T.P.
N° 34420-T

CERTIFICATION OF COMPLIANCE WITH INTELLECTUAL PROPERTY AND COPYRIGHT REGULATIONS

Medellín, February 22, 2013

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

Certify:

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



Luis Fernando Alarcón M.
Chief Executive Officer



Olga Lucía López Marín
Information Director

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED DICIEMBRE DICIEMBRE
BALANCE SHEETS **2012- 2011**

Amounts in thousands of dollars
converted at exchange rates
at the reporting dates

ASSETS	2012	2011
Current assets		
Cash	242,873	202,671
Marketable investments	705,480	524,643
Accounts receivable – net	1,689,094	837,311
Inventories – net	63,364	18,871
Deferred charges and other assets	67,531	72,859
TOTAL CURRENT ASSETS	2,768,342	1,656,355
Non-current assets		
Long-term investments – net	400,178	367,349
Long-term accounts receivable	1,083,862	570,670
Inventories – net	33,043	29,016
Property, plant and equipment – net	1,714,391	1,523,724
Deferred charges and other assets	6,870,457	7,961,256
Reappraisals	1,704,183	1,614,369
TOTAL NON-CURRENT ASSETS	11,806,114	12,066,384
TOTAL ASSETS	14,574,456	13,722,739
Memorandum accounts		
Debit	2,044,522	2,098,843
Credit	4,778,018	1,292,160

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED DICIEMBRE DICIEMBRE
BALANCE SHEETS **2012-2011**

Amounts in thousands of dollars
 converted at exchange rates
 at the reporting dates

LIABILITIES AND SHAREHOLDERS' EQUITY	2012	2011
Current liabilities		
Outstanding bonds	233,530	237,009
Financial liabilities	529,643	560,014
Accounts payable	575,390	599,059
Labor liabilities	11,830	9,197
Accrued liabilities and estimated provisions	99,972	91,200
Other liabilities	146,643	982,385
TOTAL CURRENT LIABILITIES	1,597,008	2,478,864
Non-current liabilities		
Outstanding bonds	3,152,698	2,749,549
Financial liabilities	1,395,795	1,341,115
Accounts payable	878,994	201,778
Labor liabilities	810	765
Accrued liabilities and estimated provisions	434,294	437,997
Other liabilities	1,298,907	941,595
TOTAL NON-CURRENT LIABILITIES	7,161,498	5,672,799
TOTAL LIABILITIES	8,758,506	8,151,663

Continuation 

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED DICIEMBRE DICIEMBRE
BALANCE SHEETS **2012- 2011**

Amounts in thousands of dollars
converted at exchange rates
at the reporting dates

LIABILITIES AND SHAREHOLDERS' EQUITY	2012	2011
Minority interest	2,360,169	2,263,982
Shareholders' equity		
Subscribed and paid share capital	20,877	19,002
Capital surplus	817,489	744,072
Reserves	528,490	409,734
Net income	154,357	173,355
Cumulative translation adjustment	-5,141	14,593
Equity revaluation	235,063	213,952
Revaluation surplus	1,449,634	1,382,340
Surplus from equity method	255,012	350,046
TOTAL SHAREHOLDERS' EQUITY	3,455,781	3,307,094
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	14,574,456	13,722,739
Memorandum accounts		
Credit	4,778,018	1,292,160
Debit	2,044,522	2,098,843

Continued from previous page [↗](#)

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF FINANCIAL, ECONOMIC, SOCIAL AND ENVIROMENTAL ACTIVITY

DICIEMBRE DICIEMBRE
2012- 2011

Amounts in thousands of dollars
 converted at exchange rates at
 the reporting dates

	2012	2011
OPERATING REVENUES		
Electric energy transmission services	1,651,096	1,591,378
Connection charges	201,557	187,139
Roads	422,665	358,544
Telecommunications	64,364	50,624
Dispatch and CND-MEM coordination	23,590	20,309
MEM Services (STN, SIC, SDI)	23,258	15,330
Other operating revenues	47,020	25,402
TOTAL OPERATING REVENUES	2,433,549	2,248,726
OPERATING COSTS AND EXPENSES		
Operating Costs	911,346	818,756
Administration expenses	389,592	300,928
TOTAL OPERATING COSTS AND EXPENSES	1,300,938	1,119,684
OPERATING INCOME	1,132,611	1,129,042
NON-OPERATING REVENUES (EXPENSES)		
Non-operating revenues	1,761,170	280,576
Non-operative expenses	(1,970,929)	(644,357)
NON OPERATING LOSS	(209,759)	(363,781)
INCOME BEFORE TAXES	922,852	765,261
Income tax provision	(376,924)	(235,442)
INCOME BEFORE MINORITY INTEREST	545,928	529,819
Minority interest	391,572	356,463
NET INCOME	154,356	173,356

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS DICIEMBRE DICIEMBRE
OF CASH FLOWS **2012- 2011**

Amounts in thousands of dollars
 converted at exchange rates at the
 reporting dates

	2012	2011
CASH FLOW FROM OPERATION ACTIVITIES		
Net income	154,357	173,355
Add (less) – Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	391,572	356,463
Depreciation of property, plant and equipment	88,207	88,373
Amortization of deferred charges and other assets	370,853	293,075
Amortization of retirement pensions and fringe benefits	18,375	15,013
Allowance for doubtful accounts	567	624
Provision for inventory protection	0	1,586
Investments (recovery) provision	(36)	269
Income tax provision	376,924	235,442
Loss on sale and retirement of property, plant, equipment and rights	878	58,174
Rights retirement cost for early renewal of 059/2001 contract in CTEEP	1,300,916	0
Exchange difference expense	19,213	9,008
Recovery of provisions	(825)	(1,051)
Interest and commissions accrued	361,668	310,501
	3,082,669	1,540,832

Continuation 



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS DICIEMBRE DICIEMBRE
OF CASH FLOWS **2012- 2011**

Amounts in thousands of dollars
 converted at exchange rates at the
 reporting dates

	2012	2011
CASH FLOW FROM OPERATION ACTIVITIES		
Changes in operating assets and liabilities:		
Accounts receivable	(92,932)	(265,048)
Accounts receivable for early renewal of 059/2001 contract in CTEEP	(1,443,171)	0
Inventories	(43,796)	(12,659)
Deferred charges and other assets	7,640	(2,160)
Deferred costs for debt restructuring in Chile	0	(752,354)
Accounts payable and other liabilities	124,256	609,754
Labor liabilities	1,695	(3,055)
Accrued liabilities and estimated provisions	2,936	(295,678)
Collections for third parties	122,020	124,163
Minority interest	(164,902)	(528,421)
Equity variation	377	(12,669)
Cash flow in other operations:		
Payment of retirement pensions	(14,889)	(12,478)
Payment of taxes	(365,666)	(426,532)
Net cash provided (used) in operation activities	1,216,237	(36,305)

Continuation 



INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS DICIEMBRE DICIEMBRE
2012- 2011

Amounts in thousands of dollars
 converted at exchange rates at the
 reporting dates

	2012	2011
CASH FLOW FROM OPERATION ACTIVITIES		
Cash flow from investment activities:		
Variation in long-term investments	3,453	(54,287)
Sale of property, plant and equipment	346	0
Acquisition of intangible assets	(462,956)	0
Acquisition of property, plant and equipment	(138,831)	(58,963)
Net cash used in investment activities	(597,988)	(113,250)
Cash flows from financing activities:		
Interest received in cash	24,909	22,956
Interest and commissions paid in cash	(524,031)	(396,609)
Cash dividends paid	(139,068)	(96,360)
Increase in financial liabilities	807,214	967,319
Bond issues	434,178	304,630
Payment of financial liabilities	(811,499)	(329,775)
Payment of bonds	(260,676)	(218,701)
Net cash (used) provided by financing activities	(468,973)	253,460
Increase in cash and cash equivalents – Net	149,276	103,905
Cash and cash equivalents at the beginning of the year	727,314	623,409
Effect beginning balance conversion	71,762	
Cash and cash equivalents at the end of the year	948,353	727,314

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