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INTEGRATED
MANAGEMENT REPORT



CONNECTIONS THAT INSPIRE

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010203

Message from
ISA's CEO



If we are aware we are all one,
then there is a connection.

2016 A YEAR TO GROW

Dear Shareholders:

It is of great pleasure to present ISA and its business results during 2016. This year had very relevant milestones, but especially very significant financial results for the history of this Company. The decisions made allow us to consolidate our strength and to become more resilient in a changing world, which is permanently challenging us to generate value in time for our stakeholders.

At ISA, we are aware of the complexity, dynamism, and uncertainty of business environments, and we envision transformations in them, because of the incorporation of emerging technologies and customers' preferences changes which will affect all value of chain segments.

Given this reality, we understand that to avoid the obsolescence of companies and businesses is necessary to manage risks and capitalize on opportunities to demonstrate adaptability, proximity to our stakeholders and above all, a high innovation capacity. Success of companies is based on transforming these aspirations in realities and meet goals set.

Therefore, it is a source of pride, to inform you



Bernardo Vargas Gibsone, CEO



In 2017, ISA turns 50 years, a perfect date to honor the exceptional journey and an exceptional moment to reflect, become aware and set a higher goal which leads us toward becoming an organization whose exercise of connecting turns into inspiring connections".

ISA REACHED FOR THE FOURTH CONSECUTIVE YEAR THE HIGHEST NET INCOME IN ITS HISTORY.

that the strategy planned for 2020, shows us a higher goal than 90% of compliance and we firmly believe that by the end of 2017 we will have reached 100% compliance with this strategy. Therefore, this year will be a time for reflection in which the company will set new strategic challenges to support its businesses growth, considering the great investment opportunities in Latin America.

Although 2016 has undoubtedly been a complex year, full of challenges, changes, and big demands, we have faced all of them with the responsibility and professionalism that characterizes us as a business group. Thus, achieving extraordinary results.

From the economic point of view, ISA reached the highest net income in its history, COP 2,1 trillion, 203% more than last year. Regarding the consolidated figures, the

operational revenues were COP 12,1 trillion, EBITDA accumulated COP 8,9 trillion and assets closed at COP 38,5 trillion. This large variation is explained by the recognition of the compensation from the Basic Network of the existing System - RBSE - in CTEEP subsidiary.

Now, to facilitate the historic comparison we exclude RBSE from the analysis, which is a non-repeatable event. Income is also very positive. ISA's net income reached COP 768.718 million, the consolidated operating revenues were COP 6,6 trillion and the consolidated EBITDA was COP 3,4 trillion.

We also want to highlight the excellence performance of ISA stock in Colombia by presenting a higher valuation in the markets, accumulating 35,2%.

As a sign of the excellence and integrity of our management, in Colombia for the second consecutive year, we were included in the most demanding and prestigious sustainability index worldwide, the Dow Jones Sustainability Index -DJSI-, in the category of emerging markets, which confirms ISA as one of the listed companies with the best sustainability practices. For the second time, ALAS 20 gave ISA an award as leading company in Corporate Governance. In Brazil, CTEEP was selected by Great Place to Work, as one of the best companies to work in Brazil, and in Peru, REP was acknowledged due to its good environmental practices by the Environmental Assessment and Control Agency - OEFA -.

To ISA and its companies, reputation is a strategic resource and to manage it, it is biennially measured among the different key audiences. The income obtained during 2016 shows us we keep a good reputation, which is based on strength, experience, knowledge of the sectors where we operate, ethics and the quality of our human talent and its technical knowledge.

In the Energy transmission business, ISA and its companies transported power to more than 130 million people in the continent, through the operation of 42,064 km of high-voltage networks in Colombia, Peru, Brazil, and Bolivia. This confirms us as the largest international transporter of power in Latin America.

We were awarded projects in Brazil and Colombia, which will require investments close to USD 300 million. We strengthen our regional strategy and presence in Brazil, through the purchase of 41,6% of the TAESA control block, energy transmission company of a high strategic importance and great operating quality and corporate governance.

In the road concessions business, INTERVIAL CHILE, was once again awarded the Road Safety Award, due to its excellent management of safety on the roads.

In the business of Information and Telecommunication Technologies, INTERNEXA with a new administration, redefined its strategic focus, its processes, and products, with the support of a human talent focused on a new market objective, aimed at rendering digital solutions of added value in accordance to its needs.

In the business of Real-time systems management, XM, due to the difficult power situation generated by the presence of the Niño phenomenon, had to demand the most of its technical expertise and its regulatory

For the second year
in a row, we were included
in the most demanding
and prestigious sustainability
index in the world, the Dow
Jones Sustainability Index.

independence, to work with the Ministry of Mines and Energy, the Energy, and Gas Regulatory Commission - CREG - and sector stakeholders, to design the necessary measures to maintain the reliability of energy supply in the country.

In addition, our commitment towards sustainability now has a very ambitious project, which integrates the key objectives of community rural work, the environment, and the protection of endangered species. This project is called Conexión Jaguar. With this program, we aim at protecting life by working with the rural communities to contribute with the preservation of the environment and by doing so, protecting wildlife corridors which connect jaguar populations, “the largest of South America’s big cats”, through financial sustainable programs through the issuance and sale of carbon credits.

We cannot forget that ISA will turn 50 years and it is the perfect moment to acknowledge the path already covered and take some time to reflect on, and set a higher goal which guides us to become an organization whose business purpose of connecting turns into connections which inspire. This evolution raises the need to communicate in new ways, with a new language expressed in a new brand which represents this dynamic movement, agility, sustainability, and closeness we want, to reach the heart of all our Latin America Stakeholders.

Finally, we want to specially thank: all our stakeholders and shareholders due to their reliability and wish to continue investing in the Company; our collaborators, who have faced (with co-responsibility as well as technical and human capacity) increasing challenges; communities, for recognizing us as a legal stakeholder for its development; governments, who trust us as responsible investors; our clients, who motivate us to continue innovating to offer better quality products and services; and our suppliers, due to their tenacity and commitment to respond to the challenged demanded by the company.

We deliver you this document with the firm conviction that you will find the information required to contextualize the 2016 management, the most relevant events in the period, and the advances during the management of relevant issues of the Electric Energy Transmission Business Unit. **[G4-1]** **[G4-2]**

These are the foundations for the future upon which we are building the ISA of the future.



Bernardo Vargas Gibsone
CEO

01020304

ISA 50 years,
connections
that inspire



If we recognize that our planet is fragile
and that we should to take care of it,

then there is a connection.

When ISA started to operate almost 50 years ago, “ISA had nothing. ISA only had three employees, a secretary, a driver and a messenger. ISA had no its own offices. ISA just had a paid-up capital of 5 million Colombian pesos”, as masterly told by German Jaramillo Olano, former General Manager of the Company, on his book *La Integración Eléctrica en Colombia* (The Electric Integration in Colombia). This memory dates back to 1967, when the former Colombian President, Carlos Lleras de la Fuente (1966 – 1970), assertively observed the need to foster the integration of electric systems in the country, in order to supply the future national demand.

That is how ISA was created, a company entrusted with the significant task of structuring the Colombian electric sector.

Today ISA (transformed into a corporate group, a technical reference and a leader on sustainability issues in Latin America) understood that having profitability and an ambitious expansion strategy are not enough: the future is in the management of human resource; in the use of new technologies to find better ways of doing things; in the adoption of an innovation culture that permeates the organization from strategy; in the commitment to global causes such as reduction of climate change and the protection of biodiversity. ISA is currently committed to all these aspects: during this new half century that is beginning, ISA transforms and evolves itself, as well as it wants you to be a part of this great change.

50 YEARS

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ISA 50 YEARS CONNECTING



1967/1977



1978/1987



1988/1997



1998/2007



2008/2017

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TIMELINE

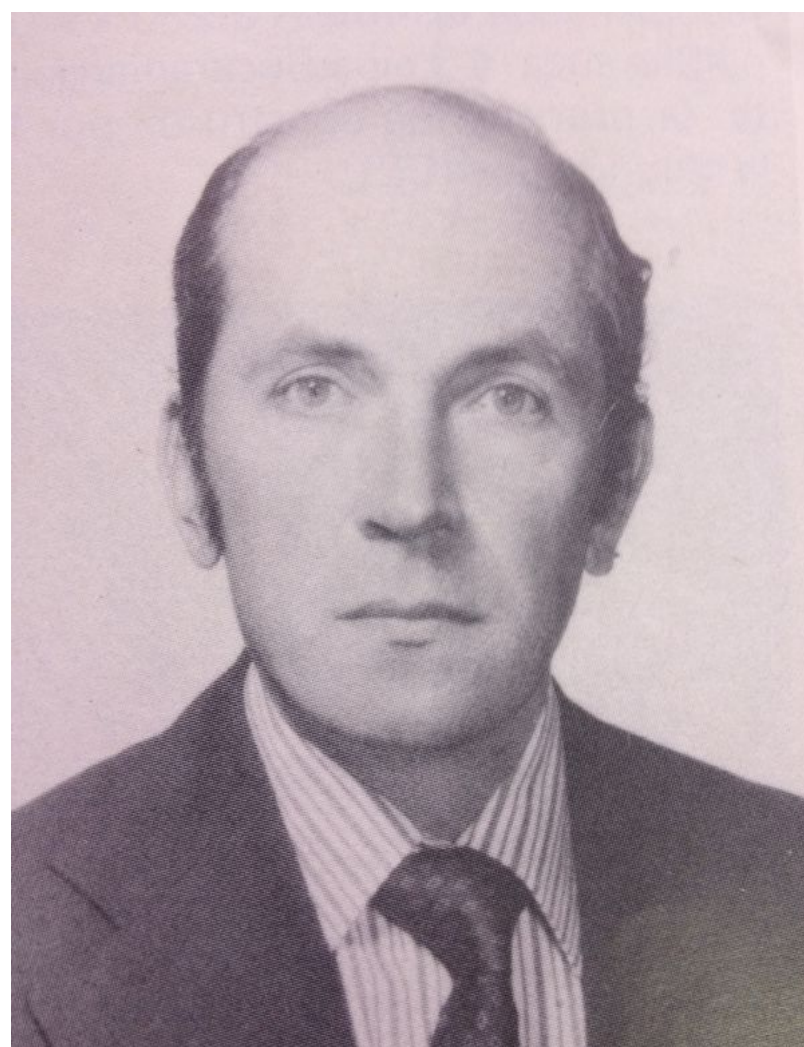
1967/1977

1978/1987

1988/1997

1998/2007

2008/2017



First ISA's CEO: José María Piedrahita Pardo.

NOTARIA OCTAVA

DEL CIRCULO DE BOGOTA D.E.

Nuevo local: Carrera 7 No. 12-70 Tels. 414-722 y 434-432

VIDESIMA SEXTA -Copia de la Escritura Pública No. 3.057

de fecha 14 de SEPTIEMBRE de 1967

CONTRATO:

OTORGANTES:

CONSTRUCCION DE LA SOCIEDAD DE TRANSMISION ELECTRICA S.A.S.

José María Piedrahita

1967

The Colombian government
fosters the creation of ISA to
develop transmission and gen-
eration of energy.

1971

- Commissioning of the
Colombian Central Network
at 230kV.
- The first regional integration
system starts operations.

1977

The energy generation
business initiates operations
in Colombia.

1.350 km
OF HIGH VOLTAGE
CIRCUIT

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TIMELINE



- 1982

Chivor Hydroelectric Plant starts operations – 1.000 MW.
- 1984

→ The first stage of the San Carlos Hydroelectric Plant starts operations – 620 MW.

→ The National Telecommunications and Control Center starts operations.

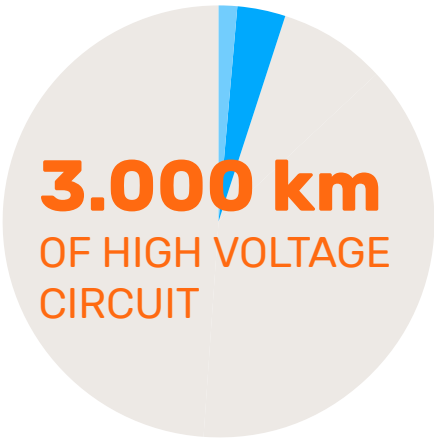
1985

Interconnection at 500 kV between the country's interior and the Colombian Caribbean coast.



Opening of ISA's head office in Medellin, with the President of the Republic, Julio Cesar Turbay Ayala.

San Carlos Hydroelectric Plant, in Antioquia.



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TIMELINE

1967/1977



First stage of Expansion
of the Telecommunication System.

1978/1987



1988/1997

1988

Development of the hydroelectric
complex of Eastern Antioquia –
1.428 MW.

1991

La Nación (The Nation) acquires
51% of ISA's properties.

1992

The electric interconnection
between Colombia and Venezuela
starts operations at 230 kV.

1994

The Colombian government
issues Laws 142 and 143, which
transforms public services

and establishes a new way
of operating the electric system,
respectively. ISA is divided up
and ISAGEN is created with
generation assets.

1995

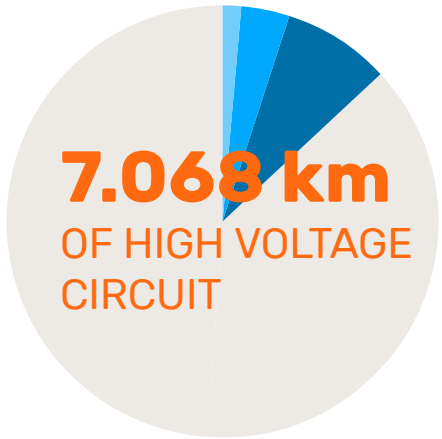
The Wholesale Energy Market,
the Energy Stock Exchange and
the Trading System are created.

1996

The Shareholders Assembly
approves the legal transformation
of ISA into a State owned
Commercial and Industrial
Corporation. In addition, it
authorizes to relate private capital.

1998/2007

2008/2017



7.068 km
OF HIGH VOLTAGE
CIRCUIT

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TIMELINE



1998

- TRANSELCA, an energy transmission subsidiary company in Colombia, is created.
- The electric interconnection between Colombia and Ecuador at 230 kV starts operations.
- Entry into the telecommunications market as carrier's carrier.

2000

First stock democratization program "ISA, shares for all". 62 thousand new shareholders and 115 million shares sold.

2001

- The internationalization process starts.
- Entry to Peru – ISA Peru is created. Subsequently, REP and CTM, energy transmission subsidiaries, are created.
- INTERNEXA, a telecommunication subsidiary company in Colombia, is created.



Launch of stock democratization program.

2002

Second stock democratization program "ISA, shares for all". 47 thousand new shareholders and 120 million shares sold.

2003

Entry to Bolivia – ISA Bolivia, an energy transmission subsidiary company, is created.

2004

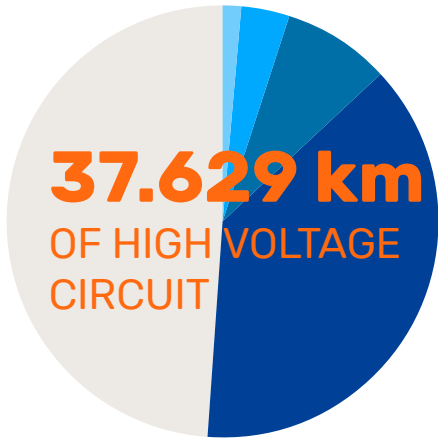
Registration of Level I ADR before the US Securities and Exchange commission.

2005

- XM, a market expert company, is created to operate the National Interconnected System and manage the wholesale energy market.
- - Adherence to the Global Compact promoted by UN.
- - Entry into Central America in the energy transmission business unit, ISA, a partner of Empresa Propietaria de la Red (EPR).

2006

Entry into Brazil – CTEEP, an energy transmission subsidiary company, is created.



6.798 km
OF FIBER OPTICS

2.768
EMPLOYEES

TIMELINE

1967/1977

1978/1987

1988/1997

1998/2007

2008/2017



2007

It starts the internationalization of the telecommunication business. INTERNEXA S.A. Peru is incorporated.

2008

CTEEP wins a project to build the Porto Velho – Araraquara 2 (2.375 km and 600 kV) transmission line.

2009

In partnership with ETESA S.A., Interconexión Colombia – Panamá S.A. –ICP– starts operation in order to make the binational energy integration viable.

2010

- INTERNEXA entries to Brazil, Chile and Argentina.
- Entry to the road business in Chile – CINTRA (Chile) is acquired.

2011

INTERCHILE, an energy transmission subsidiary company in Chile, is created.

2013

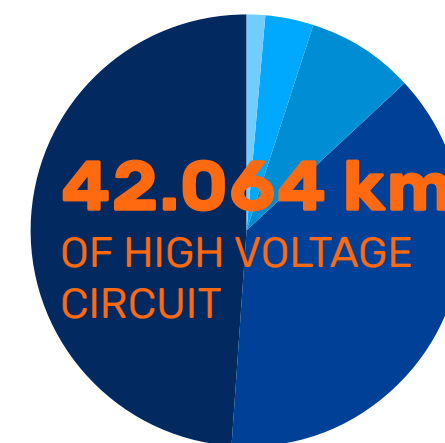
The strategic corporate role is separated and INTERCOLOMBIA, a subsidiary company responsible of energy transmission in Colombia, is created.

2015

ISA enters into the Dow Jones Sustainability Index (DJSI).

2016

- ISA is recognized as a leader company in the energy public service sector by The Sustainability Yearbook.
- ISA, INTERCOLOMBIA and XM offset 100% of their Greenhouse Gases (GHG) through carbon credits.
- ISA achieves the greater net income in history (COP2,1 trillion).



48.866 km
OF FIBER OPTICS

907 km
OF ROADS

3.796
EMPLOYEES

8
countries
4
businesses

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TIMELINE



isa

celebrates its
50th anniversary

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CONNECTIONS THAT INSPIRE

We are living an era of rapid changes that sets new challenges and demand us to evolve. The world’s population continues growing, life expectancy is increasing, migrations to cities do not stop, new economies emerge with great vigor, and technology leverages exponential transformations. These trends generate the growth in energy demand, in an environment of limited natural resources and in the course of a climate change that threatens the survival of life as we know it.

In this context, the role of the companies must change. The society demands open organizations, near-by organizations, entrepreneurship promoters, fostering dialogues in their community, focused on significant issues for the future, advisors of new generations, guarantors of their welfare. As a framework for action, nations adopt Sustainable Development Goals (SDGs) and define plans they expect to be implemented with the support of companies, always with a sense of urgency, to accomplish them in 2030.

In all sustainability scenarios, it is the topic that convenes, it is the flagship of deep changes and cultural transformation in organizations that adopt it and are committed to SDGs, which define themselves beyond their businesses, sharing the value created, and are not afraid of exceeding their responsibility with social action. ISA is about to celebrate its 50th anniversary, a favorable



date to honor the path travelled, an exceptional moment to reflect, be conscious, and raise a higher purpose to guide us by this number of events towards an organization whose exercise of connecting turns into connections that inspire.

The fact of defining a higher purpose that transcends our businesses is not a pivotal moment, but the natural evolution of those who do things well and do not ignore the new challenges presented by their environment. We have done well. We have extended our action to the region with our energy transmission lines, our road concessions, our telecommunications infrastructure and digital solutions. We bring welfare in a direct and indirect manner to millions of people in Latin America. Governments, communities that receive us, our partners and allies, as well as almost 4000 collaborators are the testimony of our integrity, transparency and suitability.

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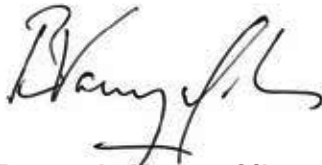


We have the credentials to take this first step, by declaring our intention and materializing it in a Manifesto that we can always take into consideration, inspiring us, and inspiring others. From now on, this will be our sole and committed way of relating among ourselves and to the world.

As our ability to inspire must be reflected in concrete actions, we have created “Conexión Jaguar”, a sustainability flagship, which is our legacy for new generations.

Then, ISA should evolve, be prepared for the next 50 years, add new conversations, go beyond the technical domain, based on excellence, and conquer a place in people’s hearts, guided by a **higher purpose** that keeps its vital essence of connecting. This transformation argues for the need to be communicated in new ways, with a new language, with a new verbal and visual identity system, which represents movement, agility, warmth, and closeness. We adopt a high visual and modern handwritten signature, whose curved and continuous forms without discontinuities express ISA’s ability to inspire connections; a seal that translates openness, closeness, and represents the capability to understand each other in relation to others.

I invite you to continue accompanying us, create value, and share it by using this renewed ISA as a platform. **I invite you to embrace** more challenges, more obstacles, and turn what we do into **connections that inspire**, by being guided by this higher purpose, by this new brand, and by the philosophy included in our **manifesto**.



Bernardo Vargas Gibsone
CEO – Chief Executive Officer

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BRAND MANIFESTO

We celebrate our 50th anniversary connecting countries and improving the quality of life of millions of people. This is our great responsibility, which we assume demanding with ourselves, as well as our partners and allies, to reach the level of excellence that has gained the trust of everyone. In order to honor the path travelled, today we must commit ourselves again with all works still to be done.

We are aware that we are all parts of a whole. The humanity and the world are increasingly creating biggest challenges to us. Now, our effort should transform the experience gained in new responses to new challenges, by understanding that when we connect one point with another one, we are connecting people, making of every connection an inspiring action.

*If we are aware that all of us are one, then **there is a connection.***

*If we recognize that our planet is fragile and we should take care of it, then **there is a connection.***

*If we understand that our actions, no matter how small they are, have an impact, then **there is a connection.***

*If we discover that the change we desire for the world lies in each of us, then **there is a connection.***

*If we are sure that our welfare is linked to everyone's welfare, then **there is a connection.***

*If we know that excellence is the result of the demand through which we focus each action in life, then **there is a connection.***

*If we are engaged to be involved in a constructive and responsible participation in decision-making, then **there is a connection.***

*If we are very moved to know that we are made for big challenges, then **there is a connection.***

Half a century later, we renew ourselves by creating connections one after another, without barriers. This is our legacy for new generations. We are convinced that, if there is a connection, then there is life. **Celebrate!**

ISA, CONNECTIONS THAT INSPIRE.

Visit conexionesqueinspiran.isa.com



If we understand that our actions,
no matter how small they are, have an impact

then there is a connection.

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REPORT PROFILE

This report was prepared as per the international framework adopted by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI) G4 version.

ISA prepares its second Comprehensive Management Report for accountability before its stakeholders. Results of material aspects are submitted, which after being managed with responsibility, transparency and ethics, contribute to the creation of value over time.

This report was elaborated according to the framework adopted by the International Integrated Reporting Council (IIRC) and by the Global Reporting Initiative (GRI), G4 version, an essential option [G4-32 a]. This publication also serves as a Communication on Progress of the Global Compact of the United Nations.; and it corresponds to the period from 01 January to 31 December 2016, on an annual basis [G4-28].

For comparative purposes, the Comprehensive Management Report 2015 should be referenced, submitted in March 2016 [G4-29] [G4-30].

The report deals in a transparent manner the managements results for ISA and its businesses: energy transmission, information and telecommunications technology, road concessions and real-time systems management; it also presents the Company's profile, the strategic framework, the management of risks and challenges, the commitments to stakeholders, the corporate governance; and finally, it communicates the performance of action, as well as consolidated and individual financial results.

For the 2016 period, it is highlighted the covering of the analysis of materiality of all energy transmission companies: INTERCOLOMBIA, REP, CTEEP, TRANSELCA, INTERCHILE and ISA Bolivia [G4-23], contrary to 2015 which included the four main companies. The consolidated revenues of these companies represent 86% of their total revenues.

Eight material aspects that are part of the environmental, social, and financial dimensions are presented. For other companies, results of their management and perspectives are only included.

It is important to note that the above subsidiaries have their respective management reports that can be found on their websites.

Both the materiality process as the Integrated Management Report were built in ISA by the Vice-President of Strategy and validated by the Corporate Committee to ensure that all material aspects will be addressed [G4-48].

The Company hired the Deloitte & Touche firm to perform the verification of the Report according to the guidelines of ISAE 3000 standard, while assuring reliability and precision of the information published [G4-33]. The scope and conclusions of the verification may be examined in the independent review Report included in Annexes [G4-32 c].

To facilitate the consultation of indicators reported, the GRI indicators table may be consulted in annexes [G4-32 B], which also include compliance with the Principles of the Global Compact.

To share suggestions, opinions or concerns regarding this Comprehensive Management Report, please contact: [G4-31].

For the 2016 period, it is highlighted the covering of the analysis of materiality of all energy transmission companies: INTERCOLOMBIA, REP, CTEEP, TRANSELCA, INTERCHILE and ISA Bolivia

Olga Patricia Castaño Díaz

Strategy Vice-president

vicepresidenciaestrategia@isa.com.co



If we discover that the change we desire
for the world lies in each of us,

then there is a connection.

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COMPANY PROFILE

ISA is recognized today as a Multi-Latin leader with broad technical experience who carries out its activities within the framework of corporate sustainability.

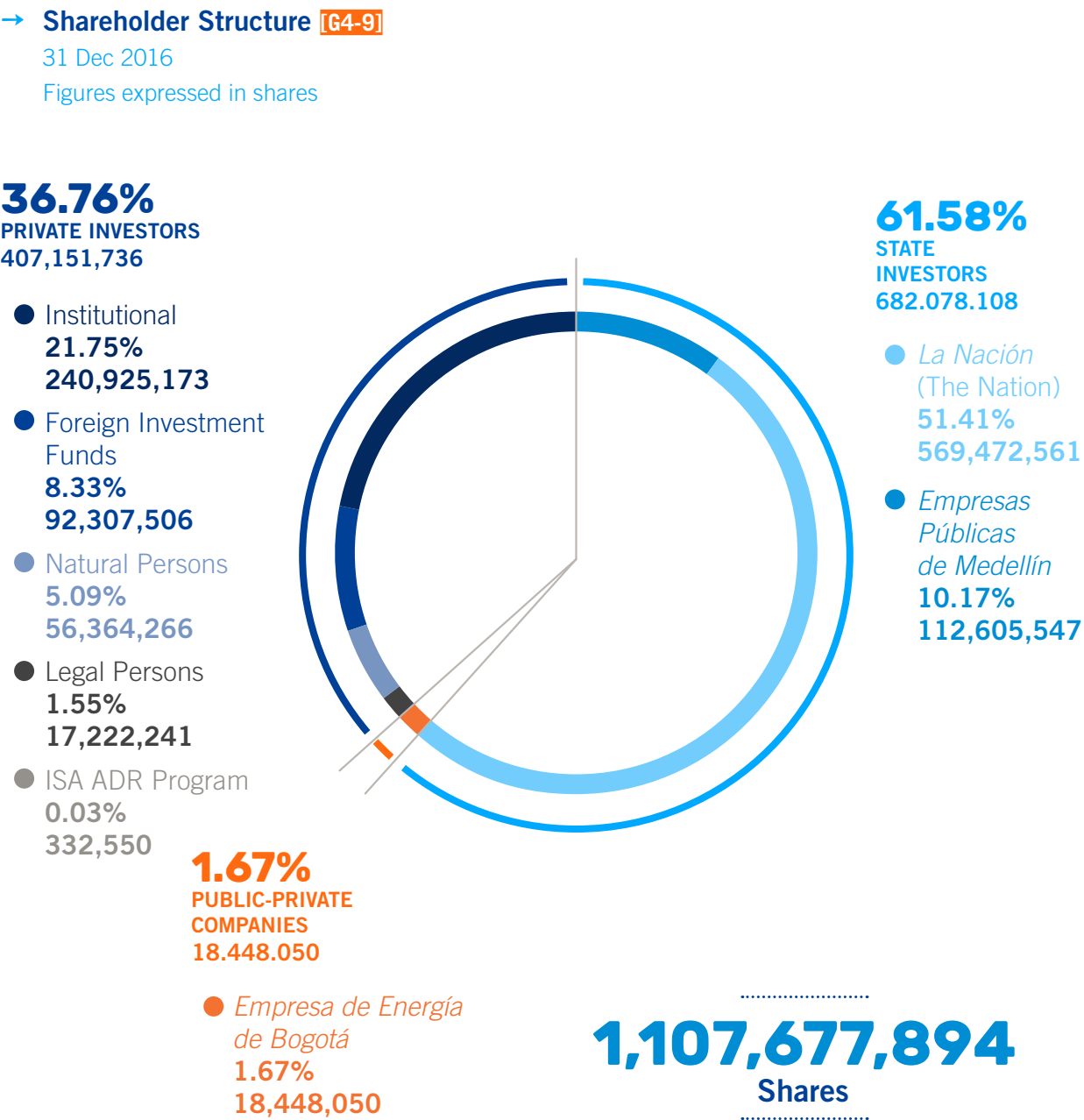
ISA, a parent company of the corporate group, operates in strategic sectors by focusing its business activities on Electric Energy Transmission, Information and Telecommunications Technology, Road Concessions and Real-Time Systems Management.

For about 50 years, efficient and reliable delivery of its services has characterized ISA in a framework of respect for human rights and protection of the environment, in order to improve the quality of life and development of societies where it is present.

Directly and through its 33 affiliates and subsidiaries, it is currently implementing important infrastructure projects that boost the continent progress and contribute to the advancement of the inhabitants of Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama, and Central America.

The legal nature of Interconexión Eléctrica S.A. E.S.P. –ISA– [G4-3] corresponds to a public-private utility company, incorporated as a joint-stock company, of commercial nature, at a national level, and attached to the Ministry of Mines and Energy, governed by Laws 142 and 143 of 1994 [G4-7], with registered offices at Medellín (Colombia). [G4-5].

The Company has state and private investors. Its stocks and bonds are traded on the Colombian Stock Exchange. The Company has Level I ADRs that are negotiated in the Over the Counter (OTC) market of United States. It applies high standards of transparency, efficiency and corporate governance that provide protection and reliability to its investors to allow them a sustainable growth.



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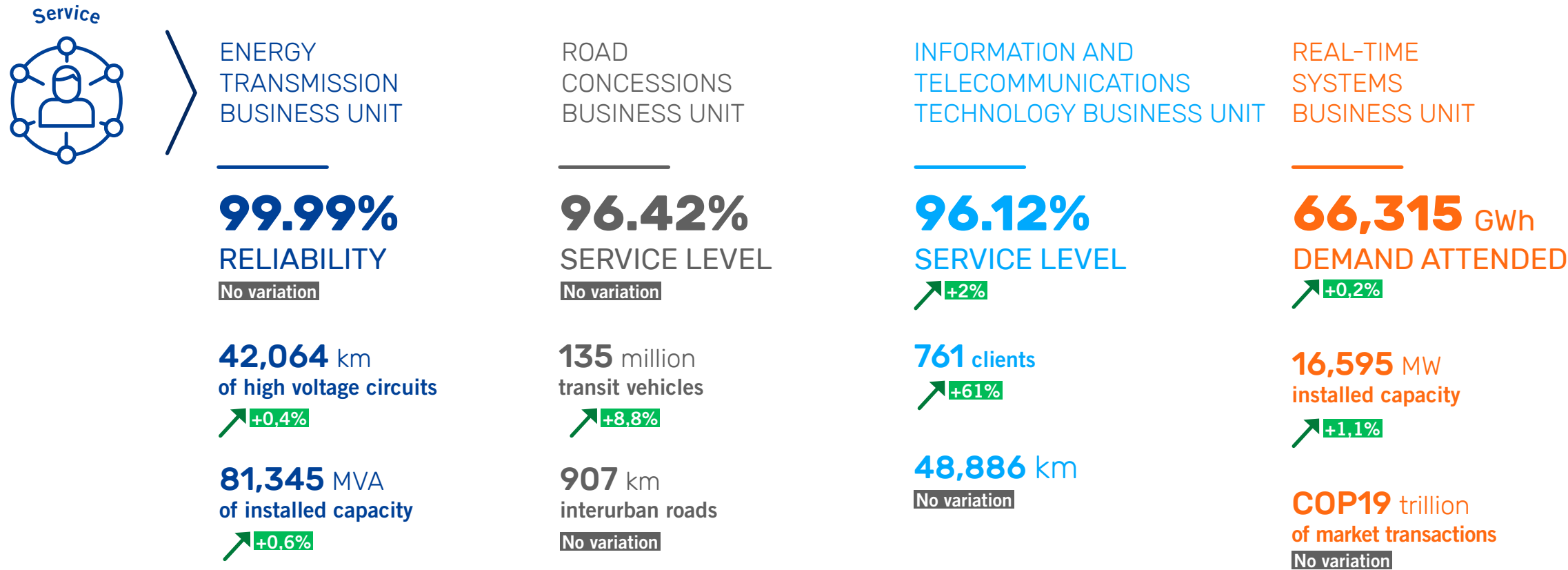
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→ Relevant figures G4-9 G4-11



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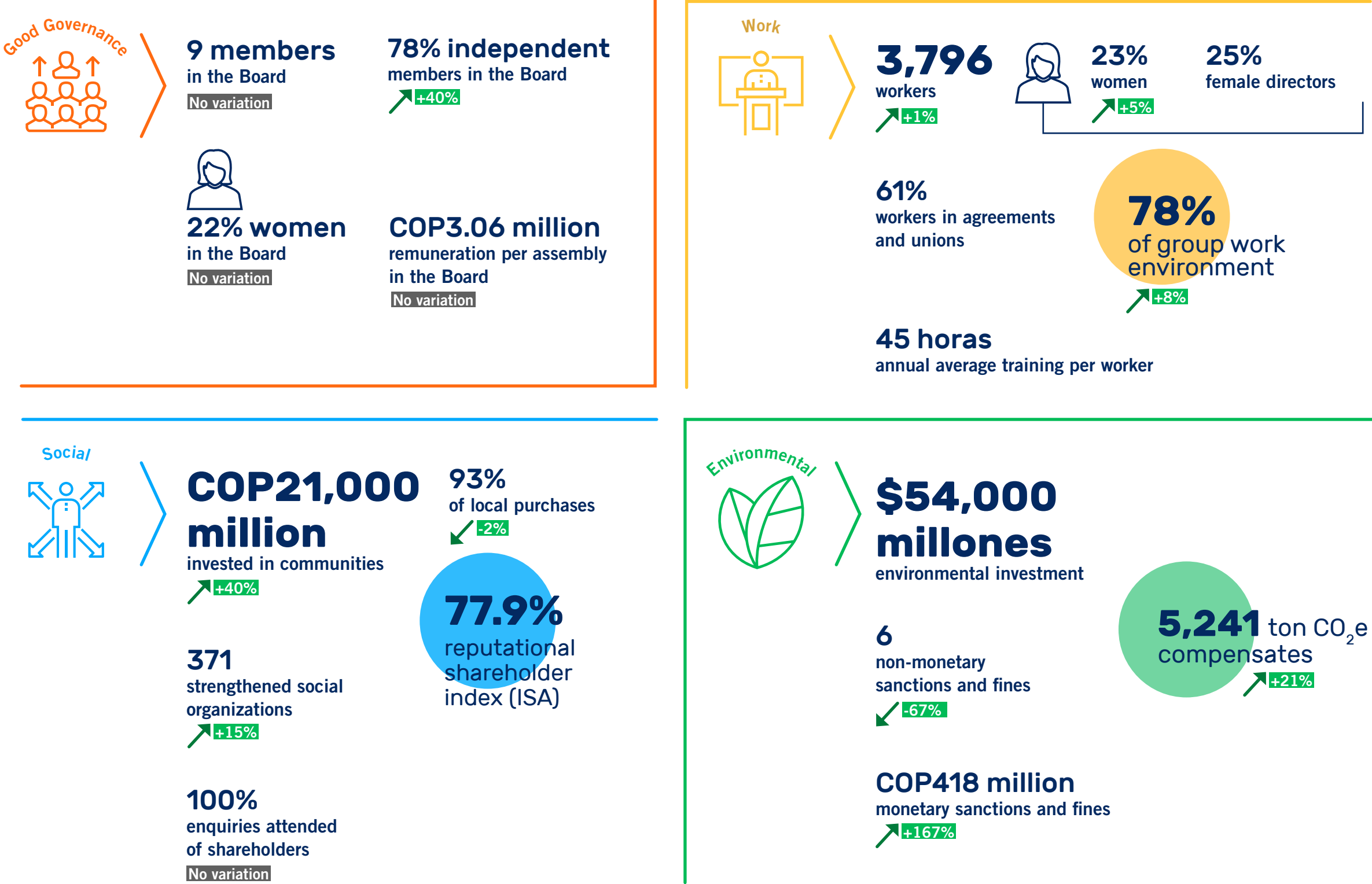
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→ Relevant Figures [G4-9] [G4-10] [G4-11]



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→ Financial figures 2016 G4-9

CONSOLIDATED

Operating revenues

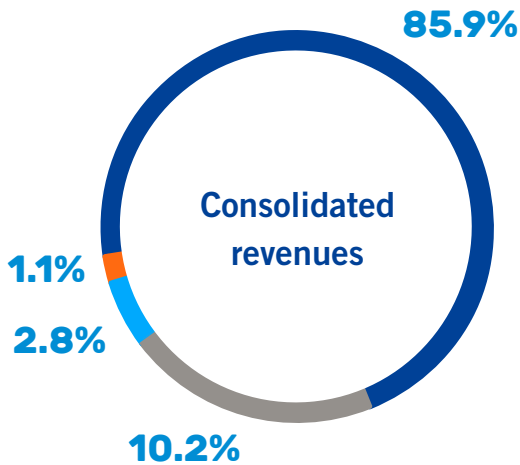
COP12.1
trillion
↑+130%

EBITDA

COP8.9
trillion
↑+211%

EBITDA Margin

COP73.5%
↑+35%



- Energy Transmission
- Road concessions
- Information and telecommunications technology
- Real-Time Systems Management

NET income

COP2.1
trillion
↑+205%

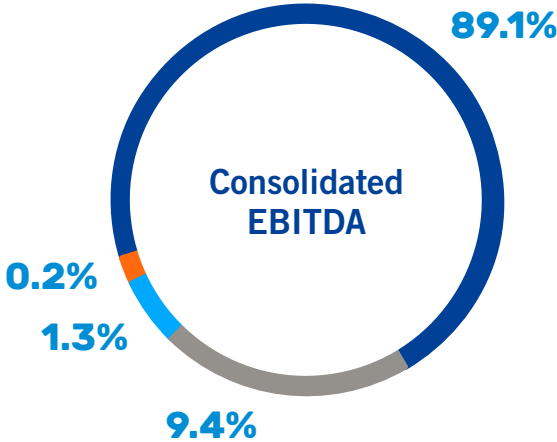
The Consolidated Net Income figure (COP701,5 million) of the 2015 Report was wrongly presented involuntarily. The correct value is COP701,5 billion.

Assets

COP38.5
trillion
↑+37%

Liabilities

COP21.6
billones
↑+29%



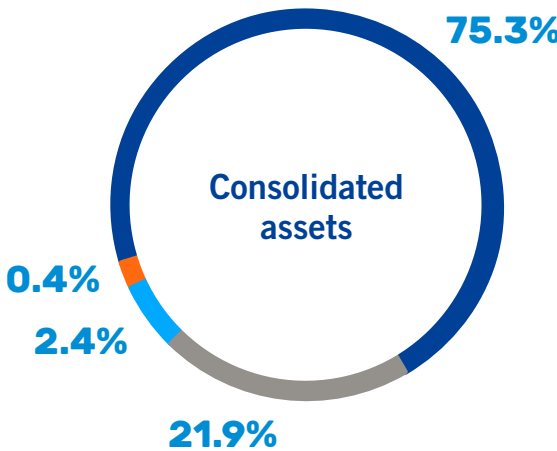
- Energy Transmission
- Road concessions
- Information and telecommunications technology
- Real-Time Systems Management

ISA

NET income

COP2.1
trillion
↑+203%

The net income of the individual financial statement differs from the consolidated net income because the latter includes the amortization of trade credits by COP4,831 million.



- Energy Transmission
- Road concessions
- Information and telecommunications technology
- Real-Time Systems Management

Las cifras financieras contenidas en este informe están expresadas en pesos colombianos, a no ser que se especifique otra moneda.

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PRESENCE IN LATIN AMERICA

Colombia

- ISA
- INTERCOLOMBIA
- TRANSELCA
- INTERNEXA
- XM
- Network smart systems

Ecuador

- Transnexa, inversión 5% a través de INTERNEXA y 45% a través de INTERNEXA (Perú)

Peru

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

Bolivia

- ISA Bolivia

Central America

- EPR, ISA investment of 11.11%
- Interconexión Eléctrica Colombia - Panamá, ISA investment of 50%
- REDCA, investment of 11.11% through INTERNEXA

Brazil

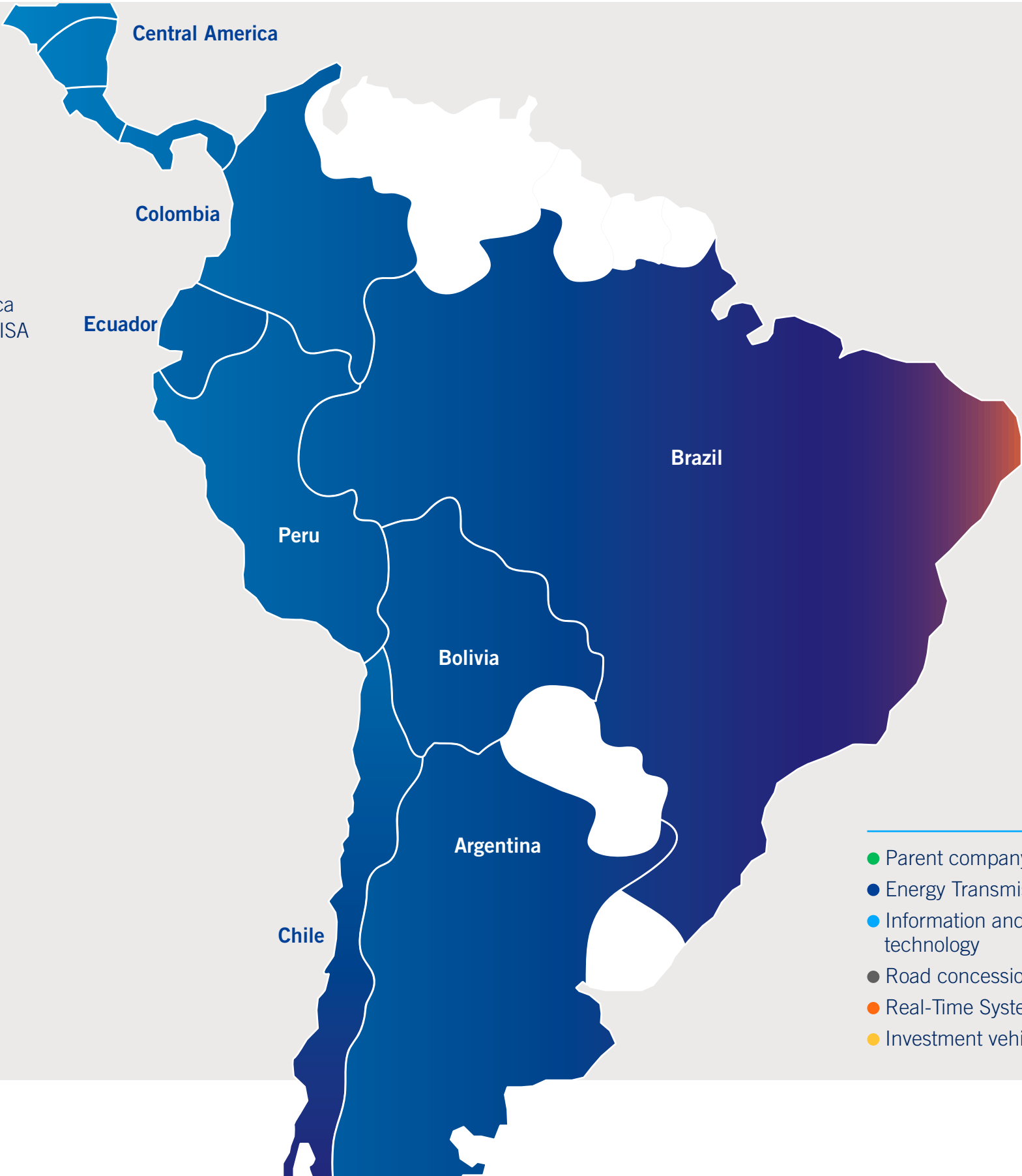
- CTEEP
- IEMG
- PINHEIROS
- SERRA DO JAPI
- EVRECY
- INTERNEXA
- ISA Capital do Brasil

Argentina

- Internexa

Chile

- INTERCHILE
- INTERNEXA
- INTERVIAL CHILE
- Ruta del Maipo
- Ruta del Maule
- Ruta del Bosque
- Ruta de la Araucanía
- Ruta de los Ríos



- Parent company of the corporate group
- Energy Transmission
- Information and telecommunications technology
- Road concessions
- Real-Time Systems Management
- Investment vehicle

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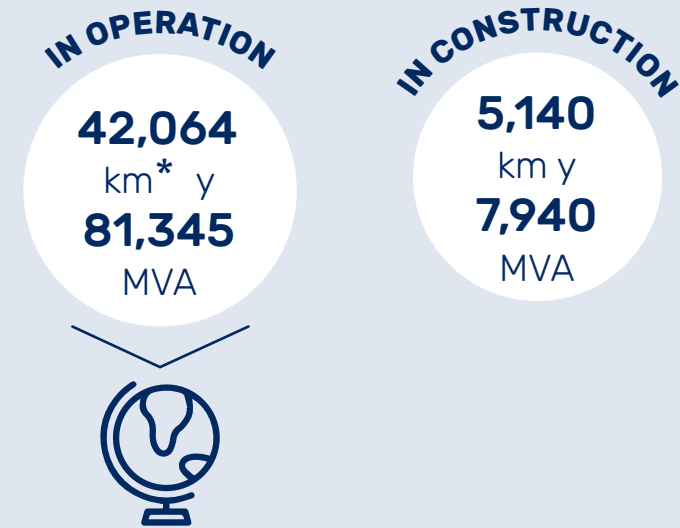
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ENERGY
TRANSMISSION
BUSINESS
UNIT

[G4-4] [G4-6] [G4-8]

Electric high voltage infrastructure that contributes to the competitiveness of countries and ensures high quality standards and reliability to users.



* Equivalent to one complete revolution around the Earth.

Revenues	EBITDA	Assets	Workers
COP10.4 trillion	COP8 trillion	COP29 trillion	2,821



99.99%
RELIABILITY

Service portfolio

- Design, construction, operation and maintenance of high-voltage energy transmission systems.
- Connection to the electric system of generators, network operators, regional energy carriers and large consumers.
- Related services of maintenance, electric & energy studies.

- Colombia**
- ISA
 - INTERCOLOMBIA
 - TRANSELCA
- Brazil**
- CTEEP
 - IEMG
 - PINHEIROS
 - SERRA DO JAPI
 - EVRECY
 - IENE, investment of 25% through CTEEP.
 - IESUL, investment of 50.1% through CTEEP.
 - IE MADEIRA, investment of 51% through CTEEP.
 - IE GARANHUS, investment of 51% through CTEEP.
 - ISA Capital do Brasil (Investment Vehicle)
- Peru**
- REP
 - Transmantaro
 - ISA Perú
 - Infrastructure projects of Peru
- Chile**
- INTERCHILE
- Bolivia**
- ISA Bolivia
- Central America**
- Interconexión Eléctrica Colombia - Panamá, ISA investment of 50%
 - EPR, ISA investment of 11.11%

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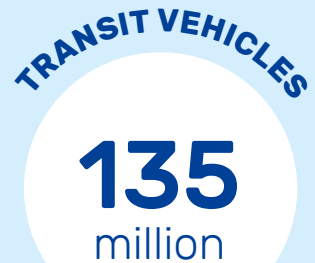
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ROAD
CONSESSIONS
BUSINESS UNIT

[G4-4] [G4-6] [G4-8]

Road infrastructure that contributes to the competitiveness of countries and ensures high quality standards, safety, and connectivity to users.



ROAD
SAFETY
AWARD

Due to the excellent safety management in roads.

Revenues

COP1.2
trillion

EBITDA

COP0.8
trillion

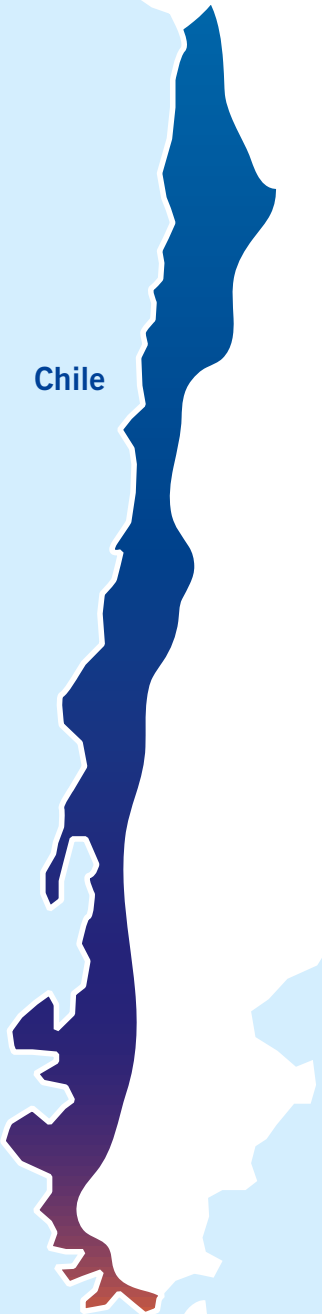
Assets

COP8.4
trillion

Workers

329

Chile



Service Portfolio

→ Design, construction, operation, and maintenance of road infrastructure.



- Chile
- INTERVIAL CHILE
 - Ruta del Maipo
 - Ruta del Maule
 - Ruta del Bosque
 - Ruta de la Araucanía
 - Ruta de los Ríos

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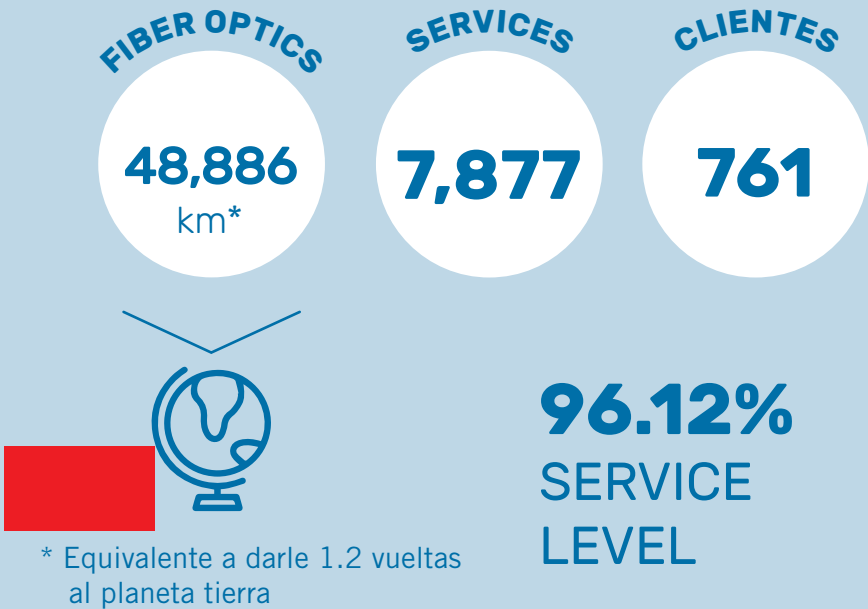
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INFORMATION AND
TELECOMMUNICATIONS
TECHNOLOGY
BUSINESS UNIT

[G4-4] [G4-6] [G4-8]

It provides a platform for operators, companies and governments to accelerate the digitalization of their businesses.



Service portfolio

- Solutions to connect, taking advantage of its regional presence, which accelerate access to contents.
- - Solutions to optimize, which enable the digital transformation of businesses.
- - Solutions to enable, with collaboration tools and management that create real-time and reliable production environments.
- - Solutions to protect, which ensure information integrity.
- - Solutions to transform cities, incorporating Big Data and Smart Cities solutions.

- Central America

→ REDCA, investment of 11,11% through INTERNEXA
- Colombia

→ INTERNEXA
- Ecuador

→ TRANSNEXA, investment of 5% through INTERNEXA and 45% through INTERNEXA (Peru).
- Peru

→ INTERNEXA
- Brazil

→ INTERNEXA

→ INTERNEXA Participações (Investment Vehicle)
- Chile

→ INTERNEXA
- Argentina

→ INTERNEXA

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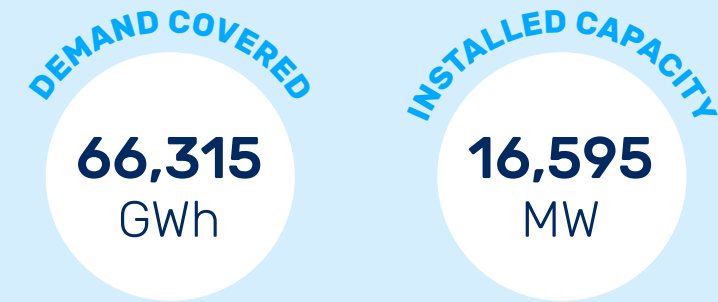
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REAL-TIME SYSTEMS MANAGEMENT BUSINESS UNIT

[G4-4] [G4-6] [G4-8]

Develops, operates and manages technology that involves added-value information exchange.



100%
COMPLIANCE WITH
CREG INDICATORS*

* Energy and Gas Regulation Commission (CREG)



Colombia

Service Portfolio

- ➔ **Electric sector:** operation of the National System (SIN) and management of the Wholesale Energy Market (MEM), through XM in Colombia.
- ➔ **Financial sector:** administration of the energy derivatives market of Colombia, through DERIVEX, and participation as investor in the Counterparty Central Risk Chamber.
- ➔ **Mobility sector:** operation of the traffic control center of Medellin, through NETWORK SMART SYSTEMS.

Colombia

- ➔ XM
- ➔ Derivex, investment of 49,95% through XM and 0.025% through INTERNEXA
- ➔ Cámara Central de Contraparte, investment of 7,18% through XM
- ➔ Network Smart Systems

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Comprehensive Management System

Consistent with its intention to apply international standards to contribute to raise competitiveness levels, ISA and its companies advanced in the adoption of ISO and OHSAS standards, comprehensively managing aspects related to quality, health, occupational safety, environment, and information security.

Company	ISO 9001	ISO 14001	OHSAS 18001	ISO 27001
ISA	✓			
REP	✓	✓	✓	
INTERCOLOMBIA	✓	✓	✓	✓
CTEEP	✓	✓		
TRANSELCA	✓			
ISA Bolivia	✓	✓	✓	
Proyectos de Infraestructura del Perú – PDI -	✓			
INTERVIAL CHILE	✓			
INTERNEXA	✓		✓	
XM	✓			✓



RELEVANT MILESTONES OF THE YEAR



JANUARY/

ISA is included in the
Sustainability Yearbook 2016

FEBRUARY/

Successful placement of bonds
by COP400,000 million with

2.9 times
greater demand.

APRIL/

It is favorably settled the
recognition of securities of the
Basic Network of the Existing
System (RBSE) in CTEEP, Brazil.

INTERNEXA renovates its value
offer and redefine its processes,
products and intellectual capital.



ISA, INTERCOLOMBIA
and XM offset

100%
of their Greenhouse
Gases (GEI).

SEPTEMBER/

ISA is ratified in the
Dow Jones Sustainability
Index (DJSI).

JUNE/

CTEEP renovates
negotiations with
labor unions for a period
of two (2) years.



OCTOBER/

ISA signs an innovation agreement
with MIT.

REP renovates negotiation with
the SUTREP labor union for a period
of five (5) years.

CTEEP won three energy transmission
projects in Brazil; with an investment of

USD 235 million



NOVEMBER/

The corporate group is located in
the **"Clear Strength"** range (78%)
in the annual measurement of the
work environment.

DECEMBER/

ISA signs a purchase and sale
contract of **41.6%** of the TAESA's
control block, Brazil.

COP2,1 trillion

ISA's Net income reaches
an historical record.

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ISA AWARDS



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



ROBECOSAM
Sustainability Award
Industry Leader 2016



Leader company in
Corporate Government
ALAS20



Transparence, corporate
government, and commitment
with the stock market.
BVC **IR**



**CONTADURIA
GENERAL DE LA NACION**
Compliance with
normativity and
contribution to the
accounting culture
of the country.



Innovative enterprise.
COLCIENCIAS

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AWARDS



→ Colombia

XM – An ISA subsidiary, was declared out-of-competition at ANDESCO Awards due to its Corporate Social Responsibility overall performance.



INTERNEXA - Highest award to the data transfer industry, “Wholesale Provider of the Year (Caribbean & Latin America)” and “Best Service of the Year”.



→ Peru

REP –Distinction as a Socially Responsible Company.



REP - Recognized by its good environmental practices.



REP - 2016 National Award of Volunteerism.



→ Brazil

CTEEP - Award for Best Annual Sustainability Report.



CTEEP - Selected as one of the best companies to work for in Brazil.



→ Chile

INTERVIAL CHILE - Road Safety Award.



INTERVIAL CHILE y Ruta del Maipo - Recognized by complying with high management standards with SME providers.

INTERCHILE - Award for “Best Power Financing”.



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INSTITUTIONAL
COMMITMENTS [G4-15]



From 2005, ISA is signatory of the Global Compact, an initiative of the United Nations, and its subsidiary companies INTERCOLOMBIA, REP and CTEEP. During 2016, the following actions were carried out:

- Promotion of Human Rights and Good Labor Practices with providers of ISA and INTERCOLOMBIA, through training programs to nearly 500 people.
- ISA, INTERCOLOMBIA and XM offset 100% of their greenhouse gases through the purchase of 5,241 tons of CO2. South Pole Group as Carbon Neutral ratified these companies.
- ISA, XM, INTERCOLOMBIA and TRANSELVA participated in the Collective Action of the Energy Sector.



Due to the importance of generating a contribution to peace in the territories where ISA is present, since 2014 the company joined this initiative, a business leadership platform launched by the United Nations. In 2016, the following actions were carried out:

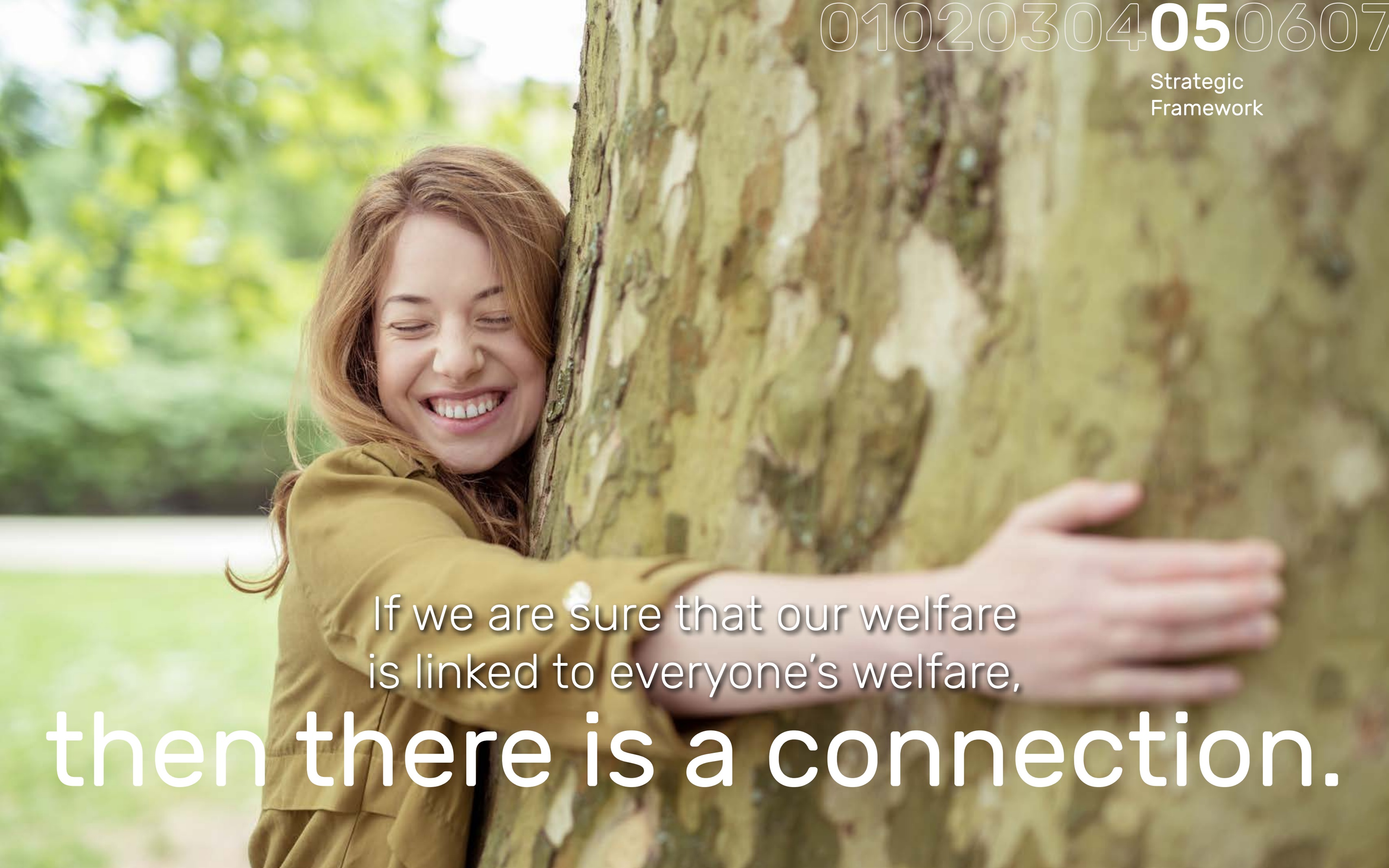
- ISA is part of the Corporación Reconciliación Colombia, which contributes from the civil society to the reconciliation from a regional approach through dialogue and collective action.
- ISA and INTERCOLOMBIA support the Development and Peace Programs in Colombia, which will be added to the construction of a nation in peace by promoting dynamics and local processes of development and peace.
- TRANSELCA has the Fútbol por la Paz (Soccer for Peace) program, which contributes to processes preventing young people to be involved in scenarios of violence, urban crime, domestic abuse, bullying, among others.



In 2015, ISA publicly declared in the United Nations General Assembly its commitment to work for compliance with this global initiative.

In 2016, a review of ISA businesses was conducted in order to align different guidelines of the social management with the SDGs, prioritizing the following ones:



A woman with long brown hair, wearing a mustard-colored jacket, is smiling and hugging a large tree trunk. Her eyes are closed, and she has a joyful expression. The background is a soft-focus green landscape with trees and grass.

If we are sure that our welfare
is linked to everyone's welfare,

then there is a connection.

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STRATEGIC FRAMEWORK

Today, ISA can declare with total satisfaction that the increase of the Net Profit and ROE in 2016 for four (4) consecutive years is thanks to the determined execution of the Strategic Plan and its systematic revision by the Board of Directors, to adjust it according to risks as well as current and emerging opportunities of the business environment.

Framework for Action

The framework for action of ISA integrates policies, values and codes of conducts for the group's companies, which establish statements that guide the company's behaviors in relation to the commitments with stakeholders. [G4-56].

By means of the actions taken by the organization and during the normal development of operations, commitments with stakeholders are systematically monitored and risks are managed in order to be consistent with the achievement of the strategy, and ensuring corporate sustainability.

For ISA, sustainability is a business approach that allows in a responsible, transparent and ethical manner to manage opportunities, impacts, as well as economic, environmental and social risks; for creating value to its stakeholders, maintaining competitive advantage and contributing to the development of societies where ISA is present.



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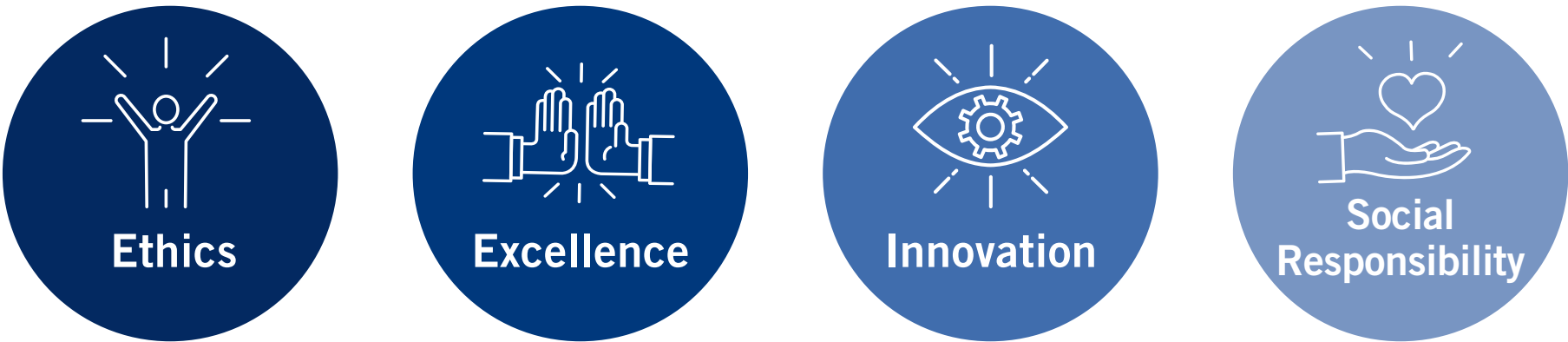
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Corporate Values

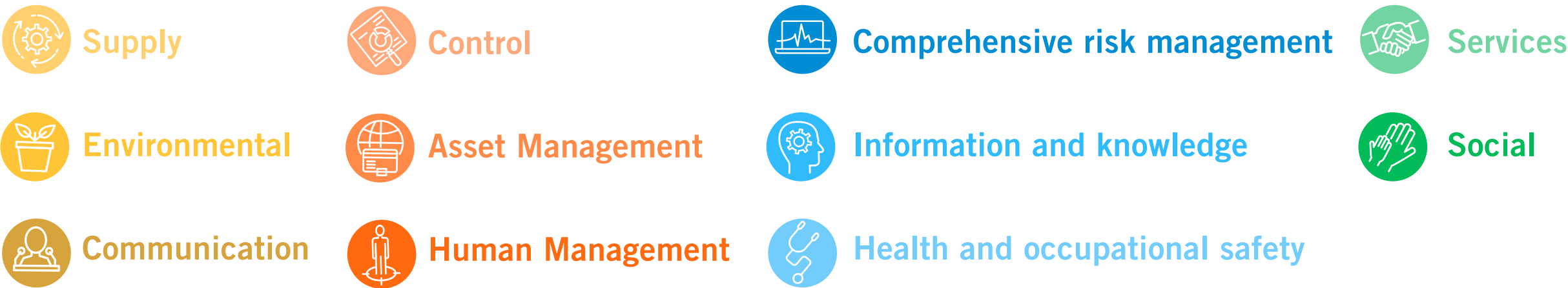
ISA and its companies work firmly on the construction of an organizational culture where values, as pillars affirming its corporate identity, serve as guide to achieve business success.



On its website,
ISA publishes full
texts of its values,
policies and codes
of conduct.

Corporate Policies

Policies are corporate decisions based on declarations of principles by which frameworks for action that guide ISA's management and its companies in specific aspects are defined.



Codes of conduct

ISA and its companies have codes of conduct that structure and compile policies, standards, systems, ethical principles, and those related to fraud, guiding actions of workers, Board members, as well as ISA's contractors and its companies, regarding government, conduct and information.

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CORPORATE STRATEGY

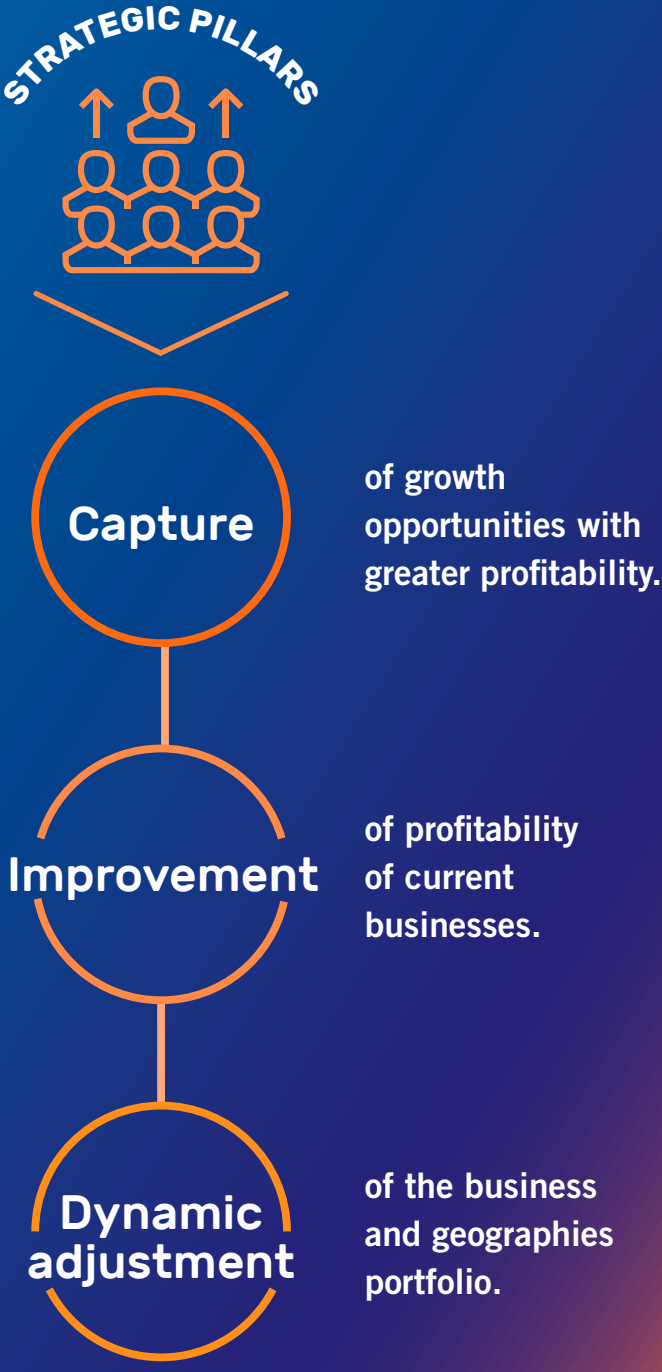


MISSION

ISA's mission is the highly efficient development and operation of lineal infrastructure where it has capabilities or special advantages based on the development of its human talent and capacity for innovation in order to create value for its shareholders and other stakeholders, as well as contributing to the sustainable development of communities where it is present.

VISION

In 2020, ISA will have tripled its profits, by capturing the most profitable growth opportunities in its existing businesses in Latin America, the boost of operational efficiency and the optimization of its business portfolio.



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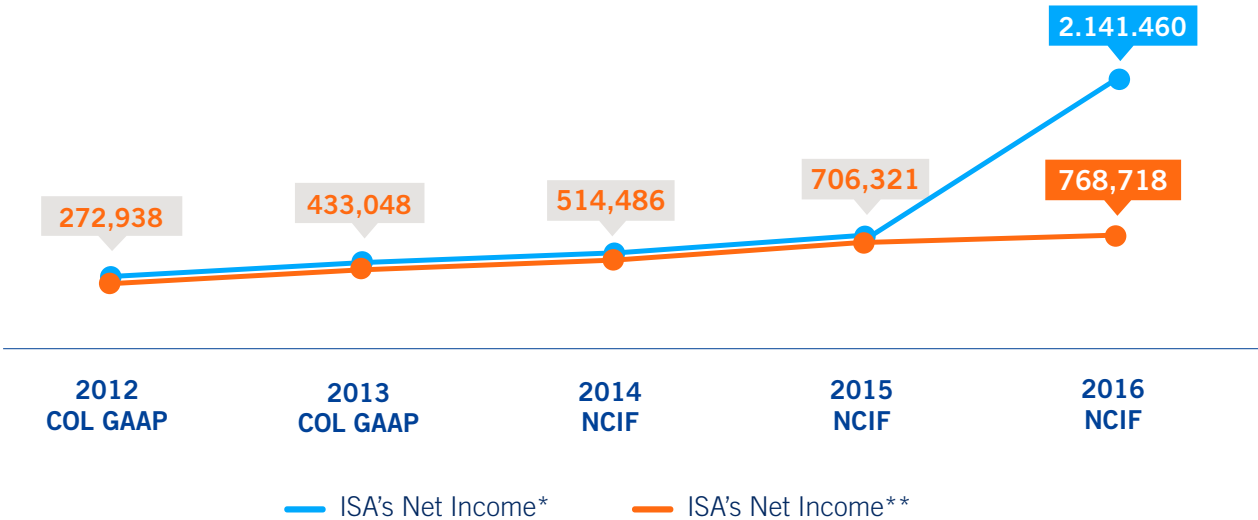
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PROGRESS OF THE STRATEGY

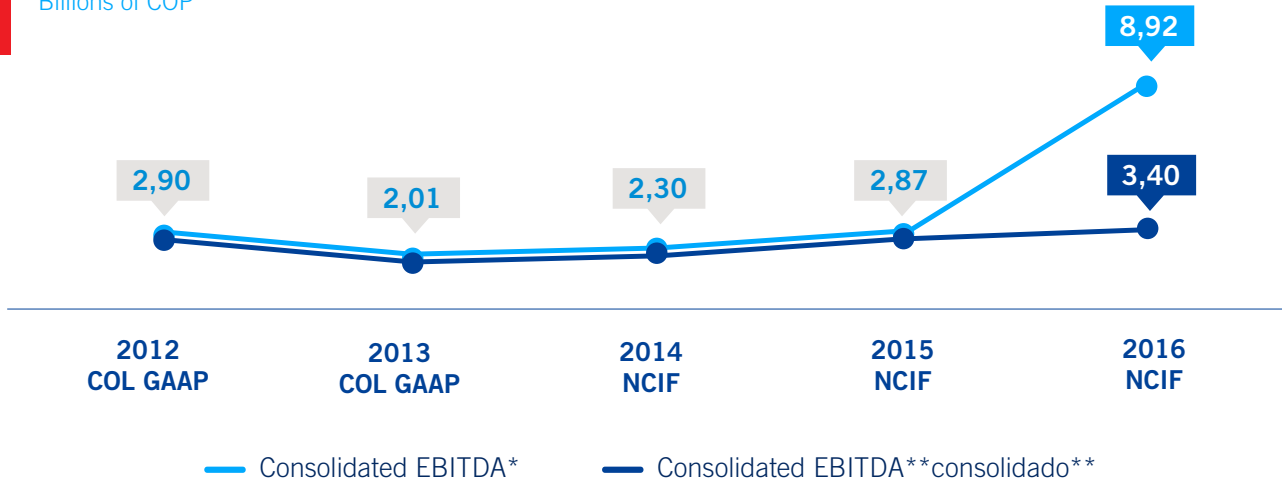
→ ISA's Net Income
Millions of COP



(*) It includes the RBSE compensation effect in Brazil.
(**) By discounting the RBSE effect in Brazil, the company's net income would have an increase of 8,8% compared to the previous year.

?

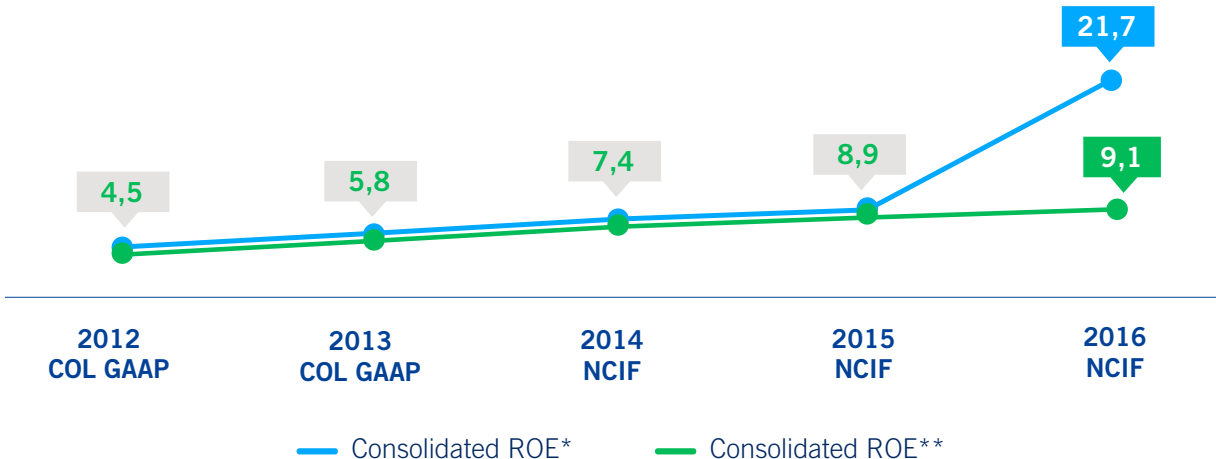
Consolidated EBITDA
Billions of COP



(*) It includes the RBSE compensation effect in Brazil.
(**) By discounting the RBSE effect in Brazil, the EBITDA would have an increase of 18,3% compared to the previous year.

ISA X 3
COP818,814
BY 2020

→ Consolidated ROE
(Percentage %)



(*) It includes the RBSE compensation effect in Brazil.
(**) By discounting the RBSE effect in Brazil, the consolidated ROE would have an increase of 2,2% compared to the previous year.

During four years, the Strategic Plan ISA 2020 has led to the profitability improvement of our current operations through innovation applied to business models and operation efficiency; risks management and the seizing of growth opportunities with higher profitability in countries and business where ISA is present.

This Strategic Plan translated the highest level aspirations, expressed in mission and vision, into the leverages defined to achieve them (strategic pillars) and consolidate them in objectives, initiatives and goals to prioritize management, allocate resources, and monitor performance.

After reviewing the 2016 financial statements and in order to assess compliance with the Strategy ISA 2020, it is necessary to discount the effect of compensation payment of the Basic Network of the Existing System (RBSE) in Brazil, from ISA's net income, as the base line used for defining ISA 2020 vision did not consider such event for being a non-repeatable accounting adjustment. Consequently, it may be concluded that during the past four years, 94% compliance (2,8 times the net income regarding 2012) was achieved in advance, which reaffirms the strength of the competitive position of ISA businesses to maintain value generation over time.

Then, a summary of the main achievements associated with the strategic pillars, where it is evident how these results reaffirm the experience of ISA to manage in a sustainable manner the infrastructure with efficiency and synergies among assets.

Pillar 1. Capture of growth opportunities with greater profitability

During 2016, multiple business opportunities were analyzed in Colombia, Peru, Brazil and Chile, and they were prioritized according to their strategic fit, risk and profitability. The total of projects won by ISA and its subsidiaries for the Energy Transmission Business Unit represents about USD 300 million in investment, from the public bidding offers won in Brazil and Colombia. Once in operation, these projects will generate USD 52 million in revenues for the group.

In December 2016, ISA signed a purchase and sale agreement with the Fundo de Investimento em Participações Taurus Multiestratégia and the Fundo de Investimento em Participações Coliseu, through which the company will purchase shares from the control block of Transmissora Aliança de Energia Elétrica S.A. (TAESA). These shares represent 41,6% of the control block, 26,0% of ordinary shares and 14,9% of the total TAESA share capital, for an amount of USD 323 million, a price which will be subject to adjustments and amendments at the deal closing, pursuant to the established in agreement. The investment in an asset with top operational quality and corporate governance such as TAESA, represents an important step towards sustainable growth for ISA, which is a part of its strategy expansion, adds value to its shareholders and other stakeholders, and consolidates its position as a leader company in the energy transmission sector in Latin America.

The business of Information and Telecommunication Technologies renewed its value offer, reshaped its portfolio of services, got involved in the corporate sector and extended its regional coverage by entering the Bolivian market and the East Coast of the United States. In addition, it strengthened its operation performance in Chile and Argentina and started setting new synergies with the Energy Transmission Business Unit. In addition, from the beginning of 2017, ISA reached an agreement to



invest up to USD 80 million in Andean Tower Partners (ATP) for the development of telecommunications structure in Colombia and Peru. This growth is the result of the increasing connectivity demand, particularly mobile data, observed in these countries and at a global level towards the future. From the strategic point of view, this investment, besides being aligned with ISA group infrastructure, will diversify ISA's business portfolio to generate more revenues as of the existing infrastructure and leverage the capacity of INTERNEXA, an ISA subsidiary, with unique network elements, for the provision of connectivity services, more capacity and bandwidth.

The Road Concession Business Unit made important progress in two fronts: one the one hand, the management with the Ministry of Public Works of Chile to make feasible new works and thus expanding the current concessions deadlines; and on the other hand, the search for brownfield businesses was intensified in Chile and Colombia.

Pillar 2. Improving current business profitability

Progress in the development of different strategic initiatives applied to the structuring of offers, and in business operation and maintenance, led to savings close to USD 50 million in OPEX and USD 200 million in CAPEX. These savings were obtained while keeping the service levels, the responsible development of the company's activities and the compliance of our commitments with our stakeholders.

Pillar 3. Dynamic adjustment of the business and geographies portfolio

ISA analyzed its portfolio based on the attractiveness of the industry as well as ISA's ability to extract its value, from which transformation and growth actions incorporated to the business plan of each subsidiary were derived in order to improve its value position towards future.

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2016 RESULTS

OUR STRATEGIC GOALS BY 2020

Goal

Increase
profitability.

INDICATORS

35.2% of ISA
stock valorization

COP2.1 trillion of
consolidated net income

↗

+203%

Goal

Increase
human talent, organizational
and technology skills.

INDICATORS

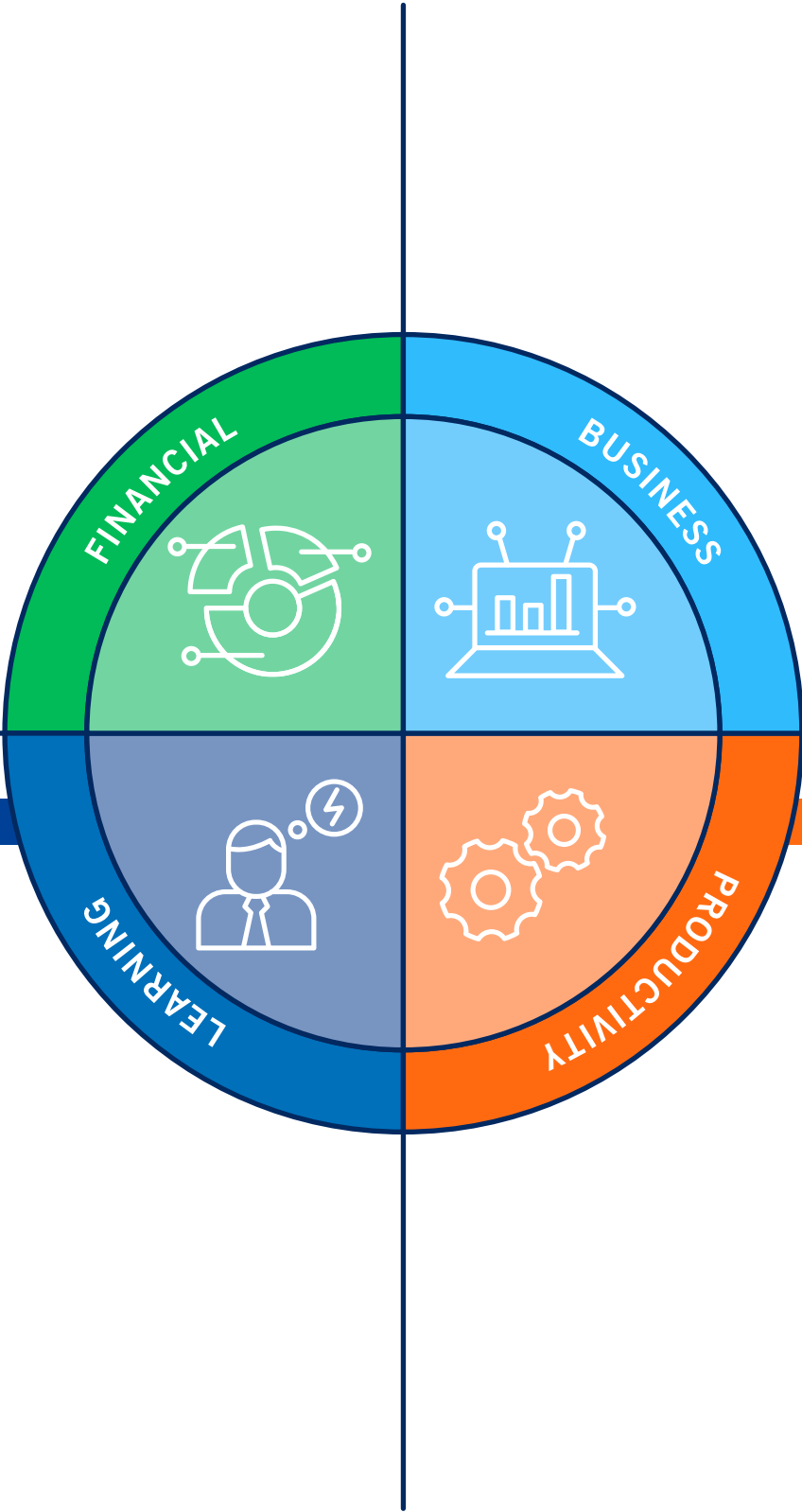
78% of group organizational environment

80% of group leadership index

72% of human skills index

4.1 accidents per 500 employees per year

0 fatal accidents of employees



Goal

Growing
profitably.

INDICATORS

USD300
million

in projects won
(706 km of
transmission circuit
and 1,372 MVA).

Contract signed for
acquiring 41.6% of
the TAESA (Brazil)
control block.

Multi-Latin
Leader

in technical excellence
and sustainability.

INDICATORS

99.99% reliability in
the Energy Transmission
Business Unit.

ISA listed in the DJSI.

ISA at a “Strong
/ Solid” level in the
reputation measurement.

Goals

Increase
operation efficiency.

INDICATORS

USD50 million
per year in OPEX
optimization.

USD200
million per year in
CAPEX optimization.

Improve
competitiveness
in business
development.

INDICATORS

6% under
planned CAPEX.

94.4%
compliance with
physical progress
of projects.

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CHALLENGES

ISA receives the year with optimism and with the aim of consolidating its position in current businesses and geographies.

For the 2017-2030 period, it is estimated that the needs of investment in electric, road, and telecommunication infrastructure in countries where ISA is present will exceed USD 80 trillion. For 2017, greenfield investments are expected to be USD 8 trillion, as well as potential businesses from the implementation of sector reforms in Mexico and Argentina.

The Company is aware that the complexity, dynamism and uncertainty of the business environment envisions transformations thereof derived from the incorporation of emerging technologies and changes in clients' preferences, which will affect all segments of the value chain.

Against this reality, ISA recognizes that any business persisting in this environment will be the one which could manage risks and take advantage of opportunities, by showing adaptability, agility, inclusion and closeness. In other words, the success in companies will be based on how companies will relate corporate value generation to social value generation, so they recognize that the relationships with their stakeholders are interdependent relations.

That is how the Companies commitment to the achievement of the strategy and its stakeholders will imply the analysis, follow-up, and response of the following challenges: **G4-2**

ISA receives the year with optimism and with the aim of consolidating its position in current businesses and geographies.

- Ensure an effective management of risks coming from changes in regulatory regimes. In the future, reforms in infrastructure and energy sectors derived from the dynamics associated with the incorporation of technologies (such as the distributed and renewable generation, electricity storage, micro-networks, and in general the search for energy efficiency) will arise.
- Recognize the greater demands of society to make infrastructure solutions feasible and maximize the benefit of social investment.
- Harmonize the regulatory frameworks to drive the regional electric integration. The strengthening of energy exchange is in line with the interests of governments, consumers, investors, and the multilateral bank, since it allows the optimization of energy resources.
- Face the dynamics and digital technology speed as well as its impacts on the consumer's expectations, the cultural transformation of society, the operational and business models, and the manner in which organizational capabilities are managed.
- Be prepared to reconfigure the limits between the traditional sectors of the economy, due to the innovation and disruption that facilitates the technological change. New competitors coming from other industries are taking advantage of the opportunities arising from the redistribution of sources of value generation.
- Contribute in a direct and significant manner to the achievement of the Sustainable Development Goals of the United Nations, as an ISA's higher purpose that gives the sense of community to its employees and increases the degree of social acceptance of the infrastructure.

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Integrated Management Report /16



Business Environment

The business scene transcends the technical context of essential processes of construction, operation and maintenance, and poses new challenges in environmental, property, social, legal and regulatory matters; which lead us to a systematic review to incorporate the best management practices.

Policies

- The worsening of the institutional crisis facing Latin America derived from corruption scandals that directly involve senior officials in governments across the continent.
- - Uncertainty in front of the foreign policy of the United States, whose government proposes a limitation to the global free market, renegotiation of free trade agreements and protectionist policies.
- - Political agendas of some countries will remain conditioned to a large extent to electoral agendas. This is the case of Ecuador, Chile, and Honduras, which go to the polls in 2017, while Brazil, Mexico, Colombia, Costa Rica, and Paraguay are being prepared to hold elections in 2018.
- - Implementation of peace agreements between the Colombian government and the FARC-EP, which will lead this armed group to a new scenario of political participation.

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Social

- Complexities of the Latin American sociopolitical context, social and environmental conflicts attributed to the mining and energy sector and the expectations of communities to participate in decision-making related to the execution of infrastructure projects, can be expressed in the rejection by these communities and local government, which generate delays in obtaining environmental licenses, cost overruns, and setbacks in the implementation of projects.

Economic

- A financial growth lower than main economies of the region regarding growth observed in the last decade is expected, mainly because of factors such as the structural decline in oil and metal prices, low economic activity in China and its lower demand of commodities, as well as the exchange rate weakness.
- In Latin America, it should prevail a positive trend of population growth, concentration of natural resources and raw materials, political stability and relatively reliable regulatory systems that will have an impact on a high probability of GDP growth in the medium and long-term, and thus on a greater demand for infrastructure. This is the case of Chile, Colombia, Peru and Mexico, and to a lesser extent, Brazil, a country which is expected to execute structural reforms to increase investor confidence.

Legal regulatory

- Uncertainties generated by changes in energy policy and electrical safety, which in turn requires strengthening the institutional management of the company to generate adequate participation conditions and ensure high standards of service delivery.

Environmental

- Greater environmental, social, and property demands and complexities translated into incremental risk, both in the environmental licensing process and in the negotiation of easements, affecting compliance with the date of commissioning in infrastructure projects and, ultimately, compromising the viability of projects.

Sectorial and Technological

- Potential reforms to adapt the functioning of infrastructure and energy sectors to the dynamics generated by the introduction of renewable and distributed generation, electricity storage, micro-networks, and in general, the search for energy efficiency.
- Impacts of digital technology on consumers, cultural transformation on society, operational and business models, and the manner in which organizational capabilities are managed, enables us to understand and analyze information.

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COMPREHENSIVE RISK MANAGEMENT

The Corporate Policy of Comprehensive Risk Management seeks to preserve the integrity of corporate resources, continuity and sustainability of business units. For this, ISA and its companies permanently perform the identification, analysis, evaluation, monitoring and communication of risks to which they are exposed, in order to minimize impacts on the financial resources and reputation.

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

The management of risks contributes to describe the operational context of each business, where the variation of macroeconomic tendencies for the sector, changes to regulations, violation to Human Rights; social, environmental, and property transformations; shortage of natural resources, and political factors, among others, will be considered.



— JR	Legal and regulatory	— IP	Providers	— PO	Political
— AM	Environmental	— EO	Errors or omissions	— FE	Equipment failures, spare parts and materials
— SO	Social	— DE	Deficiencies of the system or the electric market	— TI	Information technology and telecommunications
— PR	Property	— CH	Human capital and labor relations	— FN	Natural events
— FI	Market, liquidity and credit	— GO	Governance	— CA	Armed conflict, terrorism and vandalism
— MC	Market, competition, mergers and acquisitions			— FR	Fraud



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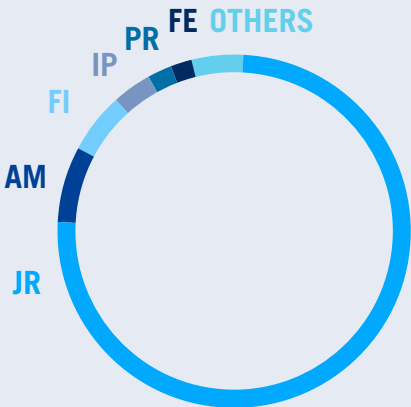
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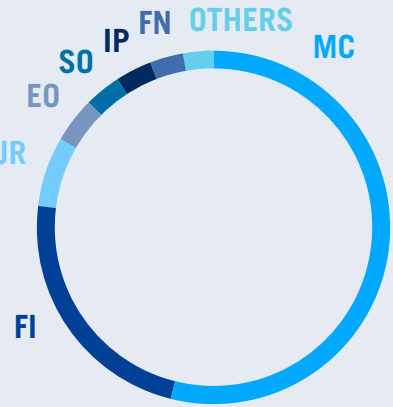
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RELEVANT RISKS PER BUSINESS UNIT

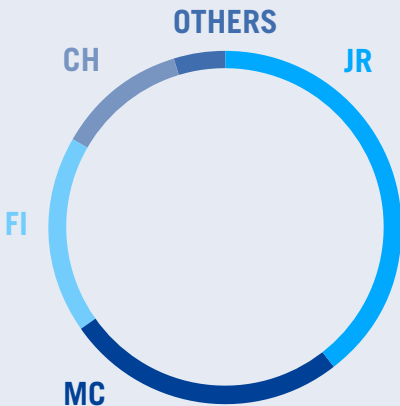
→ Energy Transmission



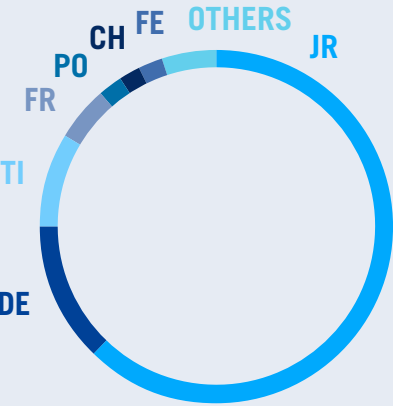
→ Road concessions



→ Information technologies and telecommunications

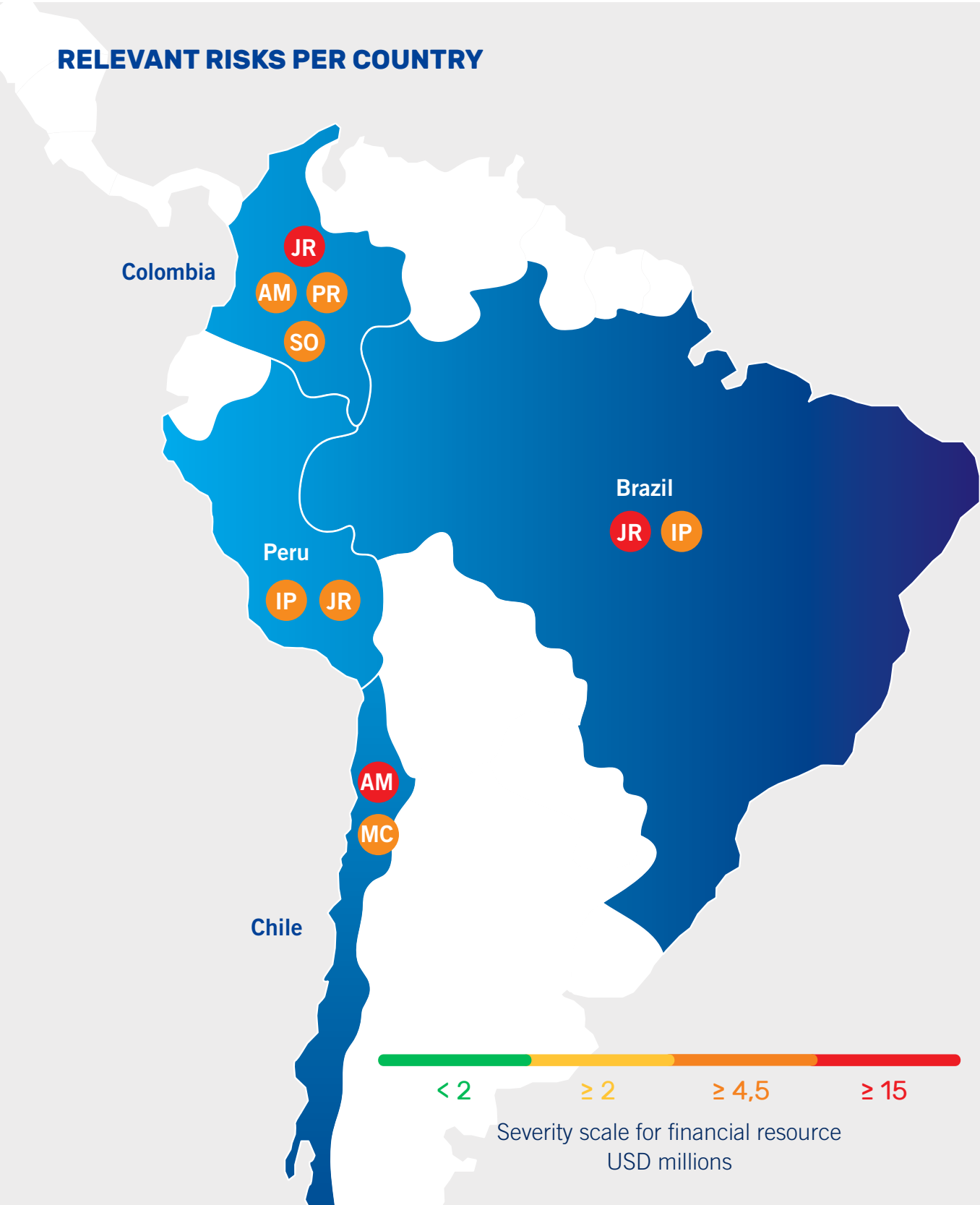


→ Real-time systems management



JR	Legal and regulatory	EO	Errors or omissions	FE	Equipment failures, spare parts and materials
AM	Environmental	DE	Deficiencies of the system of the electric market	TI	Information technology and telecommunications
SO	Social			FN	Natural events
PR	Property	CH	Human capital and labor relations	CA	Armed conflict, terrorism and vandalism
FI	Market, liquidity and credit	GO	Governance	FR	Fraud
MC	Market, competition, mergers and acquisitions	PO	Political		
IP	Providers				

RELEVANT RISKS PER COUNTRY



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Monitoring and
review of risk management

Self-control is the fundamental principle for risk management and it is present at all levels of the Company. The monitoring of risks is associated with levels of responsibility in the organization structure, from processes layer to the highest levels in companies, including its board of directors. In addition, the audit function supports its action on the analysis of corporate risks.

Priority risks management

Legal and regulatory

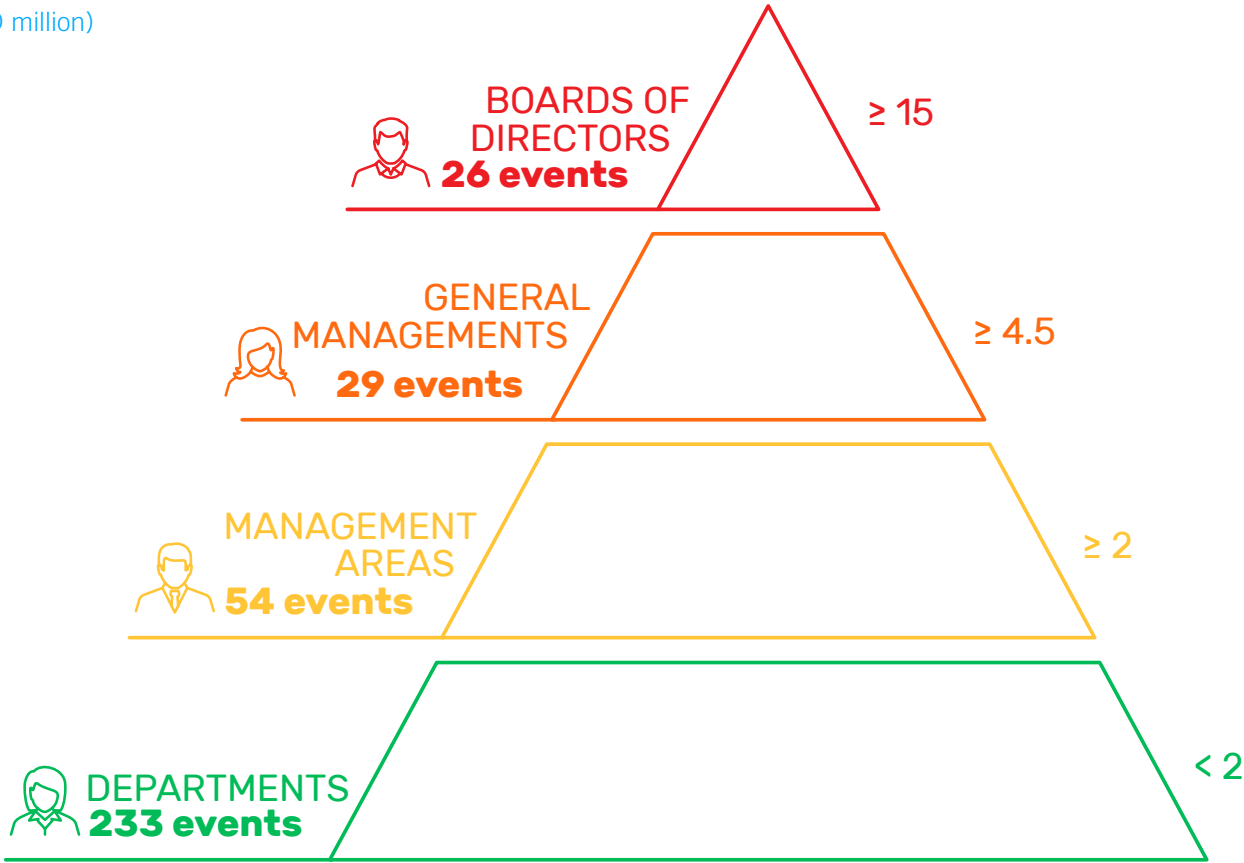
Compensation for the early renewal of the CTEEP
concession in Brazil

→ In Brazil, as a result of the management performed in the last years, this risk was favorably resolved for ISA. In 2016, the Official Journal (22/04) of Ordinance MME N° 120/2016 was published, which establishes that the compensation payment will be part of the Companies' Regulatory Remuneration Base. The beginning of payment is expected within the 2017 tariff process for a period of eight (8) years.

Tax events and pension liability in CTEEP in Brazil

→ The management performed was focused on the presentation of relevant resources before regulatory entities, provision of documents and supports, union management, judicial and extrajudicial actions.

→ Escalation of risks
(USD million)



Change of compensation scheme of energy transmission in Colombia

→ The direct management through unions was made before the regulatory entity, the Ministry of Mines and Energy, and the Ministry of Finance. Researches and counterproposals to the regulatory entity in which negative consequences of the change proposed by the regulatory entity were delivered.

Modification of depreciation rates in CTM in Peru

→ The management performed to solve tax disputes by depreciation rates with the National Superintendence of Customs and Tax Administration (SUNAT) allowed reducing the probability of occurrence of this risk.

Environmental**Delay in the commissioning of projects in Chile**

→ - Facing social and environmental events presented during the execution of infrastructure projects, INTER-CHILE made efforts before the Ministry of Energy and environmental authorities in order to strengthen the relationship and make progress towards the timely adoption of the corresponding environmental permits and comply with operating start dates.

Property**Protection of easements regarding transmission lines by Victims' Law in Colombia.**

→ - In Colombia, efforts with the Energy Mining Planning Unit (UPME) and the Land Restitution Unit continued. Likewise, a pilot plan for the imposition of easement on properties that are under judicial restitution process was implemented with favorable results for ISA. This management allows decreasing the risk level perception and stays alert.

Financial**Portfolio generated due to financial difficulties of Electricaribe in Colombia**

→ - This event was held during 2016 because of the financial situation of Electricaribe and the intervention of such company by the Superintendency of Domiciliary Public Utilities. However, the financial impact of this effect for ISA was reduced by more than 50% due

to the Wholesale Energy Market guarantees. The remaining amount was depreciated in the financial statements of the company.

Management of emerging risks

These are long-term uncertain events that may affect businesses. The analyses of these risks are supplementary to those performed in the comprehensive management models of risks and incorporate the observance of the environment to be anticipated to potential threats related to trends, which can allow adjusting the strategy to turn them into opportunities and be reflected in ISA's challenges.

Transformation of the electric sector

→ - Motivated by technological advances associated with information management, decrease of storage costs of energy and generation with non-conventional sources, the global concern for climate change and, consequently, the promulgation of new laws. This transformation is evident in new business models, in which said technological advances take greater importance, thus modifying the assumptions that until now have been considered for electric systems development. ISA and its companies, through the innovation model, work in several innovation initiatives (disruptive and radical) to anticipate the change and take advantage of opportunities generated with the sector transformation.

Digital transformation

→ - Distributed developments, real-time information, fast entertainment, big data, Smart Grids, among others, generate trends managed with strategic adjustments, development of skills and use of synergies to capture potential opportunities arising from this evolution. ISA develops programs of digital capacities by integrating the possibilities offered by digital advances in SMACIT (Social, Mobile, Analytics, Cloud, Internet of Things).

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Lack of qualified human resources

→ - This means absence of human resource in a timely and competent manner in the organization. ISA applies the transfer of knowledge model, as well as the identification of critical positions and succession plan, so it may guarantee continuity and sustainability of the knowledge required in the Company.

Climate change

→ - The intensification of climate events has different affectations on businesses, such as damage to infrastructure by floods, strong winds, or loss of natural barriers. To deal with these events, ISA and its companies define mitigation and adaptation actions. In terms of mitigation, Energy Transmission companies of ISA manage their carbon emissions to the atmosphere, mainly with SF6 gas. In terms of adaptation, ISA works together with the Ministry of Mines and Energy of Colombia to guarantee the continuity of service delivery.

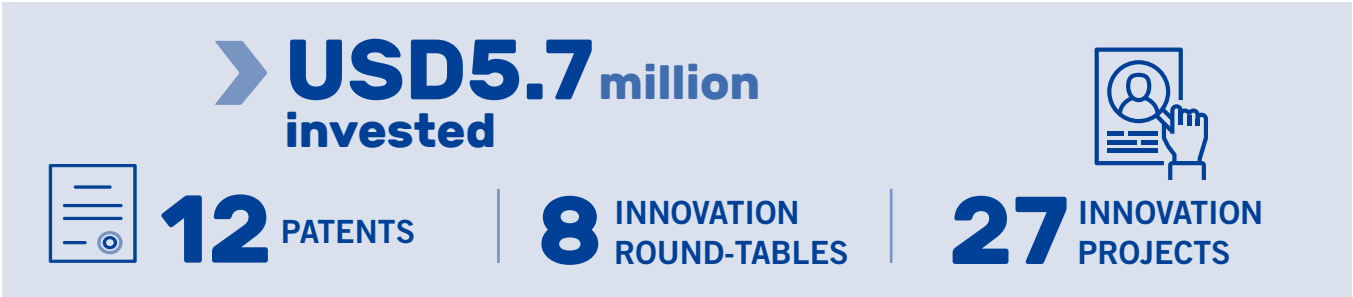
Cybersecurity

- It is associated to the protection of critical information of companies against cybernetic attacks. ISA and its companies manage this risk through the identification and definition of protection mechanisms for critical cyber assets. Real-time monitoring is performed. In addition, there are mechanisms of physical security and technological solutions to protect networks and infrastructure. Moreover, recovery plans of critical cyber assets are included in business continuity plans, which are approved regularly. Colombian companies incorporate the provisions and comply with the requirements set in Agreement CNO 788 (Cybersecurity Guide) and document CONPES 3854 (National Policy of Digital Security).

INNOVATION

Innovation in ISA is envisioned as a deliberate and systematic process to develop abilities to turn ideas and knowledge into value generation.

By means of the innovation model, it is possible to articulate culture, networks, ideas, projects and resources. Planning, project development, control, decision-making and contribution to ISA's strategy are provided.



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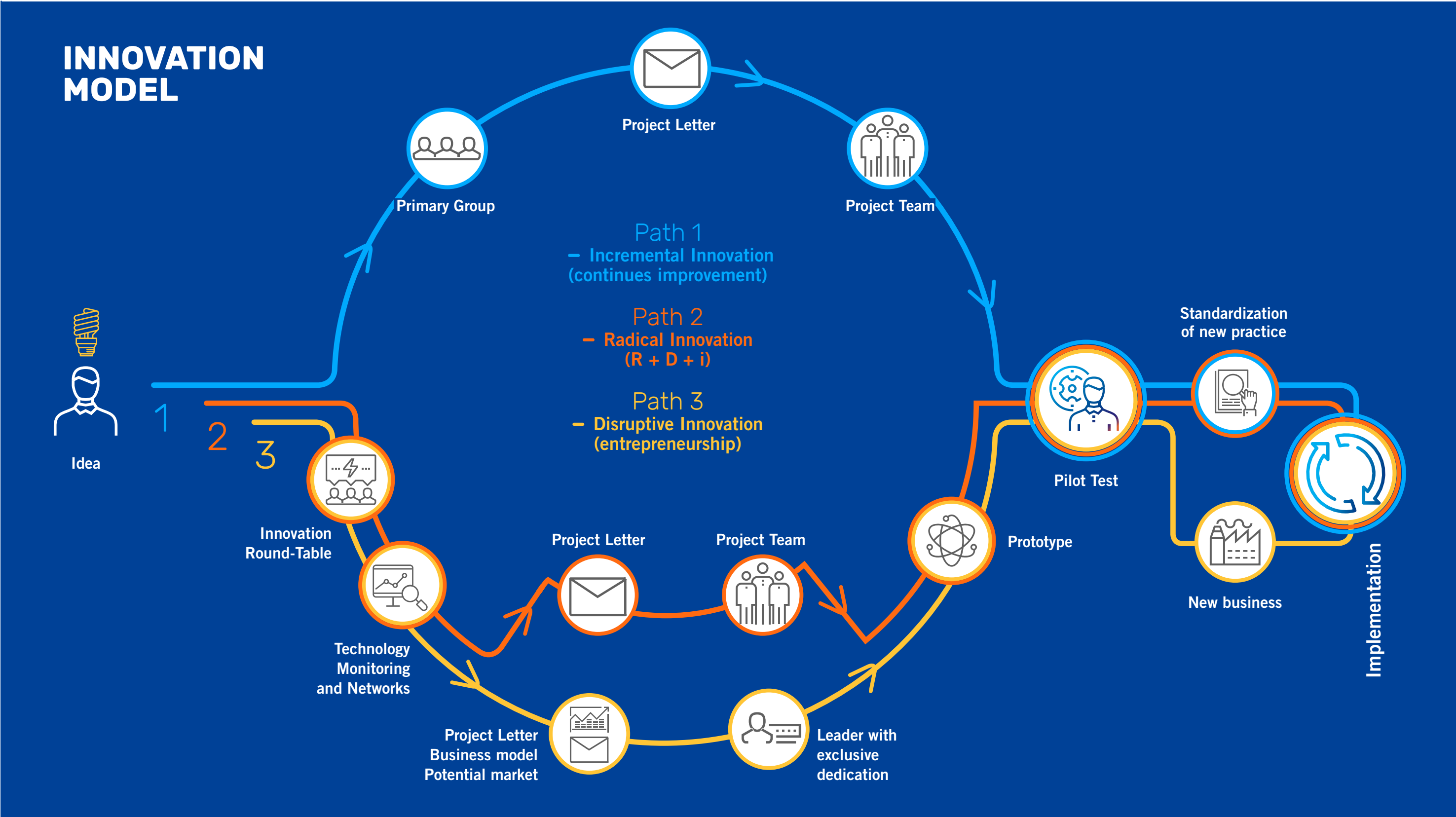
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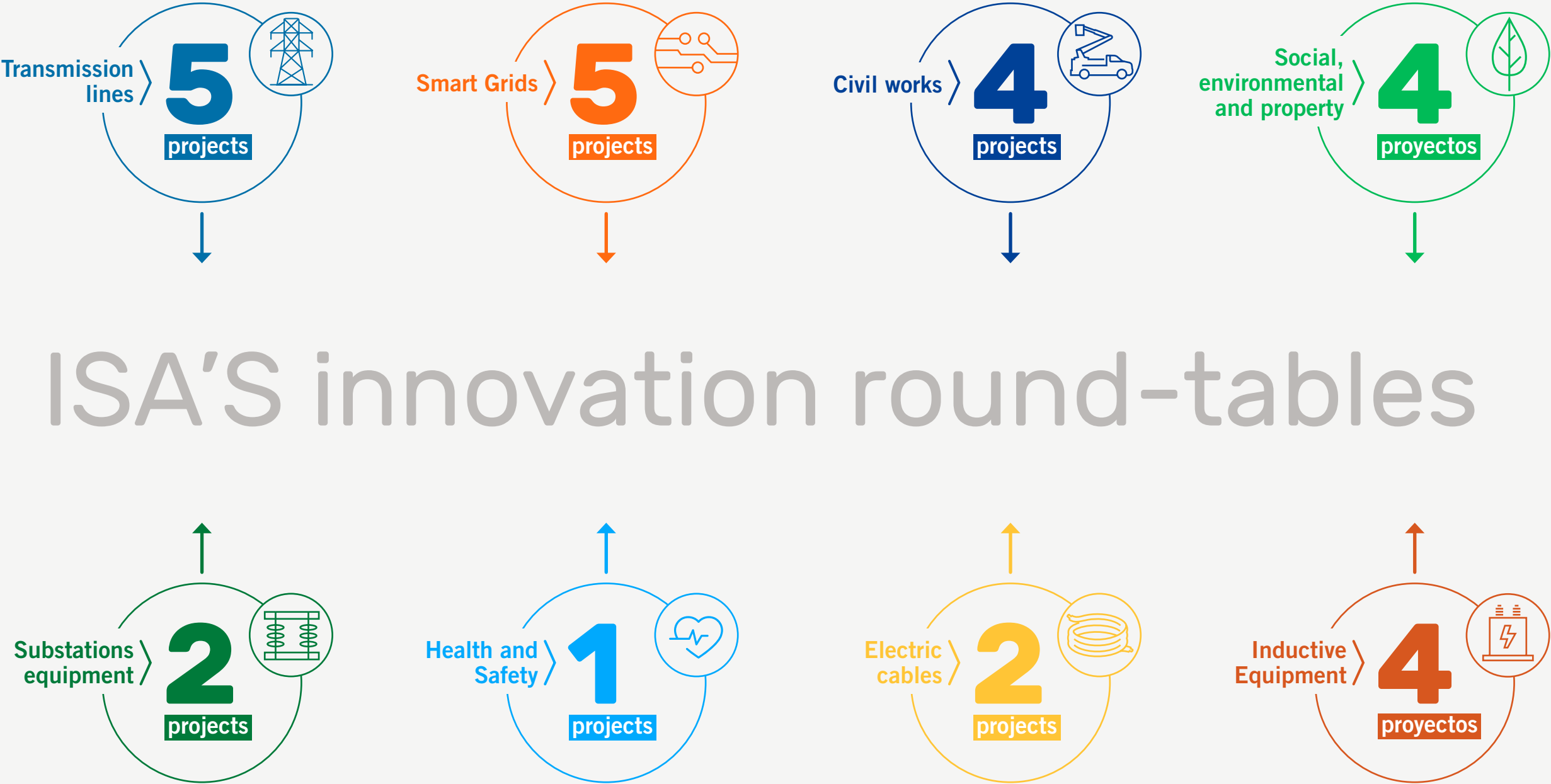
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To develop innovation projects (radical and disruptive), eight (8) innovation round-tables are structured around defined topics.



ISA'S innovation round-tables



If you want to know more about this program, [click here](#)

A SUSTAINABILITY PROGRAM

Conexión Jaguar is a sustainability program formulated and developed by ISA together with communities and experts, to contribute to the conservation of biodiversity and the mitigation of climate change, through forestry projects in priority areas for protection, recovery and connection of habitats and areas of where jaguars inhabit, which coincide with countries where ISA is present in Latin America.

● Jaguar's habitats



A close-up portrait of a young girl with a joyful expression, featuring a green chili pepper on her nose and another in her hand.

If we know that excellence is the result of the demand
through which we focus each action in life,
then there is a connection.

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COMMITMENTS WITH STAKEHOLDERS

**ISA respects, recognizes and values its stakehol-
ders, for which ISA formulates commitments
oriented to the generation of shared value.**

Its stakeholders are a set of people, organizations and institutions with which ISA and its companies build and share common interests. They are selected with visibility and legitimacy criteria. They also have the ability to cause an impact on the environment and the company **[G4-25]**.

ISA is committed to develop, strengthen and promote mechanisms of relationship and commitment to its stake-
holders to:

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

**Further information about the relationship with stakehol-
ders is included on the website **[G4-26]**.**



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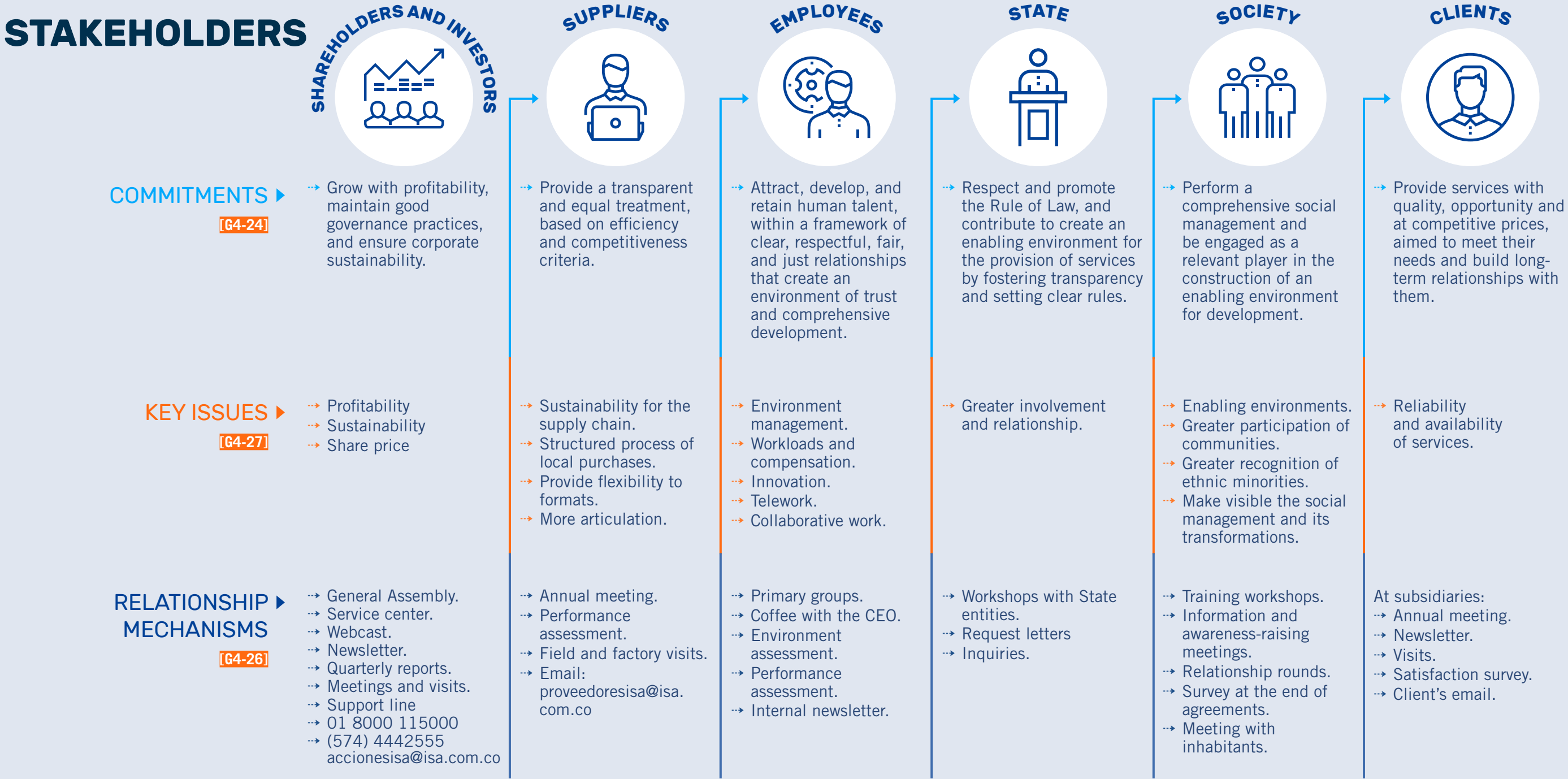
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STAKEHOLDERS



DISCUSSIONS WITH
STAKEHOLDERS

REPUTATION RESEARCH

→ Website: www.isa.co
→ ISA email: isa@isa.com.co



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

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ACCOUNTABILITY

ISA and its companies generate spaces for dialogue with its stakeholders, in which they share the most relevant events of management, in order to receive feedback and measure their perception regarding actions taken by the company and compliance with commitments made.

In these meetings, stakeholders also present their expectations respect of the company within the context of their relationship. The company prioritizes and aligns such expectations against compliance of their corporate purpose, normativity and obligations arising from shared ethical values.

→ Discussions held

Stakeholders	ISO	INTERCOLOMBIA	REP	TRANSELCA
Suppliers	✓	✓	✓	✓
Clients	NA	✓	*	✓
Employees	✓	✓	✓	✓
State	✓	✓		
Shareholders	✓	NA	NA	NA
Society	✓	✓		✓

* Dialogue with clients took place at the end on 2015.

CTEEP holds biennial meetings. Further spaces for dialogue will start in 2017.

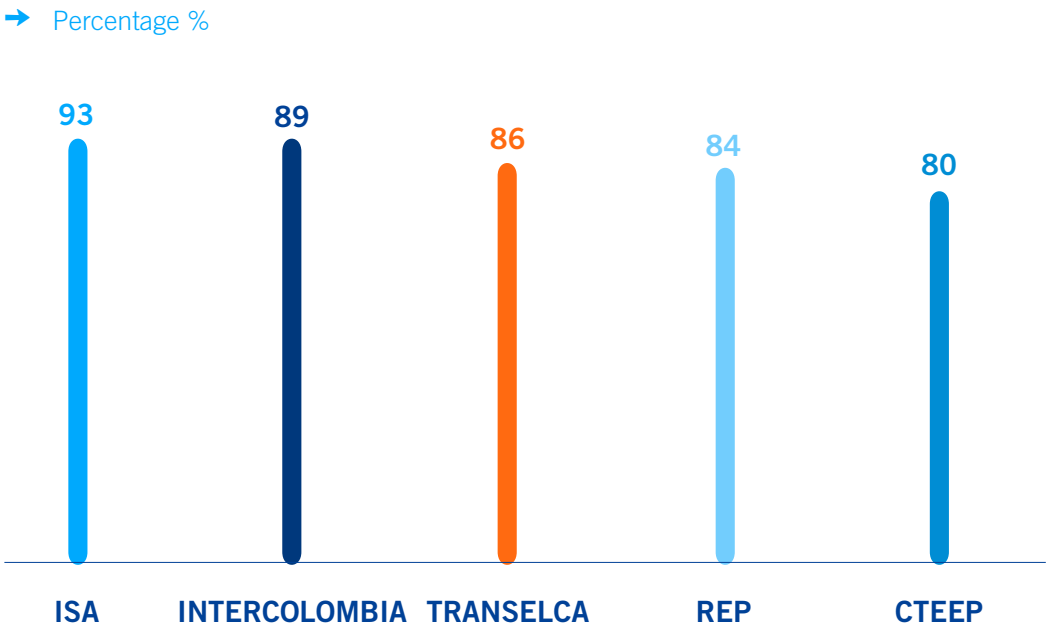
INTERCHILE and ISA Bolivia do not yet have the dialogue practice implemented given the size of companies.

HOW DOES ISA PERCEIVE ITS STAKEHOLDERS?

ISA and its companies set indicators to measure the perception of their stakeholders, in order to identify improvement opportunities, incorporate them in their actions, and thus generate long-term relationships to strengthen trust and legitimacy.

Compliance with stakeholders

These spaces are used to define the degree of compliance with commitments with stakeholders, and materiality is consulted (in the years in which this measurement is held). Results for the period performed in 2016 were the following [G4-27]:



The materiality measurement is generated by using focus groups methodology, which represents a sample of the stakeholders. There are key players of relationship. They know the company. They can be allies or opponents and gather the essence of the interested parties.

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ISA en medios de comunicación

ISA is recognized by national and international mass media as a timely and reliable information source, as well as a validator of information and a reference in specialized publications of sectors where its business is developed.

This recognition has been strengthened for decades as a result of a rigorous implementation of its own information agenda, which provides information of relevant news. The result of this proactive management with mass media is assessed annually in all the group's companies, from 2015, with a Favorability Indicator in Mass Media, which measures the percentage of positive news in media, upon the universe of news published that leverage the reputation of the company and consolidate it as a strong, sustainable, and innovative company, as well as a good place to work.

In 2016, the consolidated favorability indicator in mass media of ISA and its companies was 96% out of a total of 2,074 news published on traditional media.

Likewise, for ISA, mass media are stakeholders of great relevance with which ISA is seeking reliable and close relationships, always framed within respect for independence and freedom of expression.

→ PORTFOLIO SEP. 14/2016



→ REVISTA GERENTE SEP. 22/2016



→ LA REPÚBLICA NOV. 26/2016



→ W RADIO DEC. 28/2016



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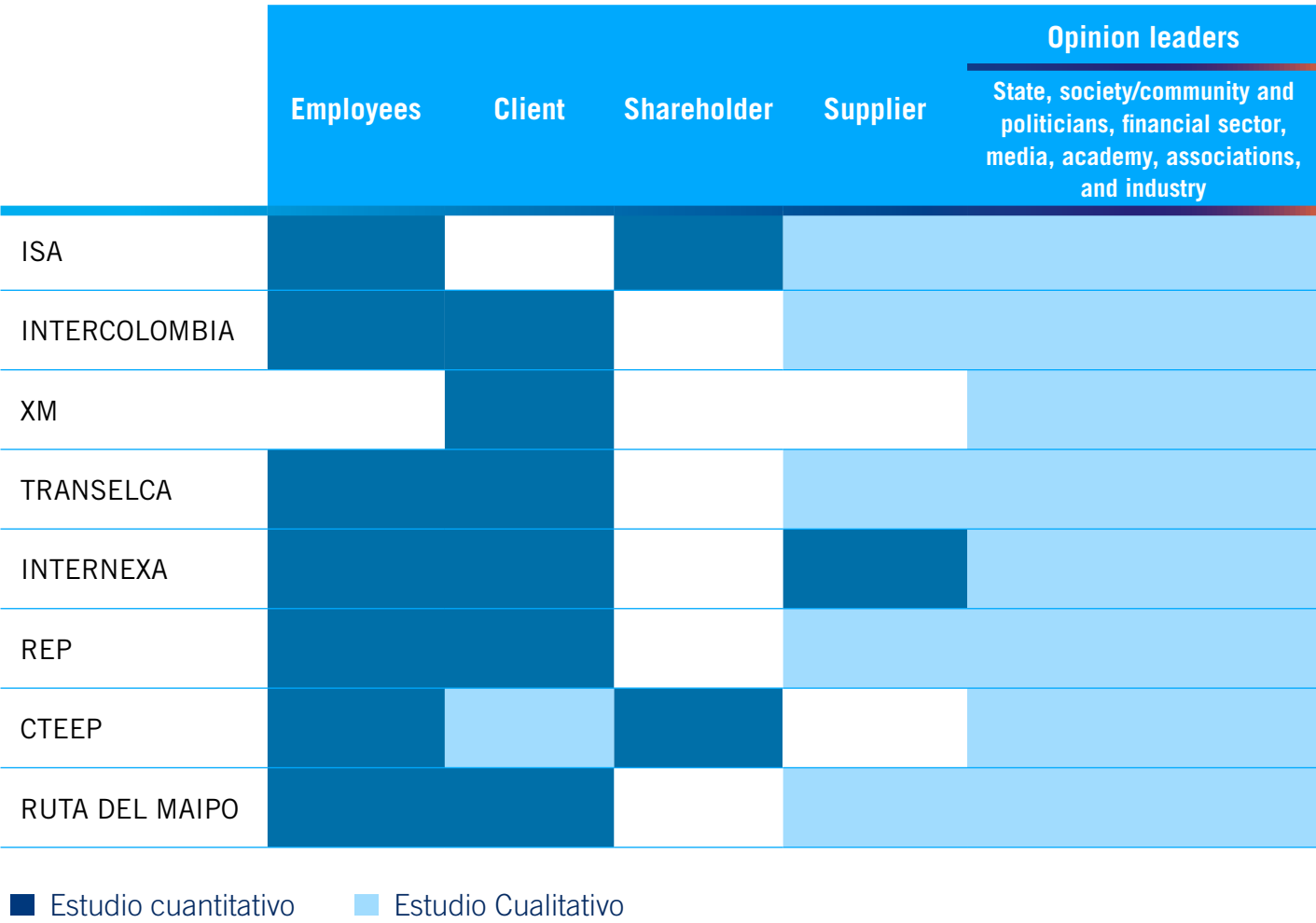
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Management of reputation

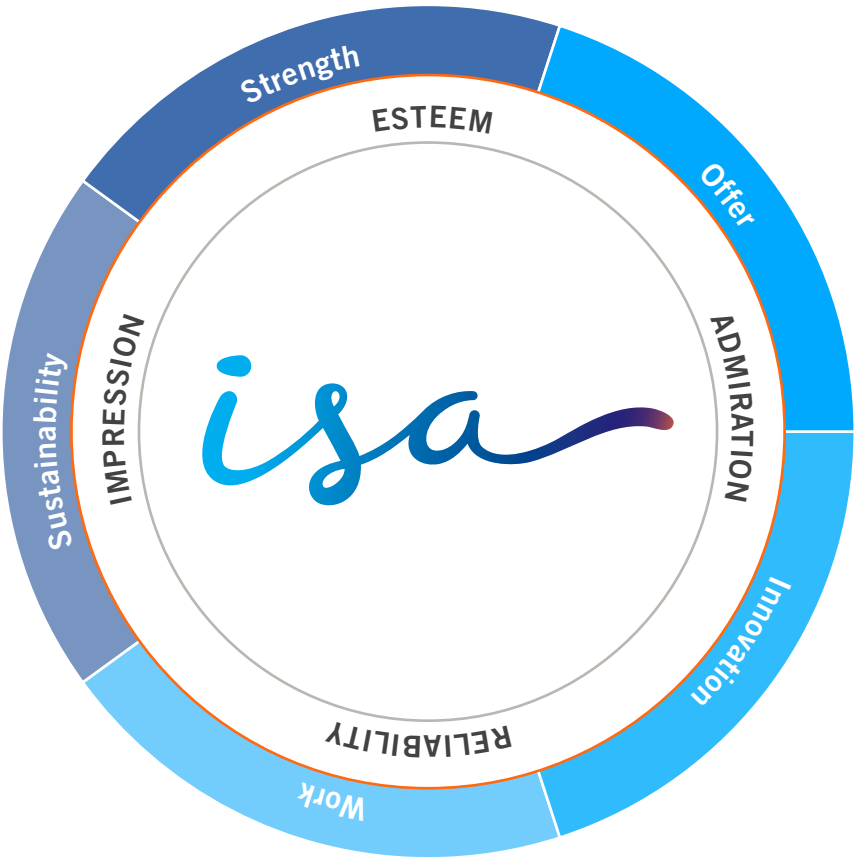
For ISA and its companies, reputation is a strategic resource, whose management is required to be measured between different publics.

From 2013, ISA decided to use the unified adhoc model for measurement and management of reputation, from Reputation Institute. The exercise made in 2016 covered key publics defined in each company.



The model allows knowing (through measurement results) the strength of emotional connection between the company and their publics, as well as the national attributes which has an effect on the good reputation and those on which it is necessary to intervene directly to manage it.

Reputation measurement model in ISA and its companies



Methodology RepTrak®, Reputation Institute

Research results against the contribution of ISA to its subsidiaries



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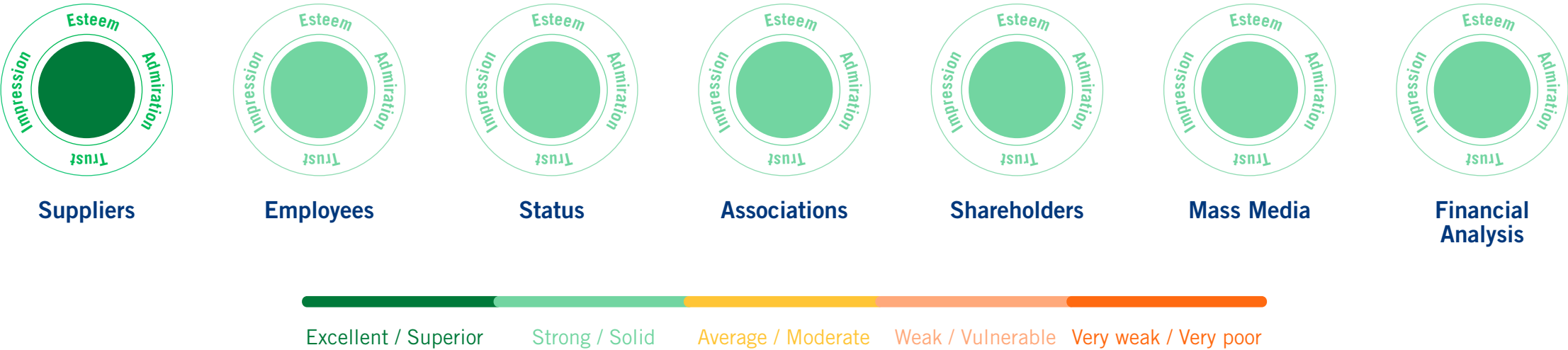
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→ ISA’s reputation measurement results:



Results of this measurement provide satisfactory and consistent conclusions with the management and strategic definitions of the corporate group. ISA and its companies enjoy a good reputation among most of its stakeholders, based on attributes of strength, experience, knowledge of sectors in which they operate, ethics and compliance with obligations, quality of human team and its technical knowledge.

From these measurement results, improvement opportunities were identified and prioritized in all companies. Also, plans for closing of gaps were mainly focused in the strategic alignment and defined goals for the coming years.

The results of each company are part of their management reports and may be consulted on the corresponding websites.

TRANSPARENCY PRACTICES

Decisions made by ISA and its companies regularly affect people who are part of their stakeholders, which involve a relationship based on values, policies and commitments that strengthen the corporate and institutional identity [G4-57].

ISA and its companies have mechanisms to prevent faults against ethics, fraud situations and/or corruption:

- Corporate reference framework: mission, vision and values, Good Governance Code and Corporate Policies of Risk and Control.
- - Risk Management Systems of Money Laundering and Financing of Terrorism (SARLAFT).
- - Comprehensive Risk Management.
- - Assignment of person responsible for monitoring and controlling of anti-corruption mechanisms.

To foster the culture of transparency in the organization, actions are taken according to the following cycle:



Code of ethics

The Code of Ethics structures and compiles policies, regulations, systems and ethical principles that guide actions of employees, Board members, and contractors of ISA and its companies regarding their governance, conduct and information. It is the instrument that consolidates the trusting relationships and defines the global character of the economic group. Thanks to ethics, it is possible to be consistent in decision making and in the relationship with stakeholders, in pursuit of business goals and the common good.

Some of the most relevant aspects of the Code are:

- Corruption and bribery.
- Discrimination.
- Confidentiality of information.
- Anti-monopoly practices.
- Asset laundering or insider trading.
- Environment, health and safety.
- Allegations of irregularities.
- Bribes in any form such as commissions or payments in kind.
- Direct or indirect political contributions.

Likewise, the Code defines and describes the follow-up and control mechanisms that companies should implement in order to guarantee and verify their compliance, being the Ethics Committee the advisory entity that addresses all inquiries and complaints of stakeholders.

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On its website, ISA publishes the full text of the Ethics Code and presents the mechanisms and procedures for counseling, advising and complaint [G4-58].

ISA and its companies developed activities to strengthen the culture of ethical culture and consolidate the Code and its instruments. The following activities stand out:

→ The Collective Action of the Electric Sector, in which

the following are participant of the corporate group: ISA, XM, INTERCOLOMBIA and TRANSELCA. During 2016, they focused their efforts in the fight against corruption and fair competition, promoting the incorporation of practices in each company and the identification of fair competition risks in the sector.

→ - A campaign for the internalization of the Code was conducted in order to strengthen the understanding of ethics and its application in personal and working areas.



isa REP

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¡Quedan pocos días! Accede a la plataforma del curso virtual "Código de Ética", para completar la segunda parte.

Para acceder, sigue estos pasos:
1. Ingresa al link: <http://rep.campusdc.com/>
2. En "nombre de usuario" ingresa tu número de DNI y en "contraseña" coloca los 4 primeros dígitos de tu DNI.

Luego de realizar el curso, deberás completar una evaluación, la cual requiere un mínimo de 80% de respuestas correctas para aprobar.

Último día: 27 de julio

Auditoría Interna

CODIGO DE ÉTICA
agosto de 2015

CATS: A124-R111

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→ Relevant data of the Ethics Line: G4-57



In order to address the reports of stakeholders, companies have an Ethics Line, which has communication channels such as e-mail, a website, and a phone line. These are administered by third parties to ensure transparency and confidentiality of information.



Ethics Line (Free):

01 8000 941341

lineaetica@isa.com.co



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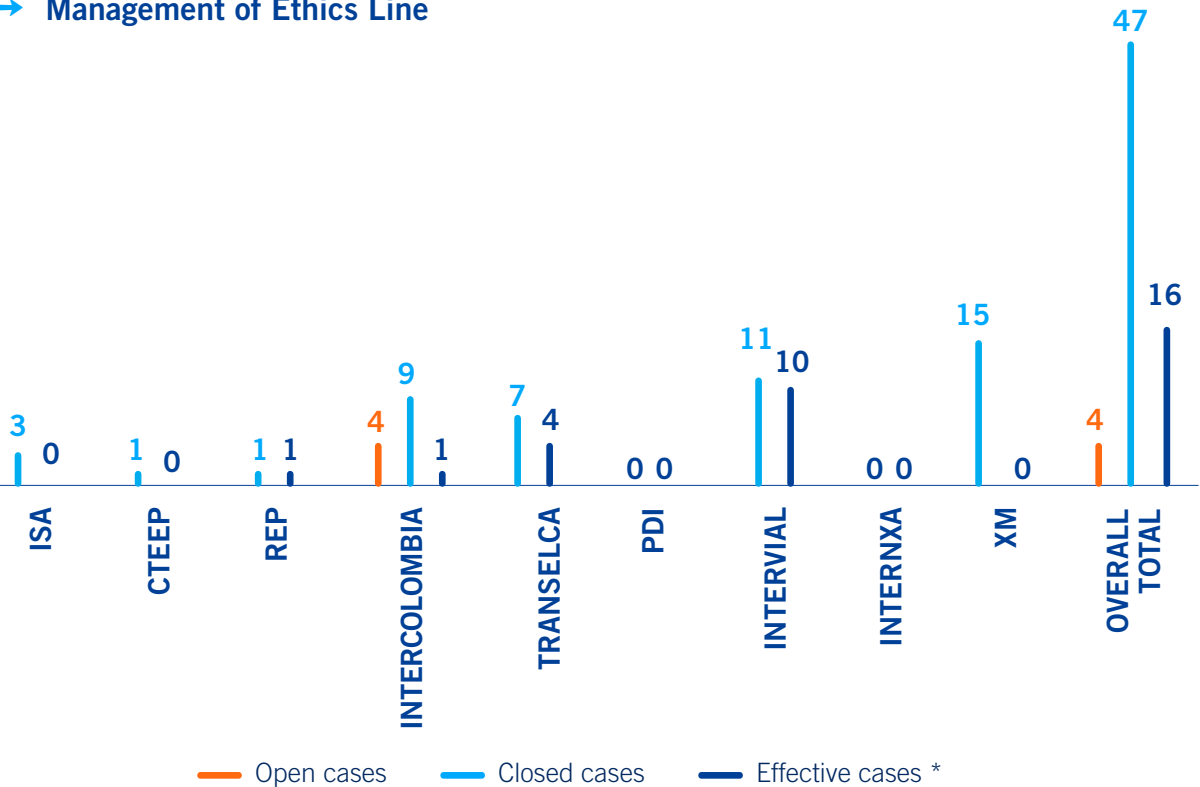
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To promote ethical, transparent, constructive, and respectful relations, there are indicators to monitor events related to possible violations or infringements.

→ Management of Ethics Line



* Effective cases: Those cases in which the situation reported was evident and the corresponding actions for their dealing were taken.

[See description of management table of Ethics Line.](#)

Antifraud Code

The Anti-fraud Code formalizes the will of ISA and its companies regarding fraud, sets a culture of zero tolerance to it and establishes corporate guidelines and responsibilities for its prevention, detection, investigation and response in a homologated manner in every country where they are present. [ISA's Anti-Fraud Code is published on its website.](#)

For its part, some responsibilities of ISA's audit committees are the follow-up to the corporate risk management and their corresponding administration measures.

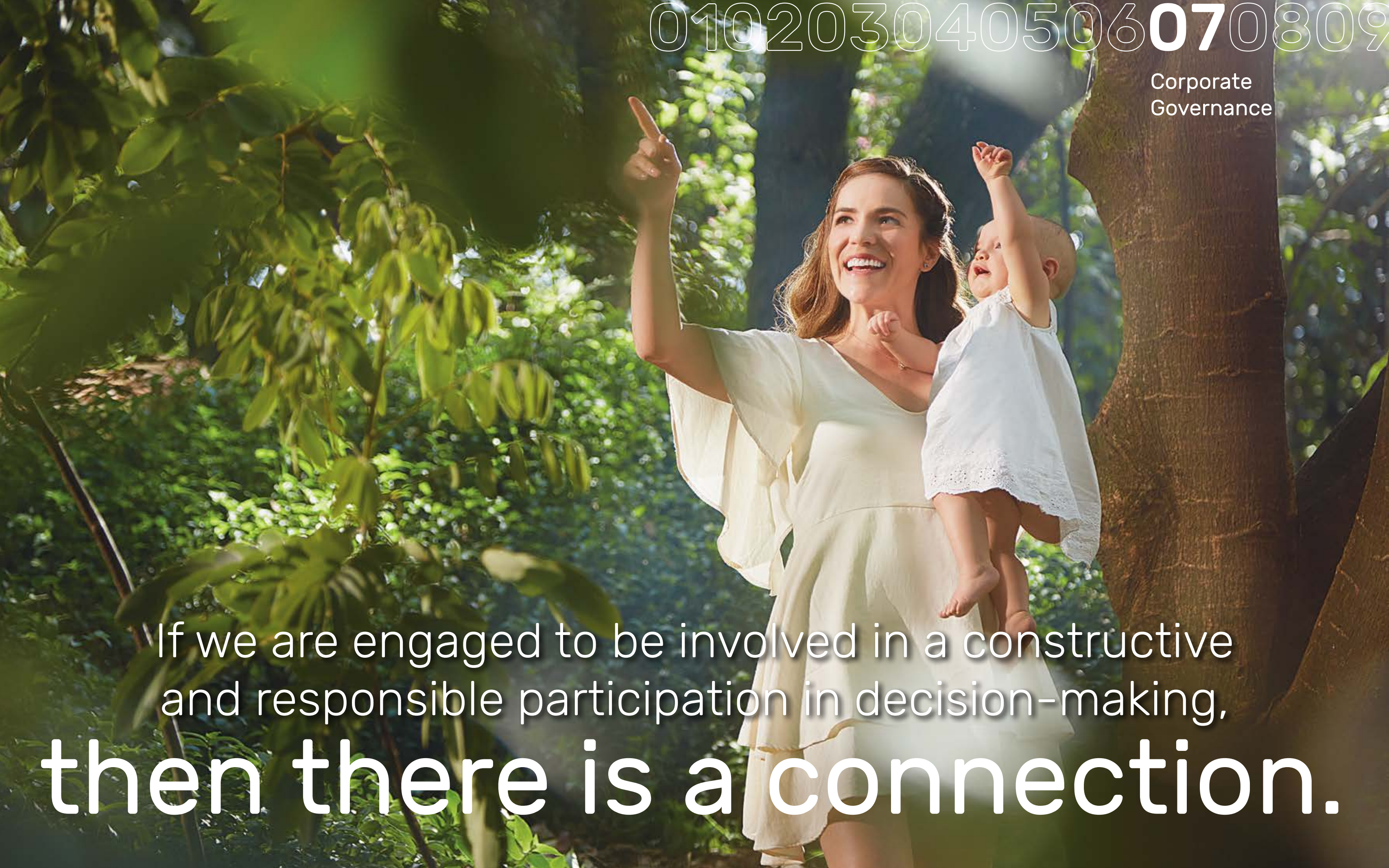
ISA has a Risk Management System of Money Laundering and Financing of Terrorism (Agreement 74 of the Board), which defines the guidelines for the management of these risks. This system allows ISA to safeguard its operations not to be used as means to commit such crimes.

In this respect, ISA and INTERCOLOMBIA relate these practices to the procurement process by using OFAC lists (Clinton) and UN. Neither the participation of proponents is allowed (natural and legal persons, consortia, temporary unions, or any other corporate group) in which their Board members, their Legal Representatives, or their Statutory Auditor are included in such lists.

For follow-up and control, the evaluation to suppliers related to Ethics Code or Antifraud Code is conducted. If a fault is found, then offers are not considered.

During 2016, there was not any alert related to the risk of money laundering and/or financing of terrorism during the verification of the transactions made with their stakeholders.

ISA and its companies in Colombia ratify, internally and externally, their commitment in the fight against money laundering, by joining the National Day for the Prevention of Money Laundering, an effort made by the United Nations against drugs and crime, in order to articulate public and private sectors to prevent this crime.



If we are engaged to be involved in a constructive
and responsible participation in decision-making,

then there is a connection.



CORPORATE GOVERNANCE

For second consecutive year, ISA won ALAS20 award as Leading Company in Corporate Governance, in recognition of their good practices related to how the company communicates to its stakeholders, and particularly to investors, the adoption of the best practices of corporate governance, beyond legal and regulatory compliance.

For ISA, corporate governance is the set of values, principles, policies, rules, means, practices and processes by which it is governed, operated, and controlled, always looking for

corporate efficiency, promoting growth and fostering investor's reliability in national and international contexts. For this purpose, ISA is regulated by transparency and coherence practices in their actions. It also obtains better funding conditions by perception of lower risk from creditors and investors, respects those who invest in ISA, and fulfills commitments with its stakeholders.

By complying with the provisions of Bylaws and the new Good Corporate

Governance Code, ISA's Board presents the corresponding report for the 2016 period, which describes how compliance was given to the corporate governance practices adopted by the Society, following the structure recommended by Country Code.

In addition, ISA conducted and remitted in a timely manner to the Financial Superintendence the report of implementation of best corporate practices corresponding to 2016, which is published on the corporate [website](#).

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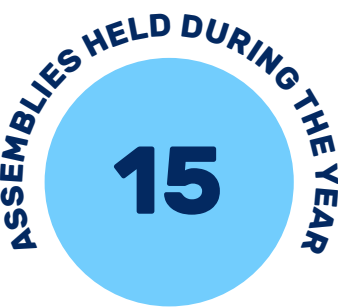
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ISA'S BOARD OF DIRECTORS

[G4-56] [G4-38] [G4-39]

78%

OF INDEPENDENT
MEMBERS



Compensation

COP3.06
million per
meeting attended

96%

average attendance
to assemblies



Santiago Montenegro Trujillo

Board's President

Nominated by Pension
and Severance Fund.
No labor link with the company.

Camilo Zea Gómez

Nominated by Pension
and Severance Fund.

Carlos Felipe Londoño Álvarez

Nominated by the Ministry
of Finance and Public Credit.

María Ximena Cadena

Nominated by the Ministry
of Finance and Public Credit.

Jesús Aristizábal Guevara

Nominated by Empresas
Públicas de Medellín.

Carlos Mario Giraldo Moreno

Nominated by the Ministry
of Finance and Public Credit.

Carlos Caballero Argáez

Nominated by the Ministry
of Finance and Public Credit.

Henry Medina González

Nominated by ECOPETROL.

Ana Milena López

Nominated by the Ministry
of Finance and Public Credit.

→ Board's Committees

- Board and Corporate
Governance
- Board Committee
and Corporate
Governance's President
- Business
- Business Committee's
President
- Corporate Audit
- Corporate Audit
Committee's President

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The General Assembly of Shareholders annually elects ISA's Board, which is comprised of nine core members, seven of whom are independent in accordance with the provisions of Law 964 of 2005 and the Good Governance Code of the Company.

For the nomination of candidates for the Board and to assure reasonable balance, complementarity and diversity,

in the interests of proper performance, it is necessary to consider that candidates are not involved in any disqualifications and incompatibilities of legal nature and have enough knowledge, experience, educational background, qualities, skills, independent judgment to be a candidate for being a Board member.

During the April 2016 – March 2017 period, there were no changes in the Board.

[See Board's Policy of Succession.](#)

→ Competences of ISA's Board [G4-34] [G4-38]

Description	Line 1	Line 2	Line 3	Line 4	Line 5	Line 6	Line 7	Line 8	Line 9
Name	Carlos Caballero Argáez	Maria Ximena Cadena Ordóñez	Ana Milena López Rocha	Carlos Mario Giraldo Moreno	Carlos Felipe Londoño Álvarez	Jesús Aristizábal Guevara	Henry Medina González	Santiago Montenegro Trujillo	Camilo Zea Gómez
Company where he/she works	Universidad de Los Andes	Ministry of Finance and Public Credit	Ministry of Finance and Public Credit	Grupo Éxito	Engineering School of Antioquia	Independent / Business Consultant	Vitol Inc	Colombian Association of Administrators of Pension and Severance Funds	Pronus
Position	Professor	Vice-Minister General	Director of Public Credit and National Treasury	CEO	University President		Colombia y Desarrollo Latino América's CEO (Colombia and Latin American Development's CEO)	CEO	Partner
Seniority on the Board of Directors	From 2016	From 2015	From 2015	From 2013	From 2011	From 1999	From 2014	From 2007	From 2013
Skills and experience related to economic, environmental, and social impacts	YES	YES	YES	YES	YES	YES	YES	YES	YES
Skills and experience related to risk management	YES	YES	YES	YES	YES	YES	YES	YES	YES
Participation in other Boards	4	2	3	4	6	3	4	2	3
Shareholder of an important supplier or client	NO	NO	NO	NO	NO	NO	NO	NO	NO
Member or affiliate to social groups with under-representation (minorities)	NO	NO	NO	NO	NO	NO	Global Council for the Responsible Mineral Resource Management of the World Economic Forum	Advisory Council for Science, Technology, and innovation (Colombia) Andes University Superior Council	NO

Conflict of interest [G4-41]

When the Board members consider that there could be a conflict of interest on a specific topic discussed, they should express it and abstain from participating in the discussion and decision. During the period, there were no conflicts.

The definition of conflict of interest is included in the Bylaws, Code of Good Governance, and Code of Ethics. For the management of conflicts of interest arising from Board members and other ISA's managers, the Board approves the procedures to adopt.

As of December 31, 2016, there were no trade links either between the Company and the Board members, their relatives to the second degree of consanguinity or affinity, or first civil degree, nor their spouses or permanent partner, and legal entities in which they have participation or perform management positions.

**Remuneration of the Board
and Senior Management** [G4-51]

The **Remuneration Policy of the Board** approved by the General Assembly of Shareholders, reviewed each year, and published on the website of the Company, establishes the criteria for adequate remuneration of its members. Moreover, the Ordinary General Meeting of Shareholders is responsible for approving each year the fees expressed in terms of Unit Tax Value (UVT), consistent with the duties and responsibilities of the members, characteristics of the Company, among other criteria.

The remuneration of the Senior Management members is revealed in the Financial Statements, according to

the provisions of the Code of Commerce and the applicable accounting standards. ISA does not use special mechanisms of payment or remuneration in Company's shares or share options for Board and Senior Management members.

Board's Committees [G4-34] [G4-40]

According to the Operating Regulation of the Board, in ISA, the Board Committee and Corporate Governance, the Business Committee and the Corporate Audit Committee operate in an institutional manner.

Board Committee and Corporate Governance

The main responsibilities of this committee consist of assisting the Management on strategic, sustainability, risk, and human talent matters. In addition, in the corporate governance aspect, its responsibility is to study reforms to the Corporate Bylaws and recommend the appointment and remuneration of the Board and Senior Management members, as well as ensuring compliance with the Code of Good Governance, the action framework, and assessing the Company's CEO.

Business Committee

Its functions are to analyze and recommend investment initiatives included in the growth strategy of ISA and its companies, and monitoring businesses under execution. There were 12 meetings during 2016.

Corporate Audit Committee

This body guides and facilitates internal control. It aims at ensuring availability to the organization of an effective corporate control system, which includes the evaluation of the accounting procedures, the relationship with the Statutory Auditor, the audit to the risk management system, among others [G4-46]. Its recommendations are related to the improvement of controls established in governance, administrative, financial, technical and information technology issues; as well as topics on ethical management and the Risk Management System of Money Laundering and Financing of Terrorism. In 2016, it met ten (10) times.

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Board's Assessment

The Company conducts an annual evaluation of the Board of Directors to measure its effectiveness as a collegiate body, and welcoming the recommendation of best practices in this field, to alternate between methodologies such as self-assessment and evaluation by external consultants. In 2016, a qualitative self-assessment was executed. The following results were obtained with a sample of nine (9) persons:

- Individual performance of Board members, 94%
- Individual performance of committee members, 94%
- Group performance of Board, 95%
- Group performance of Board, 95%
- Performance and participation of management, 87%
- Sobre el desempeño individual se destacan como fortalezas el conocimiento, rigor, compromiso y participación activa de sus miembros.

In relation to individual performance, the following strengths of the Board members were highlighted: knowledge, rigor, commitment, and active participation.

In relation to group performance, the following is highlighted: diversity of opinions and knowledge, capacity to reach agreements, respect for other members and management, and adequate spaces for the participation of independent members.

In relation to improvement opportunities, it is highlighted the need to address strategic and innovation topics at more frequent intervals and improve timeliness of their members.

General Shareholders Meeting

In two newspapers, one of wide national circulation and a local newspaper, on February 28, 2016, the call for the Ordinary General Assembly of Shareholders of March 31, 2016 was published. This summon was made with a longer term than the one provided by Law.

Additionally, to facilitate the exercise of the right of information of shareholders and promote their participation, ISA revealed through its corporate website the call notices, the agenda, the proposals that were submitted for consideration during the Assembly, and the candidates' lists and resumes to form the Board. Moreover, information related to the grant of powers to be represented in the Board was published.

Through the national press, the Company reminded shareholders that the Ordinary Assembly will be held on March 27, 2016.

For the ordinary Assembly, shareholders received the documents provided by the Bylaws and Law for the execution of the right of inspection during the fifteen (15) working-day term.

The Ordinary Assembly had a quorum demanded by Law (88,66% attendance). Topics in the agenda were submitted for consideration of shareholders and decisions were made according to the majorities demanded in the Bylaws. The attendance data related to each meeting of the General Assembly of Shareholders are included in the minutes extracts. Minutes were signed by the CEO and the Secretary of the Assembly and by the respective committees, which included the issues presented, the approvals and authorizations granted by the Assembly, and the comments made by shareholders. The proceedings were recorded in the Chamber of Commerce of Medellin and copies were sent to the Financial Superintendence of Colombia and the Domiciliary Public Services.

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Senior Management

According to the bylaws, the Chief Executive Officer and the Vice Presidents are part of the Senior Management. The website shows the professional quality and experience of ISA's directors.



Bernardo Vargas Gibsone
Chief Executive Officer

César Augusto Ramírez Rojas
Energy Transport Vice-President

Carlos Alberto Rodríguez López
Finance Vice-President

Olga Patricia Castaño Díaz
Strategy Vice-President

Sonia Margarita Abuchar Alemán
Legal Vice-President

Andrés Baracaldo Sarmiento
Vice-President for Business Growth
and Development

Carlos Ignacio Mesa Medina
Corporate Audit Vice-President

Carlos Humberto Delgado Galeano
Diana Cristina Posada Zapata
Vice-Presidents of Organizational Talent

Olga Lucía López Marín
Information Technology Vice-President

Jorge Iván López Betancur
Road Concessions Corporate Director

Carmen Elisa Restrepo Vélez
Communications Corporate Director

According to the Board Committee and Corporate Governance's regulation, this committee aims to annually evaluate the management of the Company's CEO, which was held at a session on February 23, 2017, and approved by the Board of Directors at Session 782 on February 24, 2017.

During the 2016 management evaluation for Bernardo Vargas Gibsone, ISA's CEO, a leader of the corporate group, several aspects regarding his responsibility in the guidance of the corporate group were considered:

- Management results.
- Transformative action.

Bernardo Vargas, together with the Board of Directors, continues advancing according to the established in the strategy planning process of ISA. In 2016, in-depth strategic analyses were carried out with the Group Committee and the Board of Directors, which allowed ratifying the countries initially selected as focus of the strategy; the current businesses of ISA and the aspirations in the search of greater profitability; and establishing the additional emphasis that reflects the ongoing concern of ISA about the sustainability of their businesses.

Outstanding management results are showed below:

- The compensation risk by the early renewal of the CTEEP Concession in Brazil was favorably resolved.
- The award of projects in Brazil and Colombia for USD 300 million in the Energy Transmission business.
- A favorability index of 78% was reached in the measurement of organizational environment in ISA and its Companies with an increase of 6% in respect of the measurement from previous year. ISA's evaluation as a company led to a result of 83%, improving by 4% the measurement in 2015.
- The leadership index of ISA and its companies showed an increase of 5% respect of the previous year (from 75% to 80% favorability). For ISA, the result was 88% with an increase of 8% in relation to the previous year.

The Board of Directors showed its satisfaction due to the solid financial results, whose main indicators present a behavior far higher than the estimated budget:

- Net income had an increase of 205% respect previous year and a budget compliance of 291%
- The operating margin indicators and the net margin also had outstanding increases; the operating revenue achieved 195% compliance and an increase of 130% respect 2015.
- Operating costs and expenses presented 99% compliance and an increase of 29% compared to previous year.
- Results for 2016 were positive and favored by the recognition to the subsidiary in Brazil – CTEEP – of the value regarding the Basic Network of the Existing

System (RBSE). However, if such effect was discounted, then results will exceed the budgetary goals. Consequently, operating revenue would reach COP6,610,534 million with 106% budgetary compliance and 25% growth. EBITDA will increase to COP3,396,106 million, with 116 budgetary compliance and 18% growth. Finally, net income would amount to COP763,887 million with 104% budgetary compliance and 9% growth compared to previous year.

Some outstanding transformational actions are as follow:

- Purchase and sale contract of shares to acquire 14,9% TAESA's share capital in Brazil, by an approximate amount of BRL 1,056 million. This is equivalent to 41% of the control block and involves a shareholders' agreement with the majority shareholder (CEMIG) which gives ISA Group characteristics related to the joint political control, despite being a minority partner.
- ISA was selected in the Dow Jones Sustainability Index list for the second consecutive year. Likewise, ISA has promoted a promising sustainability strategy that will be executed through the Conexión Jaguar program.
- Strengthening of risk management, as the high-level management case to decrease the occurrence of tax risk in Peru by interpretation of the SUNAT regarding depreciation rates used in Consorcio Transmantaro –CTM–.
- The strategic and organizational transformation of INTERNEXA: to move from a product "focus" to a "value offer", commercial and market perspective, change in leadership style.
- New initiatives to optimize and generate value in existing assets.
- ALAS20 Award to ISA, for second consecutive year, due to its management of corporate governance and transparency.
- Connection to the MIT as a strategic ally in innovation. In general, there is an increasing emphasis in innovation that reflects the management of the group's companies, particularly in Peru.

In short, the advancement in compliance with the strategy, the vision of current and new business development, the management of human talent and outstanding financial results of 2016, are evidence of the managerial capabilities, the focus on achievements, the strategic vision, and the leaderships of Dr. Vargas, who, with his energy, proactivity, and commitment, leads the ISA Group.

In view of the ratings obtained in Dow Jones surveys, Stakeholders and Reputation, the Board of Directors expresses its confidence that efforts to strengthen areas related to human talent management and innovation will continue. In addition, it highlights the importance of maintaining a right balance between results-oriented success and how such results are obtained, so it is possible to maximize the spirit of coexistence, good treatment, cordiality, and respect for differences.

Finally, recognition is given to all directors and, in general, to all the ISA's work team, as a human group characterized by its commitment, dedication, and sense of co-responsibility to contribute in an effective way to fulfill the mission and the corporate goals.

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 credit ratings from authorized agencies.

During the last period, ISA strengthened its Internal Control System with the incorporation of new governance practices which were implemented in the last bylaws reforms, as well as the adjustment to corporate policies and the definition of guidelines for the new corporate audit model.

External control entities

ISA provided the reports requested by the following external entities:

- General Accounting Office of the Nation.
- Comptroller General of the Republic.
- Colombian Financial Superintendence.
- Superintendence of Domiciliary Public Services.
- Ministry of Finance and Public Credit.
- National Administrative Department of Statistics.

The *Gestión y Auditoría Especializada* firm served as external auditor of management and results for the period and in its report published in national press on July 14, 2016, it expressed: "The internal control system is strong, qualified as low risk. Also, for the period between January 01 and January 31, 2015, it effectively complied with the control objectives provided by the Management and fulfills the aspects set out in Law 142 of 1994 and Resolution 053 of 2000, issued by The Energy and Gas Regulation Commission (CREG). The report was submitted to the Superintendence of Domiciliary Public Services.

Between April 2016 and March 2017, the Ernst & Young firm held the statutory audit. In fact, by complying with its legal duty, the firm will submit to the General Assembly of Shareholders, an opinion concerning management, financial statements, and management of the Company.

Ratings for corporate risk and local and international bond issues, granted by specialized agencies, ratified the strength and financial soundness of ISA and its companies, the stability and predictability of their cash flows, the prominent position as energy transporter in Latin America, and its role as participant in the Chilean road concession business.

Standard & Poor's –S&P– maintained ISA's rating in BBB and Fitch Ratings raised to BBB+ the long-term international rating of local and foreign currency, with stable perspective on May 2016. However, the rating agencies, in the first half of 2016, adjusted the ratings perspective of Colombia from stable to negative, which directly affected ISA's perspective from stable to negative. Moody's kept the rating in Baa2 with stable perspective. This way, the three most important international rating agencies worldwide have the company rated in investment grade.

To the knowledge and analysis of shareholders and investors, the Statutory Auditor's report, the opinion of the External Auditor and the evaluation of risk rating agencies are published on the Company's website.

The following procedures were carried out 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 Ordinary and Extraordinary Shareholders' Meeting, election and acceptance of the Board of Directors members, statutory auditor and legal representatives and their alternates, and updating of ISA's shareholder participation in 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.

Internal Control Bodies

The internal control system of ISA and its companies is based on the international standard of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Through this standard, the company seeks to: reasonably guarantee achievement of corporate objectives; strengthen trust on integrity of information delivered to stakeholders; adequately monitor corporate governance instruments, transparency practices and business inherent risks and timely answer them.

According to the annual plan, the Vice-Presidency of Corporate Audit performs, for ISA and its companies, evaluations of their prioritized processes with the impartiality, objectivity, and independence necessary to comply with its duties as established by international auditing principles and practices. To this end, and together with the individual audit committees of each company, it designs work plans, which according to the individual risk levels and particularities of each company, provide guidelines and strategies to follow.

In 2016, audits on operational processes pertaining to business units, as well as evaluations of administrative, technological, and financial processes, were conducted to strengthen the Internal Control System. Evaluations conducted by the Corporate Audit office confirmed abidance by internal and external regulations and 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.

Additionally, instruments such as the Code of Ethics, the Antifraud Code, and the Money Laundering and Terrorism Financing Risk Administration System (SARLAFT, for its Spanish initials), allow increased security levels at ISA and its companies for risks related to the principles they refer to.

Comprehensive Risk Management

ISA and its companies abide by the Policy for Comprehensive Risk Management identifying, evaluating, and implementing measures to manage the risks they are exposed to.

Each company has its own risks map and evaluates risks according to their likelihood of occurrence and severity of consequences on its fundamental resources giving priority to the most relevant for its operations and achievement of strategy. Likewise, it monitors its status and defines and implements measures to improve its management. Periodically, the companies present advances in their management and the major events that have been executed.

On the website and in this report, ISA publishes its [risks map](#), the most significant events and the main administration measures implemented to prevent and mitigate their impact.

Stakeholders

In this report, ISA publishes its [commitments to stakeholders](#) and presents in detail the mechanisms for compliance and key aspects of the relationship. The website shows [news and relevant information for these groups](#).

To keep shareholders and investors with relationships based on the provision of timely and reliable information, ISA conducted the following activities:

- General Shareholders Meeting: 831 represented shareholders reaching 88,6% participation.
- Quarterly, ISA published financial statements, which were presented to the financial community through face-to-face meetings and webcast.
- ISA held face-to-face meetings with market analysts in Bogota and Medellin.
- ISA participated in four international events.
- ISA used relationship marketing strategies: e-mails, newsletters, and delivery of tax certificates and extracts.
- ISA has a service center for shareholders that received 16,562 cases, from which 100% cases were resolved through the service line, shareholders' chat, and e-mail. The service center to institutional investors received 200 interactions with an average response of one day.

Commitments to the Majority Shareholders

In 2015, the Inter-Administrative Contract GSA 57 of 2009 - ISA 4000763 between the State (Ministry of Mines and Energy) and ISA, which includes technical assistance for general administration and execution of FAZNI funds to construct the 115 kV Popayan-Guapi line and associated substations was signed on October 13, 2009, and extended until March 31, 2017 to reach a total value of COP 305,622 million.

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Information and communication with shareholders

The Good Governance Code adopted by the Board of Directors establishes communication channels dedicated to the attention of its shareholders, through which it resolves requests and requirements, such as telephone hotline and the service center to the shareholder. Additionally, on the website www.isa.co, Investor Relations section, we may found everything related to the mechanisms of relationship with shareholders and investors.

Verification mechanisms

The focal points of verification of the Code are the delivery of information through the website, the report to control and surveillance entities and the reports submitted to the Board of Directors.

Verifications annually executed upon compliance of the Good Governance Code by *Transparencia por Colombia* and the Statutory Auditor did not suggest findings that would compromise compliance with commitments.

In addition, shareholders and general public did not report any non-compliance with the Code through telephone hotlines or emails available:

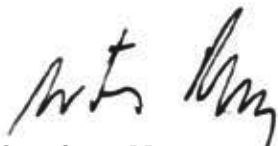


Ethics Line (toll-free):
01 8000 941341
lineaetica@isa.com.co



Shareholders' Support Line (toll-free):
National: : **01 8000 115000**
Medellin: **(574) 4442555**
accionesisa@isa.com.co

It must be pointed out that in addition to the above; the Colombian Financial Superintendence is available to shareholders, especially, minority shareholders. This entity has the power to implement measures to adopt relevant measures to avoid the violation of rights, ensure the return to balance, and the principle of equal treatment to all shareholders.



Santiago Montenegro Trujillo
Board's President

01020304050607**08**0910

Electric Energy
Transmission
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If we are very moved to know that we
are made for big challenges,

then there is a connection.

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ENERGY TRANSMISSION BUSINESS UNIT



ISA annually transports 250,000 GWh supplying electricity to 130 million people in the continent, through the operation of 42,064 km of high voltage networks supporting electricity supply in Colombia, Peru, Brazil and Bolivia, and builds 5,000 additional km to be implemented in next years”.

César Augusto Ramírez Rojas,
Energy Transmission Vice-President, ISA

Energy transmission is fundamental for having an energy market; it is the meeting point between generation and demand and is the way to perform energy exchanges. ISA is the largest international carrier of energy in Latin America, with a total of 42,064 km of high voltage circuit and 81,345 MVA of transformation capacity. Companies of the ISA's corporate group expand, operate and maintain a high voltage transmission network in Colombia, Peru, Bolivia, Brazil and Chile; as well as international connections operating between Venezuela and Colombia, Colombia and Ecuador, and Ecuador and Peru.

In addition, in Brazil, CTEEP, a subsidiary of ISA, has a share participation in eight companies operating about 5,000 km of circuit and 11,000 MVA of transformation. In Central America, the Company has a participation of 11,11% of the Empresa Propietaria de Red (EPR), which operates the Sistema de Interconexión Eléctrica de los Países de América Central (Electrical Interconnection System of Central America Countries) (SIEPAC), by means of a transmission line of 1,800 km that makes feasible the functioning of the Regional Electricity Market.

To the end of 2016, ISA signed a purchase and sale contract of shares, through which it will acquire shares related to the TAESA's control block, one of the greater private companies of the energy transmission sector in Brazil. This has 33 concessions, 11,000 km of high voltage circuit, 70 substations and 99,98% network availability. In 2015, ISA had revenues for BRL 1,578 million, an EBITDA of BRL 1,414 million and a net income of BRL 784 million. Since 2006, it is listed on the Brazilian Stock Exchange (BM&-FBOVESPA) with a governance level II and a market value at the end of the year of BRL 6,952 million.

In countries where ISA is present, energy transmission, due to its condition of natural monopoly, is a regulated activity within the production chain of the electric sector, whose expansion is awarded by means of bidding processes arising from the political readiness of governments to private investment. For this reason, the conditions of legal and regulatory stability in different countries have a direct impact on business management. There are different business models: ownership of assets in Colombia and Chile, concessions in Peru (REP) and Brazil, and BOOT contracts in Bolivia and Peru (Transmantaro and ISA Peru).

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EIn general, revenues associated with delivery of energy trans- mission service are regulated and indexed to macroeconomic variables as the US dollar exchange rate in Colombia, or the Producer Price Index (PPI) to the Consumer Price Index (CPI), or to equivalent rates in different countries.

To guarantee that companies provide service with high levels of profitability, availability and security, adjusted to the regulation in force in each country, the following quality indicators of trans- mission network (among others) must be taken into account:

→ **Reliability:** Measures the network capacity to execute its energy transmission function, whenever and wherever re- quested, at the adequate levels.

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

In 2016, these indicators met the established goals, set in ac- cordance with the regulatory requirements of each country, and there was compliance with the standard of excellence worldwide.

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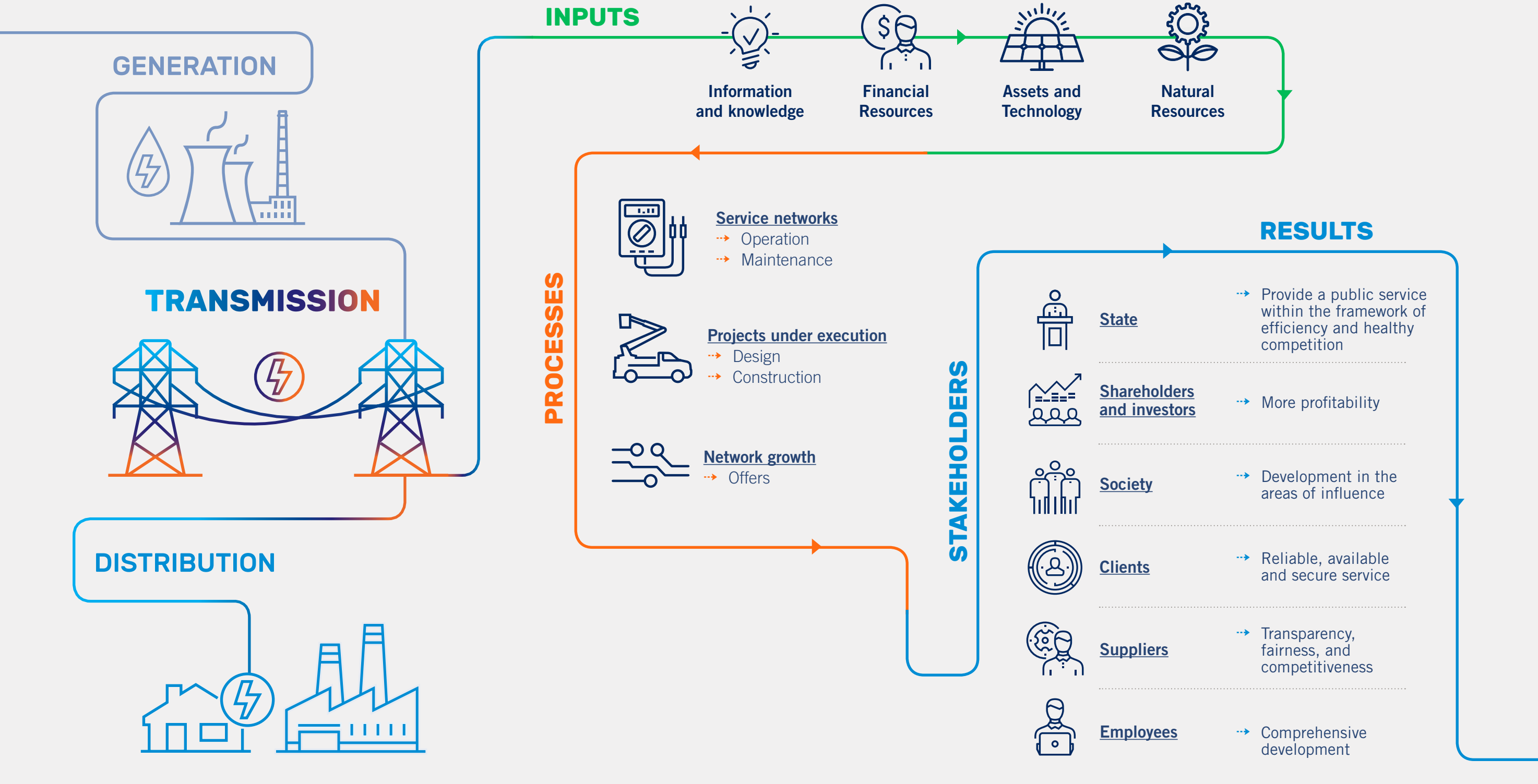
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BUSINESS MODEL



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ENERGY TRANSMISSION INFRASTRUCTURE

Colombia ISA* and Transelca

99.98%
reliability
10,650 MWh
energy not supplied.
12,105 km
18,689 MVA

Peru REP, Transmantaro, ISA Peru

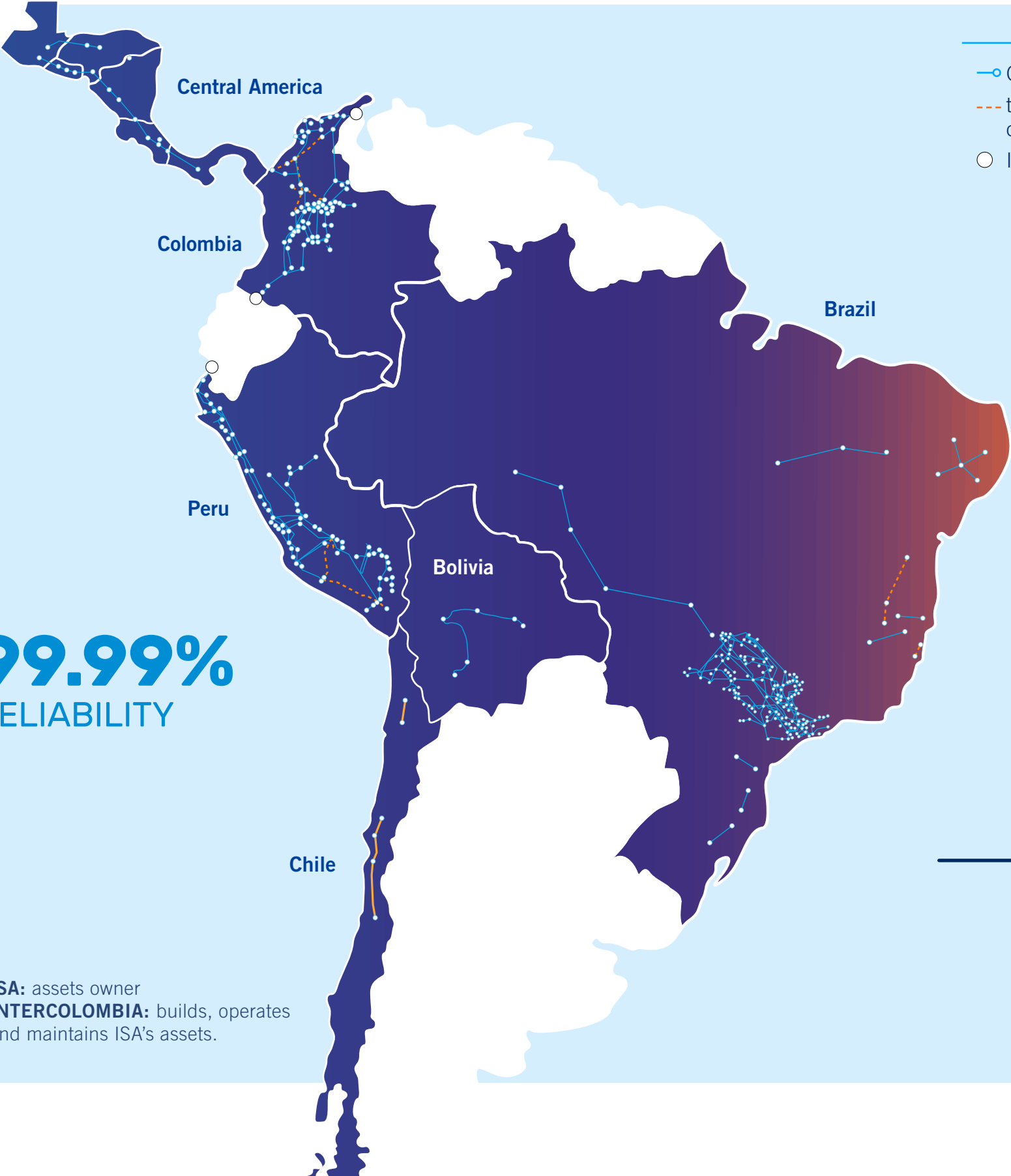
99.99%
reliability
3,646 MWh
energy not supplied.
9,892 km
8,949 MVA

Bolivia ISA Bolivia

100%
reliability
0 MWh
energy not supplied.
587 km
470 MVA

99.99%
RELIABILITY

* ISA: assets owner
INTERCOLOMBIA: builds, operates
and maintains ISA's assets.



- Operating transmission lines
- transmission lines under construction
- International connection

Energy not supplied
15,160
MWh

42,064
km
81,345
MVA

Brazil CTEEP, IEMG, Pinheiros, Serra Do Japi and Evrecy

99.99%
reliability
864 MWh
energy not supplied.
19,480 km
53,237 MVA

PROJECT MANAGEMENT

USD143
MILLION

268
km
190
MVA

Projects
implemented

USD2,754
MILLION

5,140
km
7,940
MVA

Projects
implemented *

* Won in 2016 and previous years. The investment value corresponds to the total value of the projects. They are approximate figures.



→ Colombia

7 projects
207 km
USD33 million

8 projects
1,373 km
1,950 MVA
USD631 million

1 project
56 km
USD52 million

Relevant projects:

- **Conexión Noroccidental (Norwestern Connection):** 500 kV, 500 km, 900 MVA, USD377 million
- **Conexión Costa Caribe (Caribbean Coast Connection):** 500 kV, 352 km, USD123 million
- **Chinú – Montería – Urabá:** 230 kV, 195 km, 450 MVA, USD61 million
- **San Antonio:** 230 kV, 56 km, USD52 million
- **Caracolí:** 230 kV, 56 km, USD39 million



→ Peru

4 projects
61 km
278 MVA
USD95 million

9 projects
1,179 km
2,368 MVA
USD679 million

Relevant projects:

- **Mantaro – Montalvo:** 500 kV, 923 km, 1,500 MVA, USD447 million
- **Carapongo:** 500 kV, 11 km, 600 MVA, USD62 million
- **Friaspata – Mollepata:** 220 kV, 102 km, 50 MVA, USD52 million
- **Planicie – Industriales:** 220 kV, 33 km, USD49 million



→ Brazil

22 projects
550 MVA
USD20 million

79 projects
USD128 million

3 projects
625 km
1,197 MVA
USD235 million

Relevant projects:

- **Poções – Paraíso:** 500 kV, 338 km, USD85 million
- **Paraíso - Valadares:** 500 kV, 208 km, USD61 million
- **Viana – Neiva:** 345 kV, 79 km, 1,197 MVA, USD89 million



→ Chile

4 projects
1,938 km
USD1,016 million

Relevant projects:

- **Cardones – Polpaico:** 500 kV, 1.562 km, 2,250 MVA, USD870 million
- **Encuentro – Lagunas:** 220 kV, 376 km, USD110 million
- **Banco de transformadores:** 2,250 MVA, USD36 million

- Projects implemented in 2016.
- Projects under execution and won before 2016.
- Projects under execution and won in 2016.

Interconexión Eléctrica

Colombia – Panamá

ISA actively promoted the development of this fundamental project for the consolidation of the vision of regional electric integration, since it represents the interconnection of the Andean Community with Central America.

The priority of this project is still the technical studies and environmental analyses that minimize risks and uncertainties on the projects feasibility, and the evaluation of financing scenarios to guarantee its development under the conditions proposed.

For its part, the Environmental Licenses National Agency (ANLA) already approved the environmental corridor through which the Environmental Impact Study (EIA) must be executed. However, in 2015, the Government of Panama defined an environmental corridor through the Kuna Wargandí and Guna Yala regions. This route demands the installation of an undersea cable of 130 km between the two countries, which will involve a greater investment value with its corresponding impact on the project's financial feasibility.

Now, although during these years supplementary pre-design activities were executed, it will only be viable to start implementation activities of EIAS, marine inspection and detailed design of the line in the two countries, upon approval of the environmental corridor in Panama, prior authorization of indigenous regions.

BEST PRACTICES

ISA and its companies carry out strategic projects to promote efficiency of its operations and maintain its recognition as a multi-Latin leader in technical excellence and sustainability. During 2016, the following initiatives were continued:

- **Closing the gaps in asset management according to PAS 55 specification and ISO 55001 standard:** strategic plans and practices recognized for decision-making and optimized in cost, risk and performance were incorporated; as well as continuous improvement, risk management and status index of equipment. Likewise, within practices, studies of value optimization in the life cycle of assets, evaluations to eliminate risk causes, and the strengthening of labor systems with collaborative culture, simple processes and agile decision-making are highlighted.
- **Optimization of the operational model and maintenance:** it aims at increasing efficiency of processes by ensuring reliability in service delivery. In Brazil, the structure of work groups in operating and maintenance areas were reviewed. In Peru, the skills certification and staff relocation program according to their professional skills was started. Finally, in Colombia, the implementation of the optimization plan was carried out.
- **Pre-fabricated in substations:** it aims at implementing construction methods to allow a time optimization in the construction of electric energy substations, through the standardization of relay rooms, control buildings and other civil works. In 2016, architectural and structural plans, as well as calculation reports for buildings were elaborated.
- **Process Bus:** it aims at testing a new technology for protection, control and communication systems of substations, from the use of fiber optics to bring the signals from field equipment of substations to the corresponding intelligent electronic devices. In 2016, the system to be tested was specified.

Moreover, agreements with manufacturers for the supply of equipment, and with Universidad Nacional de Colombia for the execution of lab tests, were entered into.

- **Different materials foundations for transmission towers:** it aims at finding a new way to cement transmission lines structures in locations with corrosive soils or with high water table levels. In 2016, designs were started with new materials and it is expected to have them fully analyzed by the middle of 2017 to start with pilot testing.
- **Caribbean Reliability:** This initiative aims to improve reliability and security in the provision of energy transmission service in northern Colombia. In 2016, actions taken by ISA and TRANSELCA continued.
- **References:** ISA, INTERCOLOMBIA, REP and CTEEP participate in the delivery of results from the study entitled The International Transmission Operations & Maintenance Study (ITOMS); and technical experiences were shared with globally recognized transmission companies.



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ANALYSIS OF MATERIALITY

ISA recognizes that its operational context includes risks and growth opportunities that are dynamic and need to be monitored to adapt its strategy and create sustainable value. It is important to highlight that, in 2016, the materiality exercise was extended to all companies of the Energy Business Unit, and for 2017, it is expected to have new relevant issues.

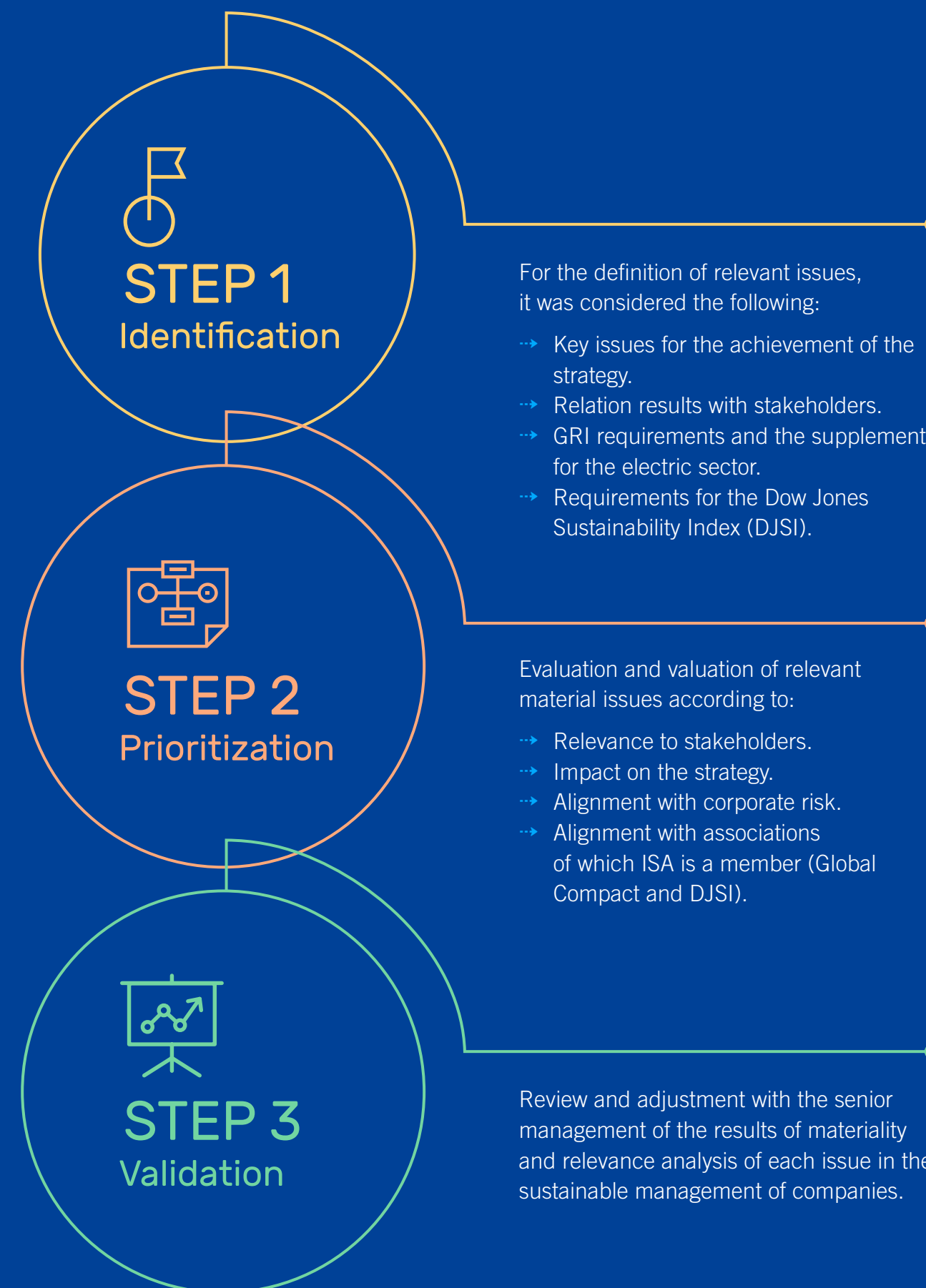
For this report, those relevant issues for the Energy Transmission sector, the strategy compliance, as well as essential considerations of stakeholders to fulfill the stated commitments were included.

The scope of this analysis included companies that given their size and management capacity respond to this type of exercise: ISA, INTERCOLOMBIA, REP and CTEEP (included from 2015), and TRANSELCA, ISA Bolivia and INTERCHILE. These companies represent an approximate total of 86% of the group's revenues.

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

This review and updating process was carried out according to the standard Global Reporting Initiative -GRI- on its G4 version and included the participation of an independent consulting firm, which for the validity year was Deloitte & Touche **[G4-18]**

The steps taken for the definition of business materiality were:



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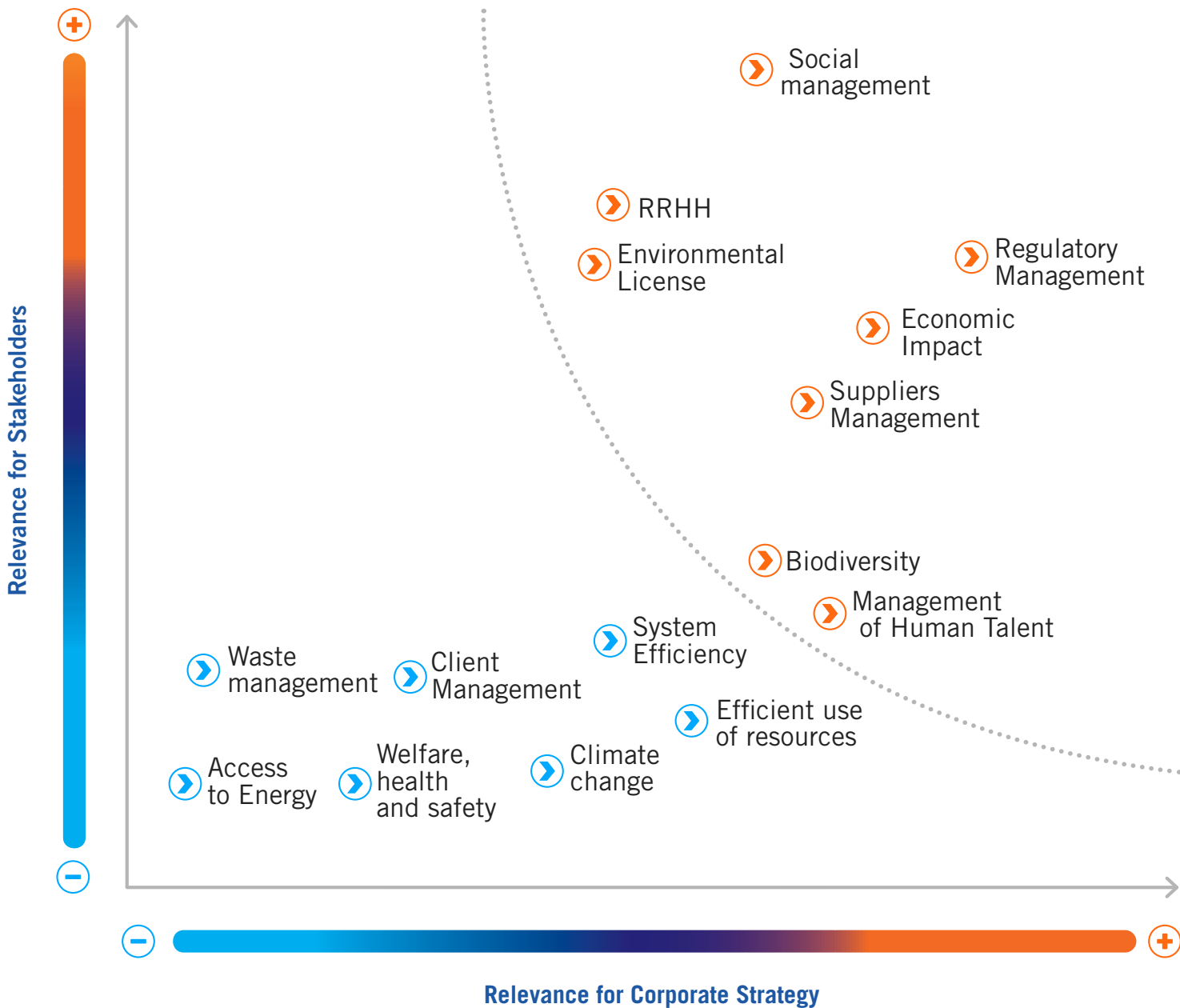
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Material aspects of the business [G4-19]

- **Regulatory management:** Actions aimed at generating the most appropriate conditions for business operation and promote business growth through effective relationships with governments.
- **Social management:** Includes planning, formulation, execution and evaluation of programs carried out by the company with the society stakeholder.
- **Economic impact:** Business performance of revenue and remuneration to its stakeholders.
- **Suppliers management:** Actions aimed at improving purchase and outsourcing processes, including stages of evaluation and follow-up, risk management and alignment of supplies with good practices.
- **Human Rights:** Incorporation of respect practices and promotion of Human Rights, as well as the rejection of the violation to these Human Rights, among the stakeholders which participate in the supply chain: workers, suppliers, clients, shareholders, society and State.
- **Management of permits and environmental licenses:** Include actions aimed at compliance with environmental requirements necessary for timely obtaining the environmental license of projects.
- **Management of impacts on biodiversity:** Consists of actions aimed at managing the impacts generated by companies on biodiversity in order to protect ecosystems (flora and fauna).
- **Training and development of human talent:** These are practices and activities oriented to strengthen knowledge and acquire new skills and competences to improve workers' performance and accomplish the strategy.

→ Materiality matrix



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Coverage and limits of material issues [G4-20] [G4-21]

MATERIAL ISSUE	INTERNAL LIMIT	EXTERNAL LIMIT
Regulatory management		State society
Human Rights		Workers Society Suppliers
Social management	ISA	Society Suppliers
Supplier management	INTERCOLOMBIA	Suppliers
Training and develop- ment of human talent	REP CTEEP	Workers Suppliers Clients
Permission for manage- ment and environmen- tal licenses	TRANSELCA INTERCHILE	Society Suppliers State
Management of impacts on biodiversity	ISA BOLIVIA	Society State
Economic impact		Shareholders and investors Workers Society State

COVERAGE AND LIMITS OF MATERIAL ISSUES

ISA assesses the risks, opportunities and impacts and evaluates the possible consequences of regulatory changes that occur in each country and, therefore, under the principle of citizen participation established in the constitution and law, it creates direct relationships with public authorities in order to inform its proposals, comment on public affairs and enforce rules.

ISA recognizes the importance of the regulatory management as instrument to promote the most appropriate conditions for the operation of the business and guarantee corporate growth.

From this perspective, ISA's CEO, the Energy Transmission Vice-President, and General Managers of the energy transmission companies subordinated are responsible for regulatory management, promoting transparency and legal security.

ISA, in the different countries where it operates, advances in structuring relationship schemes with government bodies and private sector stakeholders to achieve its objectives.

COLOMBIA

→ During 2016, la Comisión de Regulación de Energía y Gas (Commission for the Regulation of Energy and Gas - CREG) published two draft resolutions (023 and 177) on the methodological proposal to remunerate the transmission activity in Colombia. In both projects, the regulator entity maintains the proposal to change a scheme from As-New Replacement Value (VRN) to a scheme of Depreciated Replacement Cost (CRD). ISA, INTERCOLOMBIA and TRANSELCA actively

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participate in the spaces for discussion with the regulator entities in order to guarantee that the review of the remuneration scheme maintains a strong and stable regulatory framework, in which transmission companies can continue supplying a reliable and safe service. Between May and December, comments on such resolutions were sent to CREG, without yet reaching a final version. According to the provisions of the Regulatory Agenda 2017, during the first quarter of the year, final resolutions of methodology and WACC would exist for such activities. Notwithstanding the foregoing, the application of a new scheme could take place at the third quarter, due to the formalities and procedures required for that.

BRAZIL

Compensation of depreciated assets:

Regarding the early termination of the Concession Contract 059 of 2001, Ordinance MME N° 120/2016 was published in 2016 at the Official Journal (22/04), according to which the compensation payment will be part of the Regulatory Remuneration Base of companies, and will take into account a part of taxes. The beginning of payment is foreseen within the tariff process of 2017 and for an 8-year period. ANEEL started the regulation process for the compensation payment (Public Hearing N° 068/2016), in which CTEEP has participated and posted its observations. The results arising from this public hearing are expected in February 2017.

Transfer of Other Transmission Facilities (DIT's)

- ANEEL carried out the mandatory transfer process of exclusive DIT's (facilities lower than 230 kV that connect a single energy distribution company). In July, the second Public Hearing Phase. The CTEEP proposal was focused on the establishment of "regulation by incentives", which contemplates a transfer negotiated instead of a mandatory transfer, and that preserves, at the same time, the economic and financial balance of concession contracts involved.
- - Initially, a transfer of 63 substations and 9,032 km of circuits was considered, and finally, the Technical Note 170/2016 indicating the transfer of 4 substations and 89 km of circuits was issued, which shows an important decrease of installations involved.

CHILE

INTERCHILE, a subsidiary of ISA, as a partner of Empresas Eléctricas A.G., which bring together electric transmission and distribution companies in Chile, participated in the discussion on public policies of the sector, being the most relevant the new Law N° 20,936 whose purpose is to foster the development of a competitive market, enhancing the development of non-conventional renewable energies, and contributing to the reduction of energy prices for households and businesses. In 2017, the Ministry of Energy and the National Commission of Energy are responsible for the elaboration of legal frameworks and regulations associated with this new Law, which will be required for its validity.

Table [G4-16] shows the partnerships to which ISA and its companies belong.

[G4-PR9] Monetary value of substantial fines due to non-compliance of regulations in relation to the delivery of products and services.

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EMPRESAS							
TOPIC	ISA	INTERCOLOMBIA	CTEEP	REP	TRANSELCA	ISA Bolivia	INTERCHILE
Monetary Value	0	0	124,920	2,400	0	35,356	0
Description	No fines were presented	No fines were presented	Fines due to irregularities found by the audit of the Regulator Entity in the Milton Fornasaro substation and delay in the execution of improvement projects authorized.	Fine for breaching the deadlines set by the procedure to supervise and audit the performance of transmission systems in the report of two disconnections of equipment and an update of information in 2014.	No fines were presented	Reduction in remuneration for exceeding the disconnection time limit of the Arboleda – Urubó (230 kV) line.	No fines were presented

SOCIAL MANAGEMENT

The complexities of the Latin American sociopolitical context, social and environmental conflicts attributed to the mining-energy sector and the expectations of communities to participate in decisions concerning the execution of infrastructure projects can be expressed in the rejection by communities and local governments regarding the development of infrastructure projects, which causes delays to obtain environmental licenses and implementation of projects, and even negative impacts on reputation.

Corporate Social Policy promotes integrated

management as a fundamental part of corporate sustainability, which contributes to the viability and legitimacy of ISA and its companies, by linking as relevant actors in building a favorable environment for development.

In addition, ISA has publicly declared its adhesion to the Sustainable Development Goals (ODS) as a referent in relation to actions, which establishes a framework of social performance of greater scope and relevance.

ISA and its companies are committed to the development of a comprehensive social management that contributes to the viability and legitimacy of its businesses, by linking as relevant actors in building a favorable environment for development and participating in the sustainable development of societies where it is present.

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RESULTS OF
THE SOCIAL
MANAGEMENT

[G4-EC7]

USD7
MILLION
INVESTED

MUNICIPALITIES BENEFITED

441

PEOPLE BENEFITED

244,514

371 ORGANIZATIONS
STRENGTHENED



PROGRAMS

Colombia:

- Development and peace
- Affordable energy
- Quality of education
- Institutional strengthening
- Reduction of poverty
- Social infrastructure
- Promotion and protection of biodiversity

Peru:

- Quality of education
- Reduction of poverty
- Social infrastructure
- Fostering of peaceful and inclusive societies (Human Rights)

Brazil:

- Affordable energy
- Reduction of poverty
- Health and welfare
- Quality of education
- Promotion and protection of biodiversity
- Coexistence with infrastructure

Chile:

- Quality of education
- Social infrastructure
- Access to energy

Bolivia:

- Quality of education
- Coexistence with infrastructure

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SOCIAL MANAGEMENT MODEL

In 2016, ISA issued the Corporate Guideline 57 that welcomes a new social management model in order to align the management developed by its subsidiaries in relation to the corporate premises as well as international standards and initiatives: Global Reporting Initiative, Dow Jones Sustainability Index (DJSI), ODS; and measures the effectiveness of such actions in contributing to compliance with the Company’s strategy.

GOALS:

- Align social management towards greater efficiency supporting the life cycle of the asset.
- Strengthen social actions of subsidiaries.
- Measure the performance of social management in relation to its goals and to its contribution to the ISA 2020 strategy.

PURPOSES:

- Growth
- Viability
- Relationship
- Territorial development

ACTION CRITERIA:

- Meeting purposes
- Integrality
- Localization
- Planning
- Resource allocation
- Guidelines

GUIDELINES:

- Education
- Reduction of poverty
- Promotion of peaceful and inclusive societies (Human Rights)
- Development of social infrastructure
- Access to energy and ICTs
- Promotion and protection of biodiversity

TYPES OF SOCIAL INVESTMENT:

MANDATORY

COMPLEMENTARY

VOLUNTARY

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Presences of social programs in critical municipalities of the influence area in the Energy Transmission Business Unit:

INDICATOR	GOAL 2016	RESULT 2016	COMPLIANCE STATUS	GOAL 2020
Social investment in critical municipalities	40% of critical municipalities in Colombia, Peru and Brazil	ISA: 83% INTERCOLOMBIA: 83% CTEEP: 100% REP: 100% TRANSELCA: 100% INTERCHILE: 80% ISA Bolivia: N/A	The goal was accomplished. Chile and Bolivia are added to the indicator.	80% of critical municipalities in all subsidiaries

This effort highlights:

- The definition of social management goals and their contribution to the strategy.
- The articulation of social management line around international benchmarks. Seven ODS were prioritized, such as action criteria for programs.
- The effectiveness measurement and adjustment of social management programs of ISA and its companies in order to define their strategic value and alignment with the model.
- The implementation of an identification mechanism of critical areas for the business, in order to recognize and prevent social risk, and at the same time, to focus the investment for this concept. This mechanism allows making better decisions because it classifies influence areas according to their criticality for Colombia, Peru and Brazil.
- The design of an early relationship program with relevant players of influence areas that will allow the company the reduction of social risk in design and construction stages of infrastructure projects.

- The incorporation of the complementary social management concept, which aims at preventing and mitigating social risks during the asset's life cycle, thus contributing to the acceptance and viability thereof.

Social risk management

Social risk management is understood as the sign of rejection from community to ISA and its companies due to the presence of infrastructure in its territory.

This risk includes events such as:

- Social mobilizations, public demonstration or civic strike.
- Blockade or pacific occupation of facilities.
- Easement invasion by socio-economic reasons.
- Difficulties due to the coexistence of communities with infrastructure.
- Actions to vindicate compliance with the commitments entered into by the company and unattended in any of the asset's life cycles stages.
- Opposition of community to the execution of a project, transaction or service required by companies.
- Pressure of officers from external institutions or authorities to reject or revoke an authorization or license.

In this regard, complementary social management is supported on several tools, actions and programs oriented to timely assist social risks during the asset's lifecycle, thus contributing to the acceptance and viability of the business.

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→ Social Risk Managing Tools

TOOL	WHAT IS?	RESULTS 2016
Analysis of Expansion Plan Restrictions (ARPEX)	A tool that applies in the area of interest of a project, the analysis of social, environmental and property geo-referenced variables to identify risk areas in order to generate mitigation actions.	ARPEX was implemented in three (3) projects in Colombia and one (1) in Peru.
Identification workshop and socio-environmental risk analysis	Interdisciplinary work session aiming at identifying early signals on social, environmental and property risks for offer structuration.	Three (3) workshops in Colombia
Context analysis	Analyses exercises of context and market intelligence for identifying risks and opportunities associated with social, political and environmental realities of the influence area of infrastructure.	Four (4) analysis reports of business context.
Community Benefit Projects (PBC)	Initiatives entered into with community organizations to provide populations with social infrastructure, as a support to the licensing process.	237 PBC by a sum of USD 2,2 million in Colombia and Peru.
Coexistence program	Risk prevention program oriented to strengthen the relationship with the population in the influence area of transmission lines and promote a safe coexistence with infrastructure.	Program implemented in all companies.

→ Programs for development, evaluation of impacts and participation of local community G4-S01

TEMAS	ISA	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE
Percentage of centers where programs for development, assessment of impacts and participation of local community have been implemented *	22%	39%	35%	3%	71%	38%	59%

* * The result is obtained by the presence of municipal social programs on the total values of municipalities with the presence of infrastructure. These programs respond to the social management of the asset's life cycle.

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ECONOMIC IMPACT

For this business, the profitable growth is the result of the application of best practices that guarantee adequate and timely financial returns for its stakeholders:

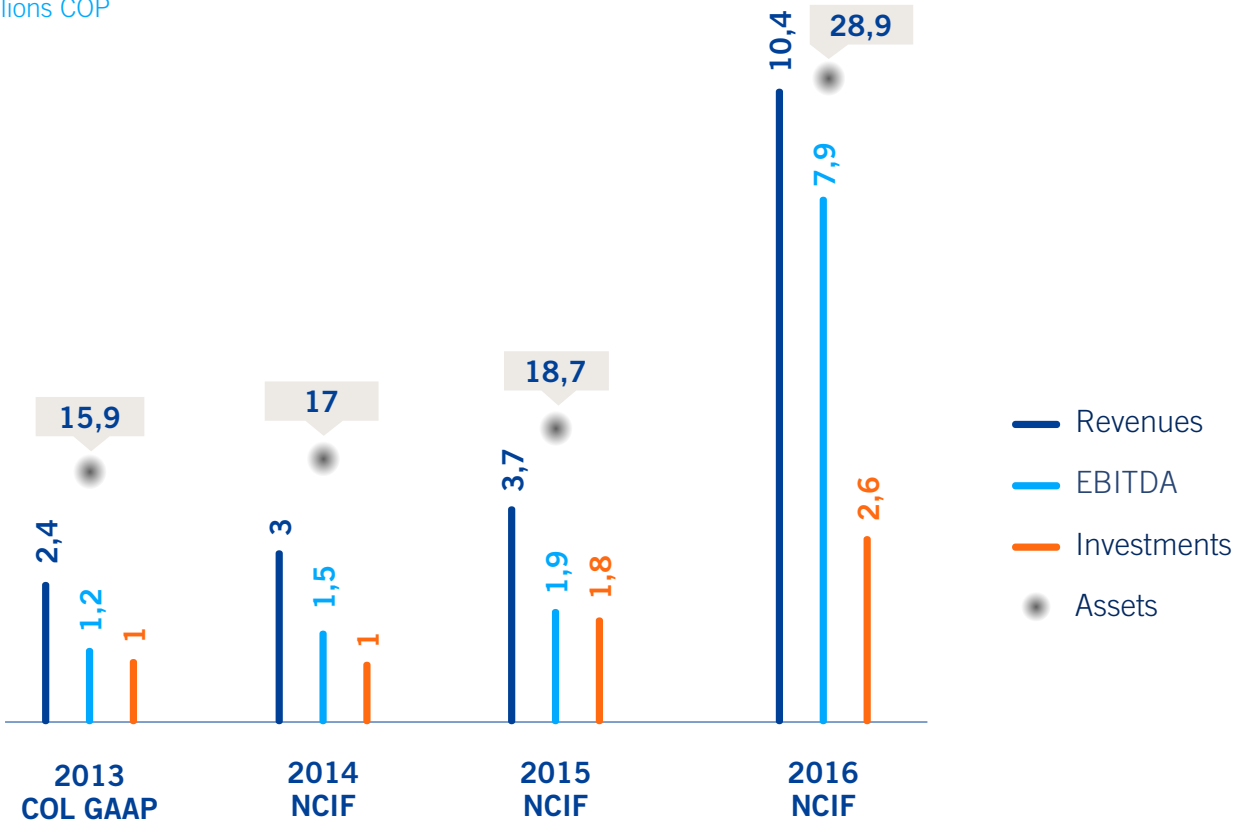
- **Shareholders and investors:** ISA addresses business management, established strategic goals, and administers risks, in order to maintain confidence among investors and strengthen the value of the share in the market. In addition, ISA guarantees a timely payment of dividends.
- **Workers:** Through the payment of wages and benefits included in labor contracts. In addition, companies have a variable compensation system related to indicators, such as some financial indicators.
- **Clients:** From the delivery of quality services, opportunity at competitive prices in order to build long-term relationships with them.
- **Suppliers:** By means of the incorporation of quality criteria and cost in purchase processes, providing suppliers a transparency and equal treatment. Likewise, there is a strengthening program for improving suppliers' capacities of the critical categories of business, and therefore, guaranteeing that goods and services are adjusted to ISA's requirements.
- **Society:** Through obligatory, complementary and voluntary social investment in order to contribute to the development of communities in influence areas of infrastructure. Social investment in at least 80% of the surrounding critical municipalities to the Energy infrastructure has been set as a goal for 2020.
- **State:** By means of tributary management, companies execute in a transparent and timely manner the payment of

contribution to the State. Also, they submit information required by monitoring, inspection and control authorities.

In 2016, the performance of companies enable the generation and distribution of value to suppliers, employees, society, and the State. [See detail in table \[G4-EC1\]](#).

For the Company, economic impact goals are set in terms of compliance with net income and EBITDA. Subsidiaries report quarterly the performance of these indicators to their boards and to the parent company; and from the latter to the ISA's Board, which evaluates progress in the implementation of corporate strategy and establishes future contributions that each subordinate company must perform to meet the goals of the business group.

→ **Energy Transmission Business Unit**
Trillions COP



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NDICATOR	RESULT 2015	GOAL 2016	RESULT 2016	COMPLIANCE STATUS	GOAL 2020
ISA's net income (millions of COP)	706,321	733,528	2,141,460	The goal was accomplished. By discounting the Basic Network of the Existing System (RBSE) in Brazil, the Company's net income amounts to COP 768.718 million, which represents an increase of 8,8% in relation to the previous year.	818,814
Company's Weighted EBITDA Compliance (%)	104.8%	100% compliance of the budgeted value by companies	105.1%	The result obtained was above the goal set	Comply with 100% of the budgeted value by companies

Procurement processes
in ISA give an overview
of its integrity: sourcing
strategies, management
mechanisms of
suppliers and
optimizations in quality,
opportunity and costs.

SUPPLIERS MANAGEMENT

The Procurement Corporate Policy aims at developing procurement process of goods and services that incorporate quality and cost criteria, providing to suppliers a transparent and equal treatment, based on efficiency and competitiveness criteria, promoting principles and sustainability practices within suppliers, protection to environment, labor rights and implementation of occupational health and service standards.

Suppliers are fundamental for delivering services of energy transmission since it contributes to mitigate impacts related to social, environmental and economic risks that can

be generated during operations. Moreover, suppliers contribute to achieve the purpose of Asset Management, which seeks to manage assets with an integrated view of its life cycle: create or acquire, operate, maintain and renovate or provide to achieve its maximum value by delivering services with quality and efficiency, in a safe manner for persons and balance with environment and communities.

ISA develops and consolidates the procurement chain for its companies, and defines the procurement model aligned with the strategy and the Supply Corporate Policy.

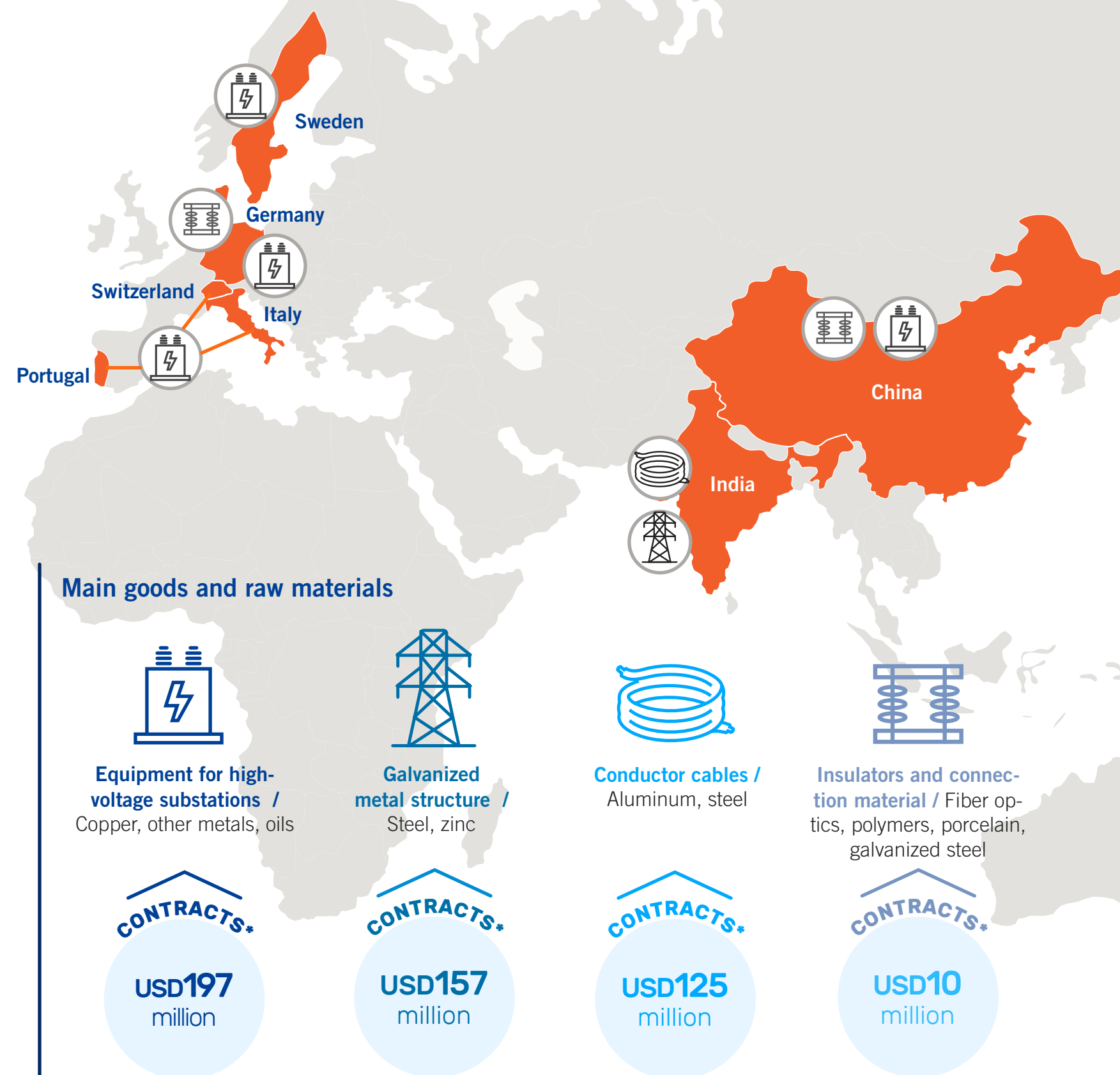
SUPPLY CHAIN [G4-12]

- **Origin of goods**
- **Destination of goods**
- **Origin and destination**



*The greater percentage of recruitments made by ISA's subsidiaries in Brazil is local.

Also, ISA hires goods in Brazil for its projects in Colombia, Peru and Chile.



* Long-term contracts in force in 2016 to meet needs of main goods for business operation.

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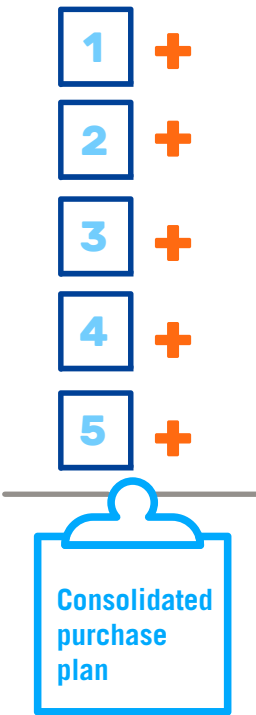
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PROCUREMENT MODEL

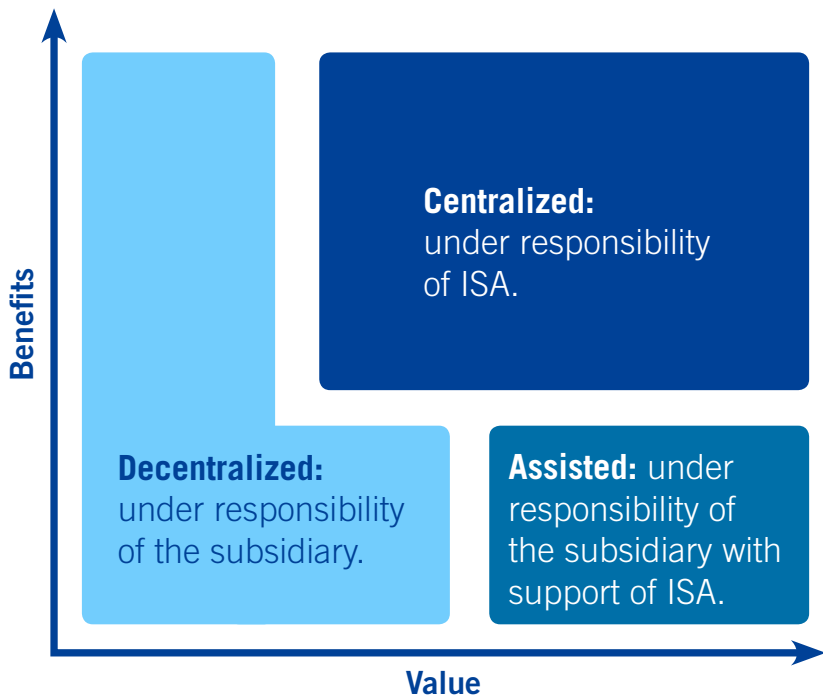
What do I purchase?

Plan de compras
de las filiales.



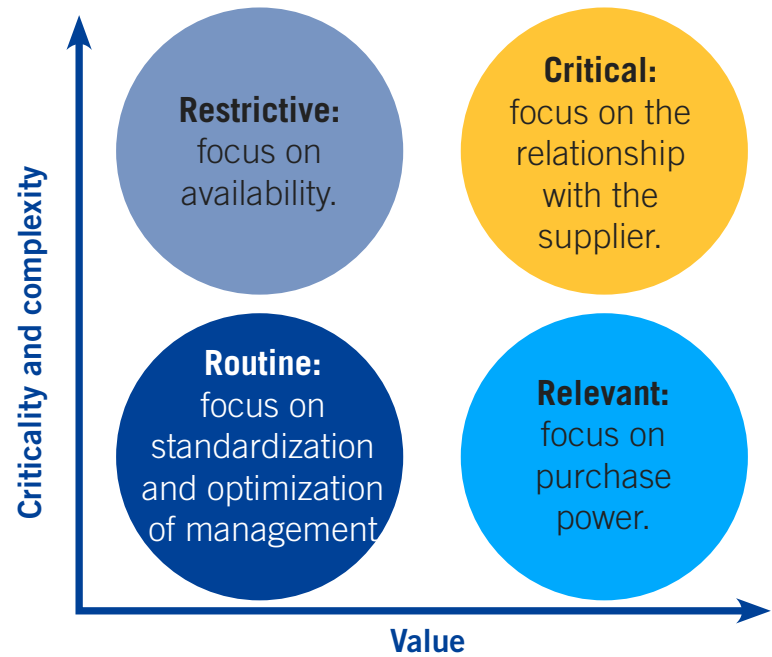
Who is purchasing?

Purchases are segmented from a certified list
of categories for ISA and its companies:



What depth of analysis did you apply on these categories?

A specific approach focus of categories is established:



Enabling processes to ensure procurement success:

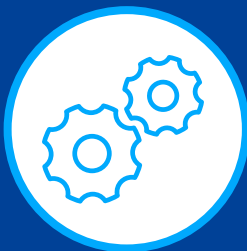
Corporate guidelines
to unify and standardize.

Strengthening
of competences for
procurement staff

Suppliers management:
strengthening, pre-selection
and evaluation

Lessons learned and
improvement projects

How do I purchase?



I build the sourcing
project



I understand the
category



I design the purchase
strategy



I execute the
purchase



I administer the
contracts

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Transnational Issues

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The risks of the procurement change are aligned with the methodology of comprehensive risk management and its administration is responsibility of procurement departments both in ISA and its companies.

For each category, a risk analysis is conducted, which, according to its methodology, establishes its context, identifies possible risk events, evaluates potential impacts, and defines actions to mitigate them. The process ends by disclosing the information analyzed, its monitoring, and its report.

Towards a sustainable procurement

In 2016, ISA published the Corporate Guideline 58 that includes the evaluation of performance, preselection, and the strengthening model of suppliers. This guideline must be obligatorily applied to its subsidiaries.

Through the evaluation of suppliers, it is intended to optimize costs, better response times, and a high performance in the execution of the contract, complying with environmental requirements, as well as occupational and health requirements.

ISA's suppliers register supports the recruitment process. Its goals are to facilitate the selection of suppliers, minimize risks, and increase efficiency in decision-making. For the validity year, this process incorporated sustainability aspects.

On the other hand, the strengthening model of suppliers is focused on enhancing strategic suppliers that provide goods and services of categories with a high level of complexity and criticality for business. During the validity period, 11 new suppliers of ISA, INTERCOLOMBIA,

During this year, savings in negotiations related to centralized categories were achieved by USD 6 million, equivalent to 17% of the total base lines calculated from purchases.

TRANSELCA, REP and CTEEP were included to the strengthening program.

In addition, ISA participated in the development project of suppliers led by the energy cluster of Medellin, the Ministry of Industry and Tourism of Colombia, the United Nations Office for Project Services (UNOPS) and the Government of Korea, which allowed the identification of suppliers from restrictive categories, this is, highly complex and low value suppliers, for increasing the offer.

Environmental Management and Occupational Health and Safety (HSE)

ISA defined a Management Manual for Contractors, which includes general requirements in environmental, labor, and occupational health and safety issues. These requirements are in addition to environmental management plans, legislation in force, technical specifications and other standard documents that are applied. The results of the evaluation of these contracts are included in the indicators [G4-LA15] [G4-HR11] [G4-EN32] [G4-S09].

Furthermore, subsidiaries developed a work concerning promotion and creation of criteria.

TRANSELCA

The Company, in order to comply with the Manual for Contractors, ensures that the entire staff of contractors' companies has induction, identification of hazards and risks of activities to be executed and their controls, verification, review of own

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contractor’s policies in Occupational Health and Safety (OHS) and environmental aspect, internal regulations and its Occupational Health and Safety System of the Contractor Company (SGSST).

The non-compliance of this regulation will be subject to a bad score within the evaluation to suppliers. TRANSELCA could request the suspension of works or activities under the contract, while the contractor assumes the overruns, economic sanctions, and others, for any delays.

REP

The organization has a specifications manual of Safety, Occupational Health, Environment and Social Responsibility Specifications for Suppliers (STSOMARS), which indicates that contractors should guarantee the non-occurrence of forced labor or executed through coercion, payment of overtime hours, child labor, and recruitment of minors. Labor contracts are verified as well as all collaborators are adults (both own contracts and contractor’s contracts).

INTERCOLOMBIA

It has training processes for suppliers and contractors:

- Virtual course of induction on comprehensive management system.
- Virtual course on Human Rights and enterprises.
- Disclosure of declaration by INTERCOLOMBIA on Human Rights and Enterprises.
- Human Rights workshops.

Evaluation and follow-up

ISA, always looking for excellence, executes evaluations and improvement plans with its suppliers to promote responsible supply and suppliers management.

As a result of the evaluation to suppliers conducted in 2015 on sustainability issues, improvement plans to two suppliers from the critical category were defined. During 2016, these suppliers had to submit the updates of their environmental certificate in a 6-month period, or adjust their management on this topic to fulfill the requirements aligned with international standards. During this validity, all suppliers complied with the requirements related to sustainability.

In this regard, each company defined and/or adapted its corresponding procedure for the verification of quality, opportunity, suppliers’ management, compliance with requirements concerning occupational health and safety as well as environmental issues, respect and promotion of Human Rights, and the identification of conducts infringing the Code of Ethics and the Antifraud Code.

The integrated implementation of the unified management of suppliers would allow the companies to create a network for encouraging long-term and far-reaching relationships with their strategic suppliers; as well as jointly monitoring the performance of common suppliers and obtain relevant information for carrying out actions to benefit all subsidiaries.

75% of suppliers from centralized categories had a performance score over 81%

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Tools implemented by subsidiaries for evaluation and follow-up:

COMPANY	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	ISA BOLIVIA
Suppliers register	✓	✓	✓	✓	✓	✓
Contractors manual (occupational health and safety and environmental management)	✓	✓	✓		✓	✓
Evaluation of suppliers performance	✓	✓	✓	✓	✓	
Code of Ethics / Antifraud Code	✓	✓	✓	✓	✓	✓
Risk management	✓	✓	✓	✓	✓	✓
Audits	✓	✓	✓		✓	✓

Within the follow-up mechanisms, there are also other instruments that promote transparency relationship and prevention of fraud in procurement processes.

Specifically, in the contractual process, companies have instruments such as procurement agreements approved by Boards of Directors, guidelines and instructions on procurement, Code of Ethics, Ethics Line, Antifraud Code, and SARLAFT, which contribute to avoid diversions and non-compliance in labor and occupational health and safety issues, and those related to socio-environmental management.

INDICATOR	RESULT 2015	GOAL 2016	RESULT 2016	COMPLIANCE STATUS / COM- MENTS	GOAL 2020
Suppliers evaluated in quality, opportunity, HSE, ethics and anti-fraud.	ISA 84%	ISA, REP, CTEEP e INTERCOLOMBIA > 50%	ISA: 72% INTERCOLOMBIA: 88% REP: 13% CTEEP: No Data TRANSELCA: 29% INTERCHILE: 0% ISA Bolivia: NA	The Corporate Guideline 58 came into force in 2016 and its implementation is under process.	All subsidiaries 100%

Dialogue mechanisms and relationship

In this scenario, discussions with supplier stakeholders were focused on issues such as: ethics, mitigation of impacts, purchases and evaluation of performance.

Suppliers of goods and services of the Energy Transmission Business Unit that attended the dialogue, qualified the management and agreed to affirm that the sustainability report is relevant to the company's management and there is coherence between results submitted and commitments declared. Likewise, the Company has an ethical and respectful management in relation to Human Rights.

HUMAN RIGHTS

For ISA and its companies, Human Rights are unquestionable and universal moral attributes inherent in each person, therefore, their respect is a moral and ethical imperative ratified in policies, daily activities and active participation in spaces for discussion at local, regional, and national level. Also, to guarantee discussions within the corporate group, we have the Corporate Guideline 48 on respect and promotion of Human Rights, Social Corporate Policy, Code of Ethics, and Global Compact.

ElIn terms of safety and Human Rights, ISA has as reference the good practices included in the "Voluntary Principles on Security and Human Rights". This guide allows companies, especially those that operate in Colombia, maintain safety of operations, under a framework that ensures respect for Human Rights and fundamental freedoms. The Company voluntarily



Annually, ISA executes the Dialogues with Stakeholders event, which promotes a space for relationship with collaborators, suppliers, shareholders, society and State. For 2016, the central focus of this dialogue was "The Achievements of the Strategy".

adhered to these instruments, progressively aligning its practices to facilitate its implementation.

In this regard, INTERCOLOMBIA participates in the construction and implementation of the Recommendations on Safety and Human Rights for the Mining and Energy Sector, issued by the Mining and Energy Committee (CME) of which it is a founding member and an integral part of the Board of Directors.

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DECLARATION OF COMMITMENT ON
HUMAN RIGHTS



No verified cases of violations and infringements to Human Rights in ISA and its companies.

→ Implementation route of Human Rights

DIAGNOSES AND PLANS	DEFINES POLICIES AND ADJUSTS PROCESSES	ENSURES DUE DILIGENCE	VERIFIES AND REPORTS
→ Performs referencing and diagnosis. → Defines action plan.	→ Defines <u>the corporate policy on Human Rights.</u> → Promotes knowledge and understanding of Human Rights in workers and suppliers. → <u>Introduces Due Diligence.</u> → Implements contractual clauses: Eradication of child labor and forced work.	→ Influences the supply chain with learning and contractual processes. → Ensures greater control, promotion and respect with administration measures. → Promotes sociopolitical risk management plans in businesses. → Includes contractual clauses that relate the guideline on Human Rights, the Ethics Code and the Antifraud Code. → Promotes Voluntary Principles on Human Rights.	→ Mechanisms of claims and complaints. → Management of Ethics Line and Ethics Committee. → Develops dialogues with stakeholders. → Reports Communications on Progress (COP). → Promotes compliance with the sphere of influence.

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Between 2015 and 2016, subsidiaries took actions related to their workers and suppliers to implement the Corporate Guideline 48.

During the year, INTERCOLOMBIA formalized the declaration that embraces the parent company's guidelines, making explicit its commitment in five scopes: risk and impact management that could be generated by its activities with the environment, work practices, security implementation, culture of peace and Human Rights, verification and follow-up; binding contractors and fostering good practices with all stakeholders.

In this regard, CTEEP held a self-diagnosis to identify areas or processes that could represent a risk related to violations to Human Rights, considering the Corporate Guideline 48, the Universal Declaration of Human Rights, the Global Reporting Initiative (GRI), and the Corporate Sustainability Index (ISE) of BM&F Bovespa. The result showed improvement opportunities in relation to the management of suppliers and socio-economic aspects.

Actions for promotion and dissemination of Human Rights

Through education in this topic, knowledge of instruments and enforceability mechanisms by communities were promoted. For this reason, ISA and its companies provide training to workers, suppliers and community. G4-HR2 G4-HR5

Although the framework of Human Rights is universal, actions addressed to the promotion and

non-infringement in each country where ISA has operations are different. In Colombia, considering the socio-political reality, ISA and INTERCOLOMBIA gave continuity to their alliances with the Peace and Development Programs, organizations aiming at the construction of a nation in peace from local and regional processes.

Se destaca como una acción relevante, la participación sectorial de INTERCOAn outstanding relevant action is the sectoral participation of INTERCOLOMBIA (a member of the Mining Energy Committee on Security and Human Rights) in the analysis of public policy on Human Rights. In this scenario, base documents for the elaboration of the National Action Plan for Human Rights and Business promoted by the National Government were made.

This Plan includes the protection and respect for Human Rights and the proactive actions respect of risks and impacts generated by corporate activities that can affect or violate these rights.

In this respect, ISA and INTERCOLOMBIA as members of the Antioquia Node of the Global Compact, support and are part of the Global Compact Chair on Sustainable Development Goals, mainly addressed to suppliers and contractors. In 2016, four chairs with coverage of 536 participants were conducted.

Additionally, INTERCOLOMBIA prioritized progress in the promotion and assurance of these rights with workers and contractors:

- Around 90 management instruments were reviewed: manuals, guides, and checklists to identify and incorporate guidelines on Human Rights.
- Training in this field in the Comprehensive Training Plan for the staff working in the four energy transmission centers of the country was included. It includes a population of 114 people and a total of 56 hours.
- The contractual clause on Human Rights was included in all service contracts.
- Representatives from 48 contractor companies were trained in the instruments for guaranteeing Human Rights.

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For its part, REP focused its efforts on the prevention of child labor and forced labor. To understand this commitment, REP permanently verifies the age of majority of all workers, as well as the labor contracts, both own contracts and those of contractors.

Follow-up and verification

To promote ethical, transparent, constructive and respectful relations on Ethics and Human Rights, the goal is to have no events related to possible violations or infringements of Human Rights.

INDICATOR	RESULT 2015	GOAL 2015	RESULT 2016	COMPLIANCE STATUS	RESULT 2016
Events of verified viola- tions or infringements to Human Rights	0	0	0	Goal accomplished	0
Complaints reported to the Ethics Line and annually managed*	100%	100%	100%	Goal accomplished	100%

* See Ethics Line Management Chart.

EIn 2016, no cases of discrimination occurred in ISA, INTERCOLOMBIA, ISA Boli-
via, CTEEP, and TRANSELCA. [G4-HR3]

Follow-up and control actions are addressed not only to workers and suppliers,
but significant operating centers (administrative headquarters, transmission cen-
ters and substations). For 2016, no rights related to freedom of association, child
exploitation and forced work, are threatened. [G4-HR4] [G4-HR5] [G4-HR6]

Regarding electric infrastructure, INTERCOLOMBIA has an agreement with
the National Army according to which, from the total sum of resources received at
least 1% should be used in Human Rights education, and it prohibits the purchase
of lethal weapons.

In relation to private security equipment and staff recruited directly by the company,

training sessions for the promotion of Human Rights were
conducted. See indicator [G4-HR7]

MANAGEMENT OF PERMITS
AND ENVIRONMENTAL LICENSES

The Environmental Corporate Policy, guides ISA and its
companies, promoting a responsible management of the
use of natural resources, their impacts, and risks, to ensure
that processes are aligned with the pursuit of sustainable
development. [G4-14]

INTERCOLOMBIA strengthen the technical capacity of
the environmental team and developed framework contracts
on topics related to communica-
tion, forest compensation, rescue
and monitoring of flora and fau-
na, Community Benefits Projects
(BNC), as well as archeological
rescue and monitoring. For its part,
CTEEP contracted a company spe-
cialized in environment to develop
a preventive work and reduce pro-
cesses times.

The Corporate Guide 26 was
also provided, which determined
criteria and tools to guide the environmental management to
comply with the Environmental Corporate Policy, legal obliga-
tions, and international standards.

ISA carried out the setting
of standards, objectives,
goals and environmental
requirements, focused
on the asset life cycle,
which enables it to act
in a preventive way and
anticipate the environmental
risk management.

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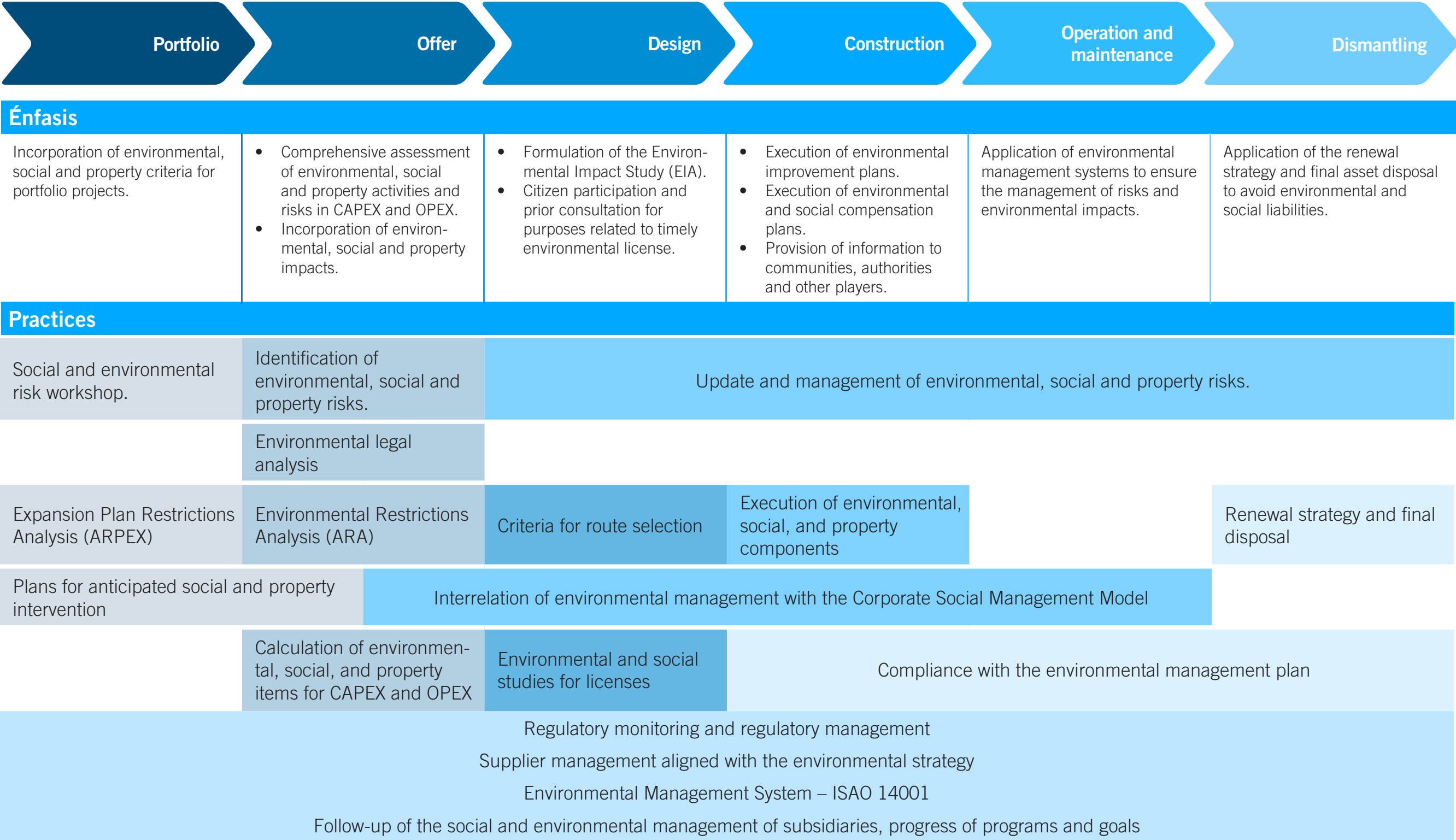
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GESTIÓN AMBIENTAL



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Context for environmental permits and licenses

ISA and its subsidiaries develop projects in increasingly complex environments where greater environmental, so- cial and land demands are translated into incremental risk, both in the environmental licensing process as well as easement negotiations, thus affecting compliance with the implementation date of infrastructure projects, and therefore, their viability.

During the construction phase of projects, the process to obtain environmental licensing and negotiation of land and easements are affected by causes often outside the companies’ management, such as:

- Weak institutional coordination.
- Deficiencies in environmental and social planning.
- Delay to obtain licenses.
- Greater requirements in the environmental assessment.
- Excessive paperwork.
- Difficulties in land negotiation.
- Conflicts for the use of land.
- Difficulties in the development of prior consultation with ethnic groups.

Status of environmental licenses of projects:

COMPANY	PROJECT	STATUS
INTERCOLOMBIA	Caracolí	With license
	Conexión GECELCA	With license
	Chinú – Montería – Urabá	Chinú – Montería Section: with license Montería – Urabá Section: pending
	Conexión Noroccidente (Northwestern Connection)	Pending
	Cerromatoso – Chinú – Copey	Pending
	Sochagota – San Antonio	Pending
REP	Mantaro – Montalvo	With license
	Carapongo	With license
	Cotaruse	With license
	Ampliación 17 (17 Extension)	With license
	Planicie – Industriales (Plains – Industrial)	With license
	Friaspata	With license
CTEEP*	Barra Bonita – Botucatu	Previous license: issued Installation license: pending
	Bariri – Barra Bonita	Previous license: issued Installation license: pending
	Assis – Chavantes – Salto Grande	Previous installation license: pending Operating license: pending
	Jupιά – Ilha Solteira	Operating license: issued
	Ibitinga – Bariri	Operating license: issued
INTERCHILE**	Plex 1	RCA: Issued
	Plex 2	RCA: Issued

* In Brazil, regulations divide the environmental licenses into the sequential obtaining process of previous licenses for installation and operation.

** In Chile, the licensing process consists of obtaining the Environmental Certificate Resolution (RCA).

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Environmental management

During 2016, spaces for dialogue were generated with energy and environmental authorities to build relationships of long-term trust. This improves the understanding of environmental problems of energy transmission projects, unify the interpretation of applicable standards, elaborate improvement proposals to existing legislation, optimize requests for information and adjust calls for bids schedules to include adequate times for environmental licensing.



Results of environmental institutional management

COMPANY	MAIN RESULTS
INTERCOLOMBIA	→ Signed a model with Parques Nacionales and SIRAP Caribe, and participated in the biodiversity round-table of the National Association of Industrialists (ANDI), in which conservation methodologies and priorities in the regions of Urabá, Córdoba, Sucre, Bolívar and Atlántico (Colombia) were discussed.
	→ Round tables were organized with the Colombian Institute of Anthropology and History (ICANH) with the support of the National Association of Utility and Communication Companies (ANDESCO) and other companies of the sector, in order to define general guidelines on preventive archaeology programs for electric infrastructure projects.
	→ Joint management with ANDI and ANDESCO to promote adjustments to legal instruments for allocation of environmental obligations for lifting of ban, liquidation of forestry land-use rates, deduction of reserves, according to the provisions of the manual for compensating biodiversity losses.
REP	→ Management with entities of Peru such as the National Society of Mining, Oil, and Energy, the General Directorate of Environmental and Energy Affairs and the General Directorate of Electric Concessions, to make the licensing process of projects and the imposition of compulsory easements clearer and more effective.
	→ Management with the National Service of Environmental Certification for Sustainable Investments (SENACE) for improving approval deadlines of environmental instruments.
CTEEP	→ Made a proposal for reviewing the General Law of Environmental Permits together with the Brazilian Association of Electric Power Concessionaires -ABCE- which was remitted to the Ministry of Environment.
	→ Proposed an amendment to the text of the Technical Standards of Brazil on the maximum easement limit to be adopted by electric energy concessionaires.

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Investments in environmental programs for projects' licenses G4-EN31

COMPANY	ESTIMATED INVESTMENTS ON PMA (USD)	PROGRAMS
INTERCOLOMBIA	3,245,180	Forest compensation program. Flora and fauna rescue program. Rescue program and archeological monitoring. Plan for disclosure and community participation. Resettlement program.
INTERCHILE	1,303,979	Archeological monitoring, guanaco non-affectation program. Study of geographical description and purchase of flight diverters.
REP	710,023	Solid waste management program. Occupational health and safety program. Environmental monitoring program.
CTEEP	422,964	Environmental and archeological studies. Environmental studies and environmental management.

USD5.7

million invested in
environmental programs

To monitor compliance with goals in relation to environmental permits and licenses, the following indicators were established:

INDICATOR	RESULTS 2015	GOAL 2016	RESULTS 2016	COMPLIANCE STATUS / REMARKS	GOAL 2020
Weighted compliance with projects deadline (compared to schedule)	INTERCOLOMBIA: 96,6% REP: 96,6% CTEEP: 103,6%	Greater than or equal to 95%.	Consolidated group: 95,8% INTERCOLOMBIA: 94% REP: 95,1% INTERCHILE: 96,8% TRANSELCA: 100%	The goal in the consolidated group was reached. Individually, INTERCOLOMBIA did not meet the goal due to delay in the environmental licensing of three (3) projects.	Greater than or equal to 95%
Delay to obtain the environmental license (compared to schedule)	Defined methodology	Apply methodology	INTERCOLOMBIA: 246 days REP: 224 DAYS INTERCHILE: 180 DAYS CTEEP: NA TRANSELCA: NA	The methodology was applied and systematized. The CTEEP's project portfolio was stalled in 2016. TRANSELCA did not require to process environmental licenses.	Obtain the environmental license according to the schedule.

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Environmental legal management

In the management of environmental licenses, natural legal processes to businesses are generated. At the main energy transmission subsidiaries, the following situations were presented:

→ Process of sanctions

COMPANY	STATUS
INTERCOLOMBIA	Three processes of sanctions were open by Regional Environmental Authorities, for a total of nine processes including previous periods.
REP	Eight audits were carried out in the company's facilities, which to date are under review by the Environmental Authority. It is worth mentioning that five of them did not present findings during execution. The Agency for Environmental Assessment and Enforcement (OEFA) imposed a corrective action to incorporate an irrigation program in the new project accesses.
CTEEP	11 monetary sanctions imposed by a total value of USD 139,412, a judiciary process and 30 cases without sanctions (three civil investigations, six notice for payment without fines, one police investigation and 20 documents and notifications) were received.

→ Non-monetary sanctions due to non-compliance of environmental regulations [G4-EN29]

	2013	2014	2015	2016
INTERCOLOMBIA	4	2	0	0
REP	0	2	0	1
CTEEP	ND	ND	18	5
INTERCHILE				ND
TRANSELCA				0
ISA Bolivia				ND

ND: No data

MANAGEMENT OF IMPACTS
ON BIODIVERSITY

ISA and its companies, in the exercise of their activities, generate direct and indirect impacts on biodiversity, associate with logging and pruning activities of vegetation in easement areas of transmission lines. Aware of such impacts, and in compliance with its Environmental Corporate Policy, the corporate group is committed to generate mechanisms to protect it, minimize the impact on natural ecosystems and contribute to their conservation. [G4-EN12]

This is how actions are taken to prevent, mitigate, and compensate impacts on biodiversity during the entire life cycle of assets. A part of them corresponds to mandatory actions, resulting from the environmental management plans, and others are voluntary, in accordance with a clear and firm intention of companies facing environmental protection.

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USD18

million invested
in managing impacts
on biodiversity

Actions in project structuration stage

From project planning, the environmental studies required to evaluate potential impacts on relevant areas for biodiversity conservation are conducted. In addition, to support offers, optimal alternatives for the transmission lines corridor from the environmental, land, social, and technical perspective are defined.

For environmental licenses, databases on endangered species, such as the Red Books of the International Union for Conservation of Nature, are consulted.

To manage the impacts identified in the Environmental Impact Studies (EIA), the companies have Environmental Handling Plans (PMA) and Forestry Management Plans. This can be consulted in the companies' websites and environmental authorities in charge of licensing in each country.

The following implemented actions during the period are highlighted.

ACTIONS IN CONSTRUCTION STAGES AND MAINTENANCE OF PROJECTS [G4-EN13]	
INTERCOLOMBIA	→ The company invested USD 14,9 million in fauna and flora rescue for Gecelca, Betania Miro-lindo and Caracolí projects. → A forestry compensation for USD 707,999 was made in several municipalities of Santander and agroforestry systems in Córdoba were implemented. → The EIA of Caracolí, Chinú – Montería and Montería – Urabá projects applied the improve-ments detected during 2015 to mitigate the impact. Some of them were: variable widths of easement clearance, which considerate sensitive ecosystems (tropical dry forest, riparian fo-forest, special management areas); and use of technologies such as drones for the adjustment of localization and height of towers and controlled cable laying. → Monitoring and follow-up for flora and fauna rescue of Sogamoso project. → From maintenance activities, continuity was given to protection and restoration areas of man-grove ecosystems and tropical dry forest (Bolívar) and wetlands (Meta).
CTEEP	→ The company invested USD 422,000 in environmental studies and activities of environmen-tal management associated to projects: Barra Bonita – Botucatu, Bariri – Barra Bonita, Jupiá – Ilha Solteria e Ibitinga – Bariri, in the State of Sao Paulo. → According to NBR 5422/1985 standard, compliance was given to the selective pruning in specific points to generate the least possible impact on environment and allow the operation of the transmission line. → 14 hectares with seeding of native species in zones of influence of the Hydroelectric Power Plant of Santa Branca, the Hydroelectric Power Plant of Chavantes, and in the municipality of Santo André, Sao Paulo state.
REP	→ The company signed the “Biodiversity and Company” Agreement with the Ministry of Envi-ronment, in which the company is committed to develop projects addressed to the preser-vation of flora and fauna species, as well as compensation projects of its CO2 emissions. → USD 753,000 were invested in environmental monitoring programs and waste manage-ment, associated with Carapongo, Cotaruse and Ampliación 17 projects.
INTERCHILE	→ The company invested USD 1,3 million in archeological monitoring, measures not affecting the guanaco mammal and purchase of flight diverters in the execution of PLEX 1 and 2 projects. → For the management of their main impacts, it has planned the installation of bird anti-coli-sion devices, controlled disturbance, training to contractors and displacement of towers to avoid serious effects to the peregrine falcon, among other birds.
TRANSELCA	→ Compensation of 2,500 trees in the department of Cordoba and performed maintenance on 860 trees.

[See table of Impacts on biodiversity \[G4-EN12\]](#)

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Novus Colombia Innovation Tour

ISA and Universidad Nacional de Colombia designed an innovation strategy, in which the University's students and the technical staff of ISA participate to create proposals to solve corporate challenges related to the development of infrastructure projects.

In 2016, a portfolio of challenges was created. Work teams were organized and improvement solutions were formulated. The following year, an evaluation, award, and development of the best initiative will be held.

CHALLENGE	PROPOSAL
Vegetation	Optimize the estimation of forestry procurement strip for new projects, considering technical, economic, and legal criteria.
Materials	Reduce material consumption and land requirement for building electric energy transmission projects.
Land	Propose: → Mechanisms enabling negotiations on property rights associated with linear infrastructure projects. → Methodology of easement negotiation processes with lands under legal insecurity. → Monitoring and control alternatives of easements for allowing invasions and bad practices that interfere with operation.
Social	Define methodologies, mechanisms, and tools to promote social acceptance of projects by communities.

ISA and its contribution to environment

ISA, as a signatory of the Global Compact, has a commitment to foster practices to promote a greater environmental responsibility, as well as maintaining a preventive approach that favors environment.

To be consistent with these principles, ISA and its companies develop actions to mitigate and adapt climate change in three areas:

- Climate change management.
- Compensation of Greenhouse Gases (GHG).
- Eco-efficiency.

Climate change management

ISA has a [climate strategy](#) that is aligned with the priorities and is in conjunction with governments, society and companies in climate change management; and from a consolidated compensation practice of Greenhouse Gases (GHG) generated by the operation in the Energy Transmission Business Unit, it reviewed its approach related to the topic according to COP 21 commitments and the phenomena caused by climate change in recent years, adjusting its risk maps and planning a series of actions by 2020.

Within these actions, ISA and its companies recognized the importance of the SF6 management as the main greenhouse gas in their operations, which is required in some high-voltage equipment.

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In 2016, a work related to the inventory of these gases was made, highlighting the following:

- The establishment of a working group with participation of all its companies for SF6 management with a measurement and follow-up model as an integrated part of its asset management.
- Staff training and awareness to make the GHG inventory.
- Inventory, leak ranges and definition of goals according to international standards and benchmark companies in the sector.
- The signature in the SF6 Electric Power Systems Partnership agreement of REP with the US Environmental Protection Agency (US-EPA) to have synergies with leading companies in the integrated management of SF6.

ISA has set up as consolidated target for 2017 a value of 0,95% SF6 leaks, which together with progress in the maturity level of asset management (ISO 55000 and PAS 55), goals for 2020 will be set, which will be a part of the strategic plans for enterprise asset management.

GHG compensation

ISA and INTERCOLOMBIA compensated 4,821 tCO2e by purchasing carbon credits in the restoration project of degraded areas and reforestation with native species, in Cáceres (Department of Antioquia, Colombia). This is the first reforestation project with native species that has been certified under Verified Carbon Standard, the Climate, and Community and Biodiversity Standards, which also certify forestry carbon, the benefit of projects in relation to biodiversity, climate, and local communities.

ISA AND INTERCOLOMBIA,
by third consecutive year,
compensated 100% of their
Greenhouse Gases (GHGs).

Benefits:

- Restoration of degraded areas, establishment of habitat for jaguars, and recovery of 120 different native species of trees.
- Community impacted: 10 families
- Territories impacted: 1,116 hectares
- Protected species: sloth, armadillo, ocelot, wildcat and jaguar.
- ISA compensated 100% of GHG emissions (515 tCO2e) generated during its operations in 2015.
- INTERCOLOMBIA compensated 100% of GHG emissions (4,306 tCO2e) generated during its operations in 2015.

[See description in table \[G4-EN13\].](#)

Eco-Efficiency

The intensity in the consumption of natural resources and the generation of emissions and waste are poor relevance impacts for the energy transmission industry. In this regard, for ISA, eco-efficiency is just a relevant issue. However, companies manage the main environmental impacts generated during asset's life cycle and develop best practices to mitigate them.

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COMPANY	ECO-EFFICIENCY ACTIONS
INTERCOLOMBIA	→ Use of 17% of waste generated and trade of 1,232 tons of recyclable waste and industrial surplus, which represented revenues for USD 155,000.
REP	→ Use of an environmental searcher for reforestation activities. → Reuse of air-conditioning water for irrigation of green areas. → Change of staff transportation vehicles to systems of lower atmospheric emissions. → Acquisition of paper with Forest Stewardship Council (FSC) certification.
CTEEP	→ Reuse of 87 m³ of water from refrigeration systems of decentralized units of Jupiá and Baixada Santista substations.

Conexión Jaguar (Jaguar Connection)

CONEXIÓN JAGUAR is a sustainability program that ISA formulates and develops together with communities and experts to contribute with the conservation of biodiversity and the mitigation of climate change, through forestry projects in priority areas for protection, recovery and connection of habitats and corridors of the jaguar in areas where the company is present in Latin America.

By means of this program, ISA shows its commitment to contribute with Sustainable Development Goal 15, which proposes promoting the sustainability use of terrestrial ecosystems, combating desertification, stop, and invest land degradation, mitigate the loss of biological diversity, as well as complying with the International Convention on Biological Diversity (CBD) and the commitment acquired by countries in the XXI UN International Conference on Climate Change in 2015.

ISA wants that its forestry projects not only capture CO2, but contribute to the conservation of biodiversity in Latin America. For this reason, ISA selected the jaguar as focal species (*Panthera Onca*), the largest feline in America.

The jaguar is classified in the World Conservation Union's Red List (UICN) as a near- threatened species and its number is decreasing. Its number is estimated to be 4,5 felines per 100 km2 in protected areas and 2,5 in non-protected areas of the Amazon region.

In 2016, it was carried out the management of resources and the entering into alliances with expert institutions such as South Pole Group and Fundación Pantera, with whom the program's technical design was executed as well as the project profile for stage 1 to be developed in Colombia in 2017.

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Expected social benefits:

- Improvement of quality of life through food security and increase of revenues.
- Development of skills and competences for decent employment.
- Training in the execution of Human Rights and Citizenship Rights.
- Respect for cultural and ethnic diversity.
- Promotion of appropriation and proper use of land.
- Improvement and community infrastructure provision.

Expected environmental benefits:

- Effective protection of an approximate area of 180,000 hectares.
- Reduction of 9 million tCO₂e (15% of Colombia's goal).
- Compensation of emissions generated by ISA corresponding to 100.000 tCO₂.
- - Scientific research to protect jaguar.

**TRAINING AND DEVELOPMENT
OF HUMAN TALENT**

ISA and its companies, in their commitment to training and development of human talent, generate conditions for training and professional development of workers and support their self-development.

It is relevant for the Company to maintain and manage human talent in a permanent way as the focus of competitive advantages and strategy, as well as addressing the risk of loss of competitive advantage, lack of institutional knowledge and brain drain.

In this regard, ISA and its companies enable human talent through the management of persons, organizational design, and knowledge management, framed within cultural traits and defined government schemes in ISA.

The training and development scheme is committed to the Organizational Talent Model, which related persons' goals to corporate strategy. This scheme highlights the importance of integral growth of workers to achieve greater contribution and commitment levels, the alignment of strengths and motivations of persons to the company's goals, consolidating capacities, competences, and skills of workers.

The Corporate Policy on Human Management aims at developing and retaining human talent of ISA and its companies within the framework of clear, respectful, equal, and fair working relations that create an atmosphere of trust and comprehensive development of human, labor and social aspects.

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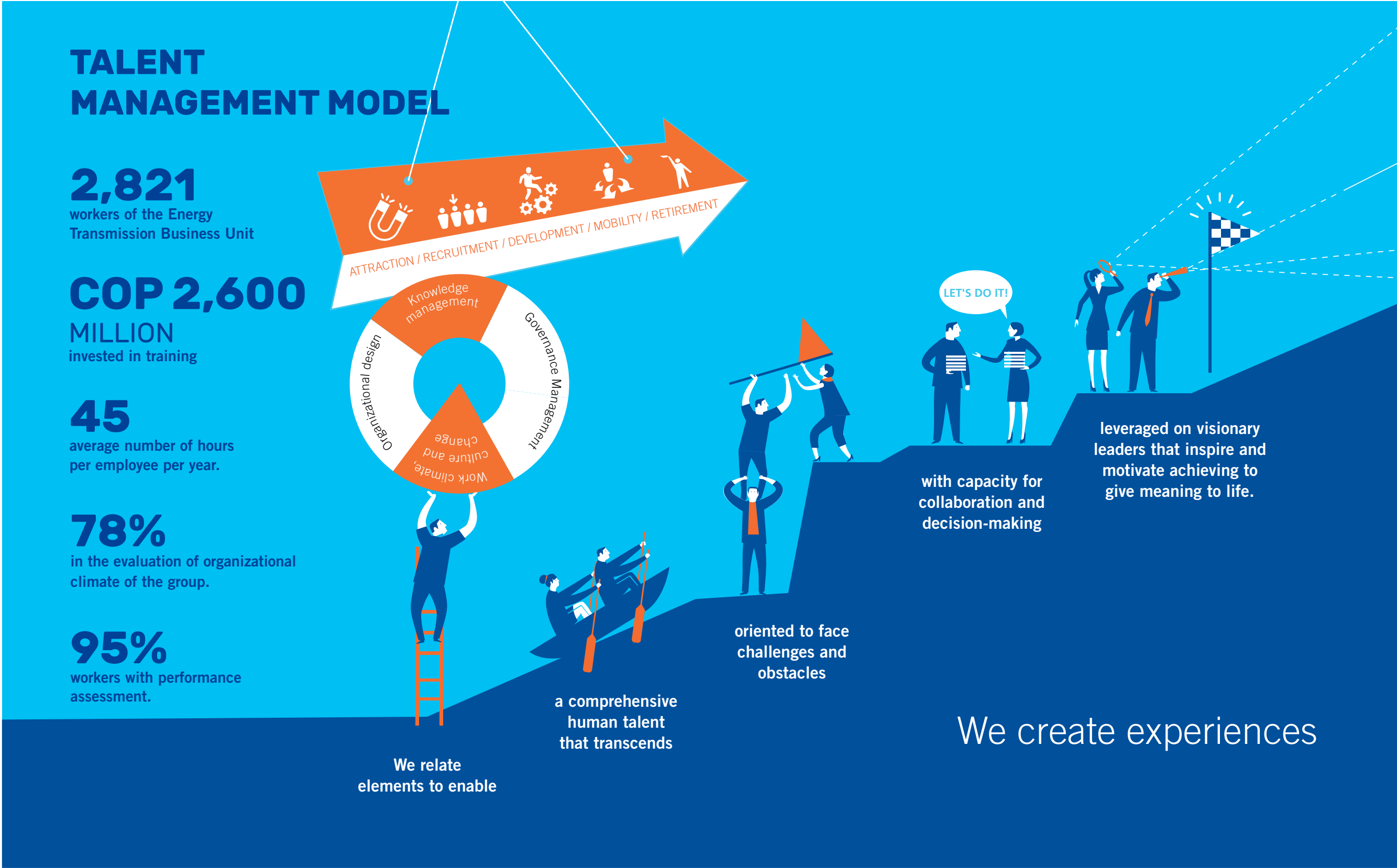
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In ISA and its companies, spaces are generated to link knowledge with organizational challenges, recognizing building capacities, innovation, and application thereof during their daily processes.

For preparing human capital, ISA promotes training sessions and events, professional training, and qualification for their collaborators. Learning plans are distributed in three centers: leadership, knowledge and innovation, and excellence.

→ **Leadership:** promotes a leadership culture in ISA and its companies, leveraged in established competences.

Leadership program:

It is addressed to directors and leaders in development to strengthen their skills and readiness to face challenges of the organization. The program started in 2016 and is expected until 2018. In the first stage, 270 persons from Colombia, Peru, Bolivia, Chile, Brazil, and Argentina participated, achieving a satisfaction evaluation of 97%.

→ **Knowledge and innovation:** It develops and transfers knowledge and critical capabilities of businesses. The following actions are highlighted:

Virtual campus

The benefits associated with this strategy are the transference and retention of knowledge, recognition to collaborators that contributed with their knowledge for formulating content and dissemination to all workers from ISA and its companies. The issues covered were: asset management, technical skills, leadership, innovation, and occupational health and safety.

Knowledge sessions

This is the greater recognition in ISA and its companies for mobilizing knowledge management and innovation. During validity, technical summaries to draw up the agenda of the sessions (to be carried out in 2017) were submitted.

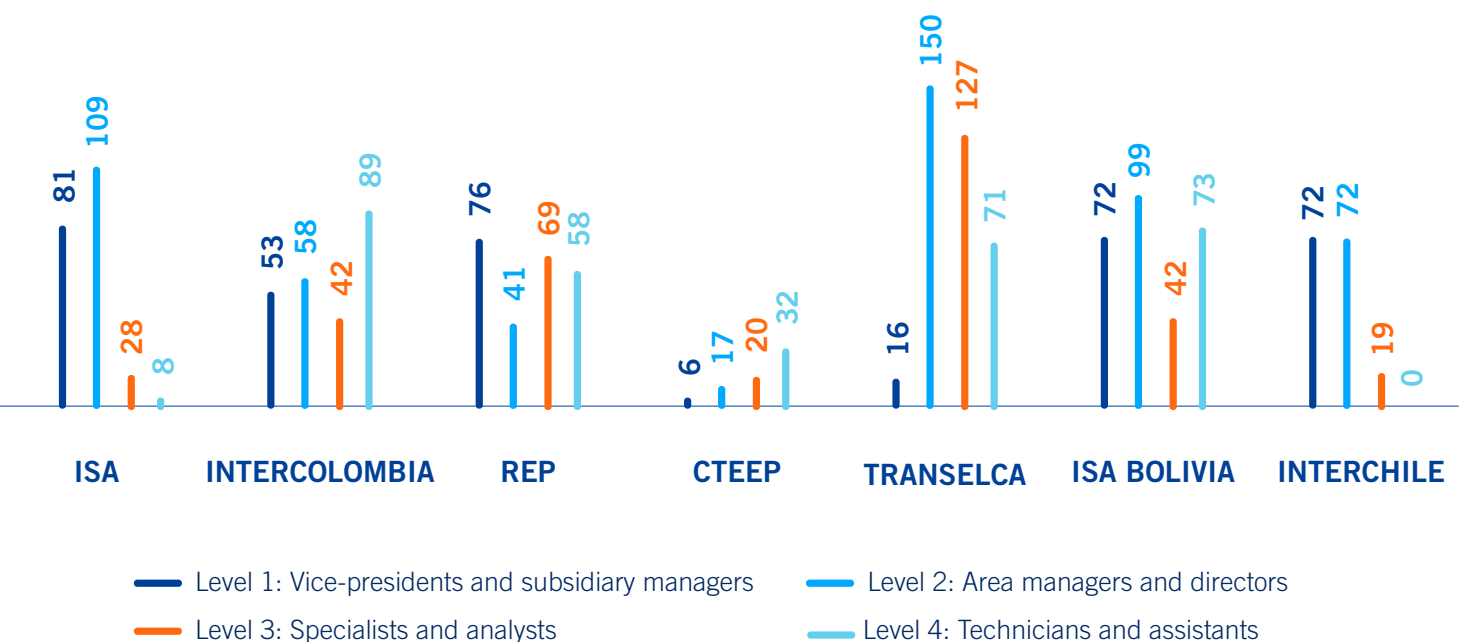
→ **Excellence:** It ensures the professional development of key talent. It also develops cross-cutting issues to the corporate group that have an essential impact on the business strategy.

Asset management

Training for ISA, INTERCOLOMBIA and TRANSELCA collaborators on matters related to continuous improvement, fundamentals, and asset management culture, with an investment of nearly COP 130 million.

Additionally, work was carried out on technical issues for Engineering, Operation, and Maintenance areas.

→ **Time required for training per year** [G4-LA9]
Average hours



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Management of persons

It aims at generating transformation experiences so the organization, equipment and persons rediscover their capacity for action, their possibilities, and their rationale. It includes actions for attraction, recruitment, development, mobility, and retirement.

For reporting this issue, it is only considered the aspect related to the talent cycle associated with development. It is made up by a series of actions that promote conversations around expected results and behaviors by the organization.

- ➔ **Performance and development goals:** It is an instrument that enables the allocation of challenging goals at labor and personal level. This activity is carried out with all employees and allows the alignment of the individual contribution with the corporate strategy.
- ➔ **Mapping of talents and succession plans:** This strategy is designed to generate loyalty in high-performance and potential employees through the development of skills and opportunities of exposure in the organization.

COMPANY	NUMBER OF CRITICAL POSITIONS	KEY TALENTS IDENTIFIED
TRANSELCA	30	20
ISA	27	35
INTERCOLOMBIA	62	40
REP	61	60
ISA Bolivia	7	7
CTEEP	159	80



- ➔ **Evaluation of competences:** it supports the construction of individual development plans by means of the feedback from the worker to the performance leader.
- ➔ **Calibration:** it allows the review of performance results and competences for the achievement of its goals.

EThe COMPLETE system is the technology support of this process, which allows the display of information and human management processes in ISA and its companies for a proper decision-making, considering timely and adequate information.

See description in table G4-LA11

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78% in the consolidated favorability index of ISA and its companies in the measurement of organizational climate, with an increase of 6 points and obtaining the best result since 2007.

Climate, culture and change

The organizational climate is understood as the collective perception that employees have in relation to the company, through the experience of practices, policies, structures, processes, and systems. Its management allows ISA to take proactive actions to create and maintain the work environment it requires to reach its business aspirations.

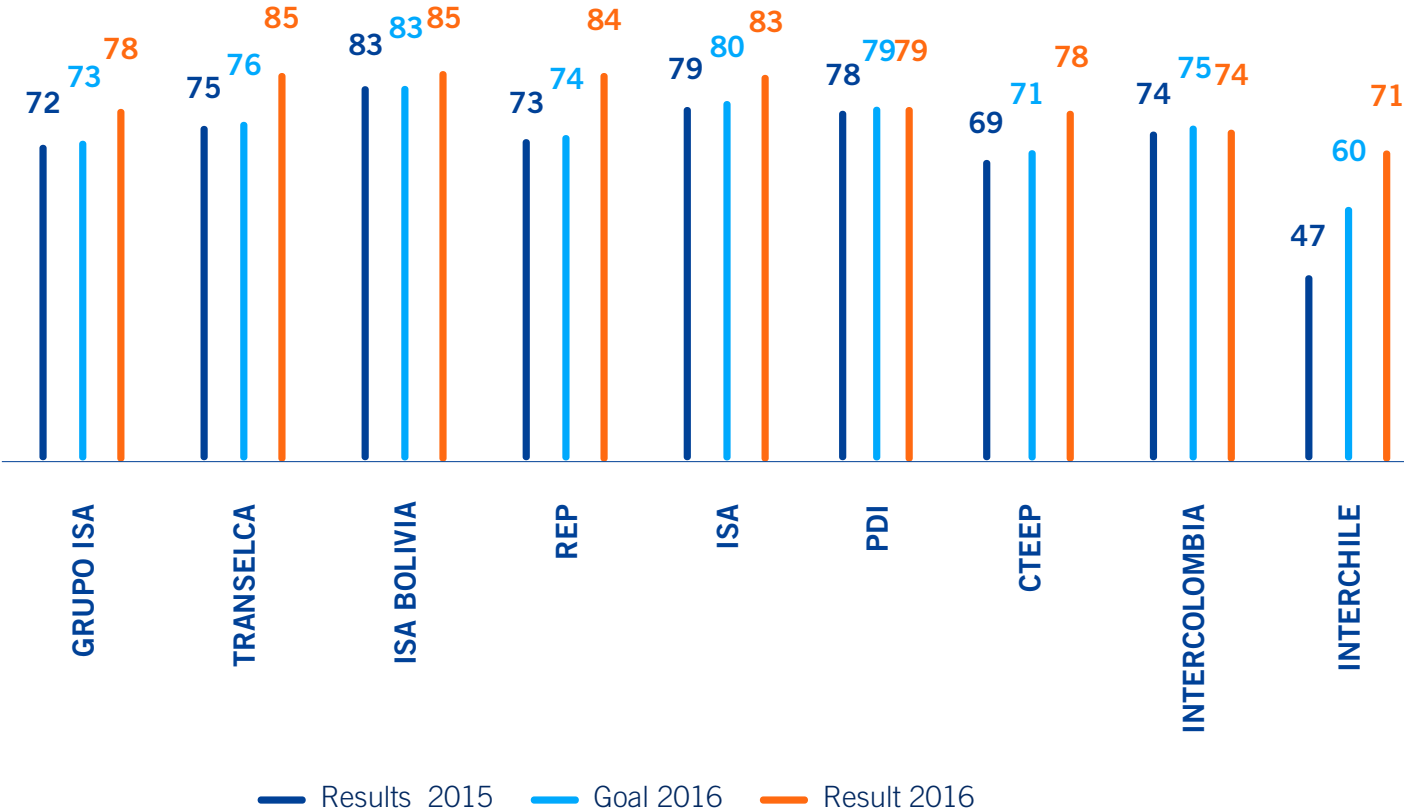
ISA and its companies annually carry out the measurement of the environment with the support of Hay Group company. It is the quintessential participation mechanism that measures 20 factors related to the commitment, the success necessary for success, and the employee's effectiveness.

For 2016, adherence of 93% of the population from ISA and its companies was achieved, represented by 3,319 persons out of 3,560 invited guests to answer it.

Starting from the premise that “we all are responsible for our company’s climate and its management”, action plans were defined that involved development and improvement actions related to leadership index of directors, competence results, performance feedback, individual coaching process, among other aspects. These plans included improvement actions for all companies.

The improvement of structure and processes factors (from 58% favorability in 2015 to 76% in 2016), resources (72% - 82%), development opportunities (77% - 82%), as well as autonomy and empowerment (70% - 77%) were highlighted.

→ Organizational climate
Percentage %



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PERSPECTIVES

The electric infrastructure of Colombia was developed progressively from the beginning of the last century through regional autonomous systems. The construction of new hydroelectric plants anticipated a promising energy perspective, and the expectations of growth at mid-century started to predict the advent of a national interconnected system. The integration process was materialized in November 1971 with the inauguration of the first national interconnection network (1,075 km) between the three main demand centers in the country (Bogota, Medellin, and Cali).

Today, nearly five decades later, ISA transports 250,000 GWh per year, through the operation of 42,064 km of high voltage networks that support the electricity supply of Colombia, Peru, Brazil, and Bolivia, and builds more than 5,000 additional kilometers that will be operating in the following years.

In the following twenty years, Latin America, our natural market, will need around 300,000 km (in addition) of transmission networks to maintain reliability of energy supply. The sustainable development of this infrastructure will require a strong, consistent, and stable regulation, greater efficiency in national and regional electricity sector planning, and a proper institutionally to guarantee compliance.

ISA and its energy transmission companies will be players of this development. Faithful to its vision of a regional energy integration, aware of its role in regional electric markets and supported on the experience gained in planning, construction and operation of networks, ISA will

play a strategic role in sectorial consolidation, which will demand greater competences for the continuous improvement and adaptation of a changing environment that poses new challenges every day. A part of these challenges is related to uncertainties generated by changes in energy policy and electric normativity, requiring the strengthening of the institutional management of the company to generate adequate conditions of participation and ensure high standards in service delivery.

The future in the business and its new challenges are framed within the energy sustainability principles, prioritized by the UN in the Sustainable Development Goals with the purpose of ensuring affordable and clean energy, which translates into specific goals addresses to guarantee universal access to modern energy services, improve energy efficiency and increase the presence of renewable energies in the global energy matrix. This vision directly relates a subsidiary goal such as regional electricity integration, which will allow taking advantage of synergies existing between regions with complementary energy resources, increasing flexibility in the electricity system compared to possible variations in offer and demand, as well as allowing a greater integration of renewable energies.

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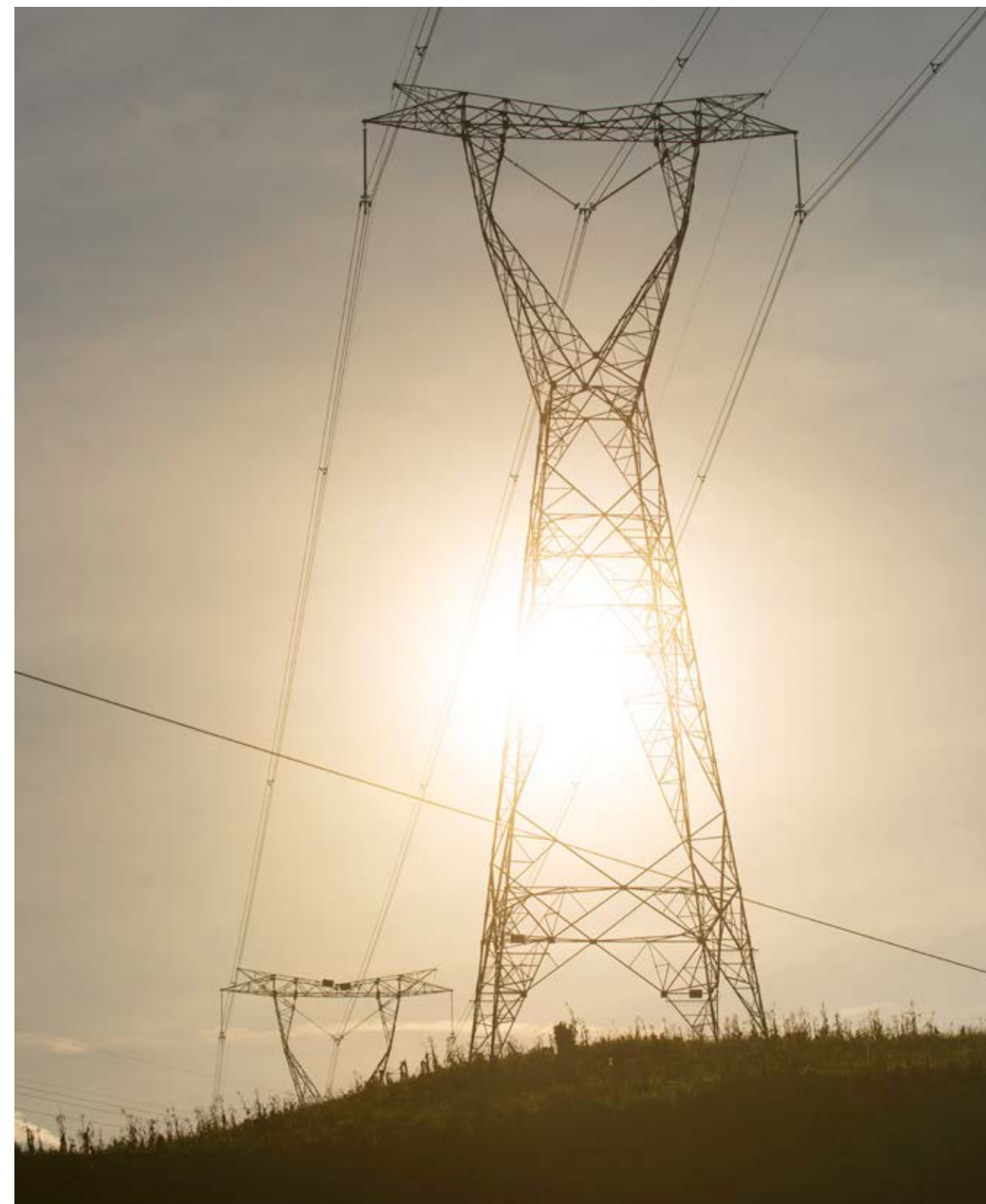
Integrated Management Report /16



Although the integration electricity progress in Latin America has slowed in recent years, new challenges under the universal outlook of energy sustainability represent a new opportunity for development and growth. The support of governments and the regional commitment will be fundamental elements for achieving the proposed integration goal. The regional presence of ISA and its historic role in energy integration should contribute to the materialization of this process.

To meet new demands, modern systems should incorporate new technologies to ensure effective operation, optimizing asset management in their life cycles, anticipate failure scenarios under a proper planning and provide a fast and effective restoration of service. The solutions required are under the control of Intelligent Networks and include advanced equipment and components, measurement technologies, communication and control, and enhanced tools for support and decision-making. Their incorporation represents an additional challenge in terms of formulation and application of the normativity required, considering technical, environmental, land and social issues.

Adaptation to new conditions and innovation in the search of solutions for optimizing the use of infrastructure are challenges that will allow ISA to achieve its 2020 vision.



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Road Concession
Business Unit

Half a century later, we renew ourselves by
creating connections one after another,

without barriers.

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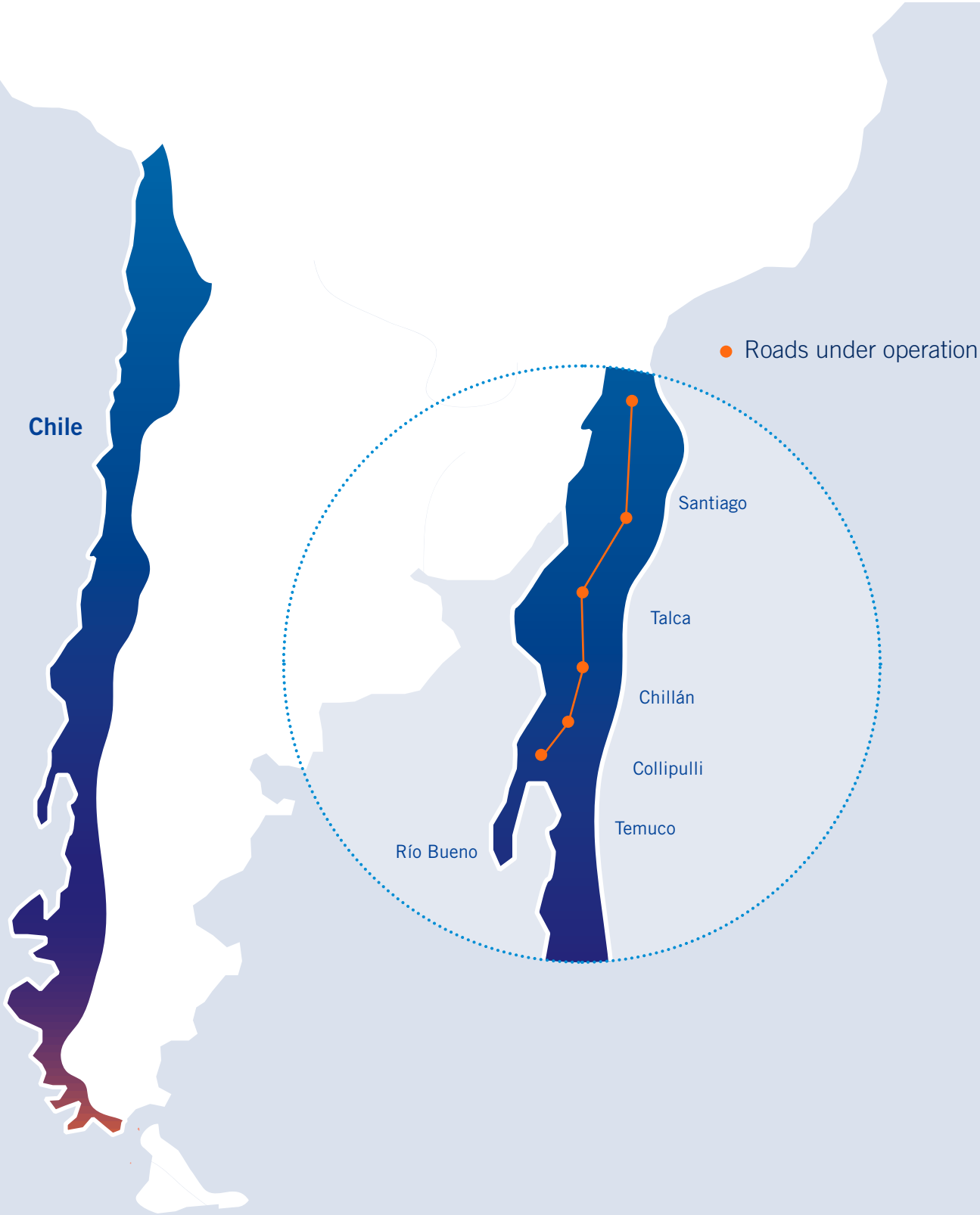
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ROAD CONCESSION BUSINESS UNIT

In 2016, we continue providing connectivity to the country through the development of great projects aimed at offering a better and safer travel experience to our users, and deepening the relationship of closeness and trust we have with our stakeholders, to advance in the sustainable development of our organization and all those who are related to it.”

Eduardo Larrabe Lucero.
Gerente General de INTERVIAL CHILE

COUNTRY	CONCESSIONAIRE	KM OF ROADS UNDER 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



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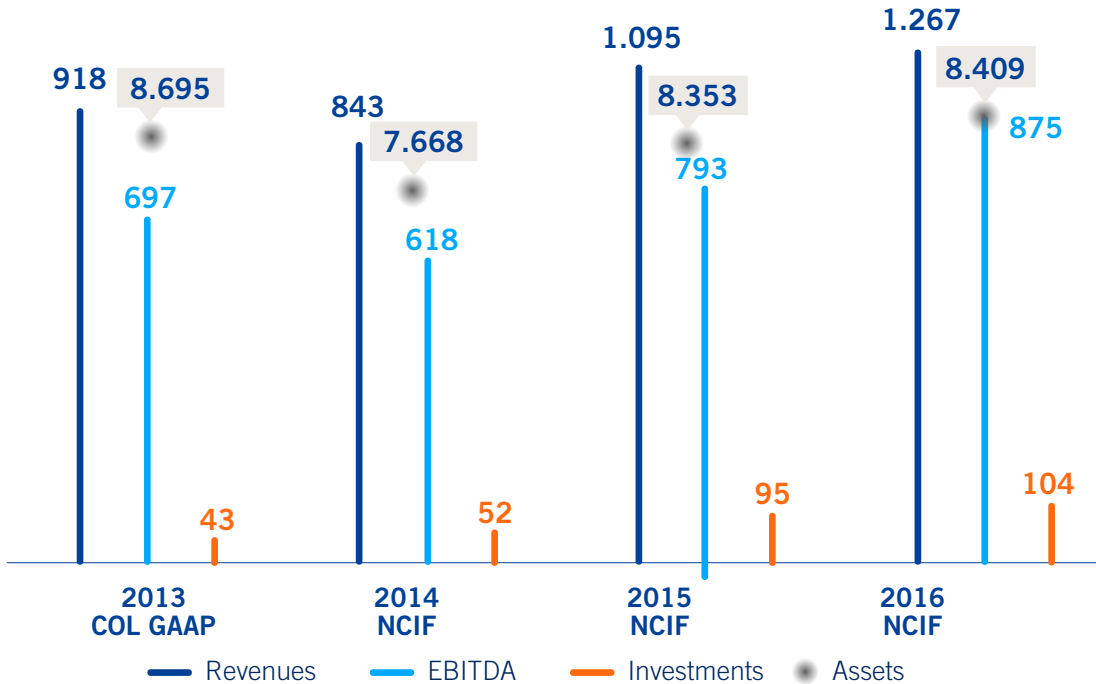
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→ Road Concessions
Billions of COP



ISA structures, designs, builds, operates, and maintains road infrastructures, within the regulatory framework and standards set by the business authority in each country and is supported in processes that guarantee operational excellence and safety for users.

BUSINESS MANAGEMENT

INTERVIAL CHILE is the main operator of interurban roads in the country and is responsible for the control, operation and management of five adjacent concessions that stretch along 907 km of Ruta 5 Sur, from Santiago to Rio Bueno city.

ROAD INFRASTRUCTURE IN CHILE						
CONCESSIONAIRES	RUTA DEL MAIPO	RUTA DEL MAULE	RUTA DEL BOSQUE	RUTA DE LA ARAUCANIA	RUTA DE LOS RIOS	TOTAL
Section	Santiago - Talca	Talca - Chillán	Chillán - Collipulli	Collipulli - Temuco	Temuco - Río Bueno	Santiago - Río Bueno
Length (km)	237	193	161	144	172	907
Road tolls	3	2	2	2	2	11
Lateral tolls	39	16	16	8	5	84
Service areas	4	4	3	3	4	18

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In 2016, vehicle traffic equivalent in five concessionaires registered an increase of 8,2% compared to last year, in which Ruta del Maule is the concessionaire with the highest growth reaching 9,5%.

To support users, concessionaires have control stations, SOS posts to contact stations in case of emergency, emergency vehicles, and service areas. To promote safety on the roads, the company maintains a smooth and timely communication with users and the community, through campaigns in mass media, variable sign panels, websites, mobile applications (APP), Twitter accounts, among others. These means of communication allow knowing the status of traffic and road, weather conditions, the implementation of safety campaigns, contingency plans in periods of greater traffic and recommendations for travels.

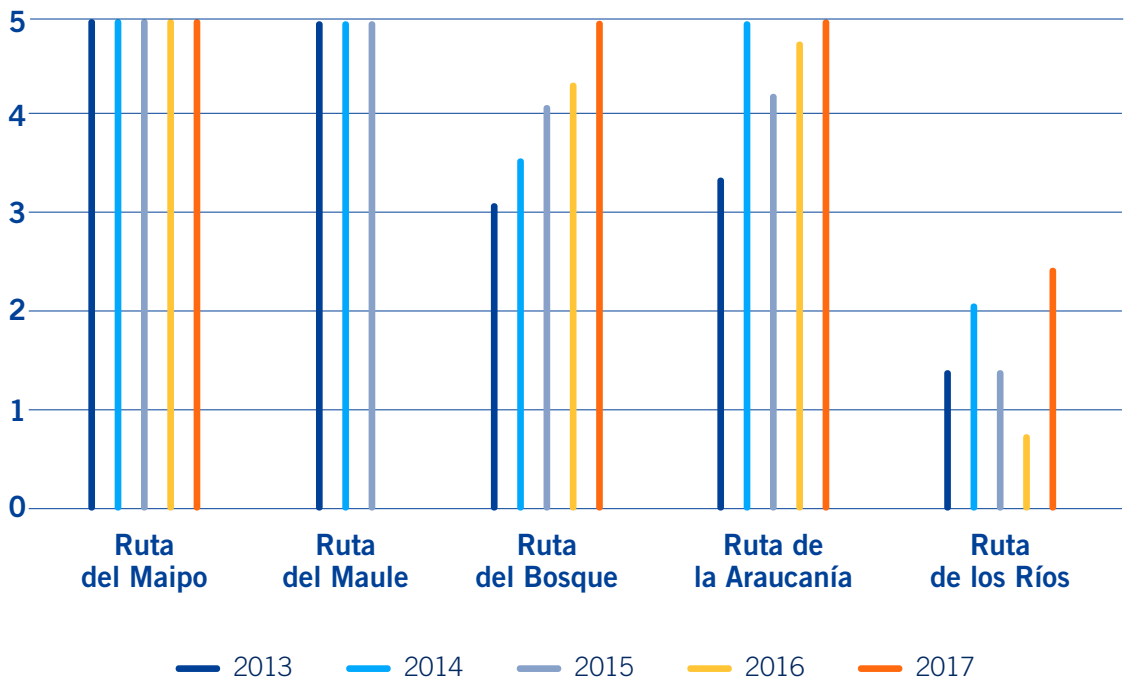
Traffic and revenues

From 2003, concessionaires (except Ruta de los Ríos) adhered to the Revenue Distribution Mechanism (MDI), by which the concession period becomes variable and its termination will be when a present value of expected revenue is reached.

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

Likewise, aid is given to concessionaires with a good safety management policy on roads, decreasing the number of accidents and fatalities compared to a base year. A raise in tariffs up to 5%, known as the Road Safety Bonus (PSV, for its Spanish initials) was authorized by the MOP. The amount corresponding to PSV is not considered within the revenues included in MDI for concessionaires attached to the system.

→ Increase of authorized tariff per PSV
Percentage %



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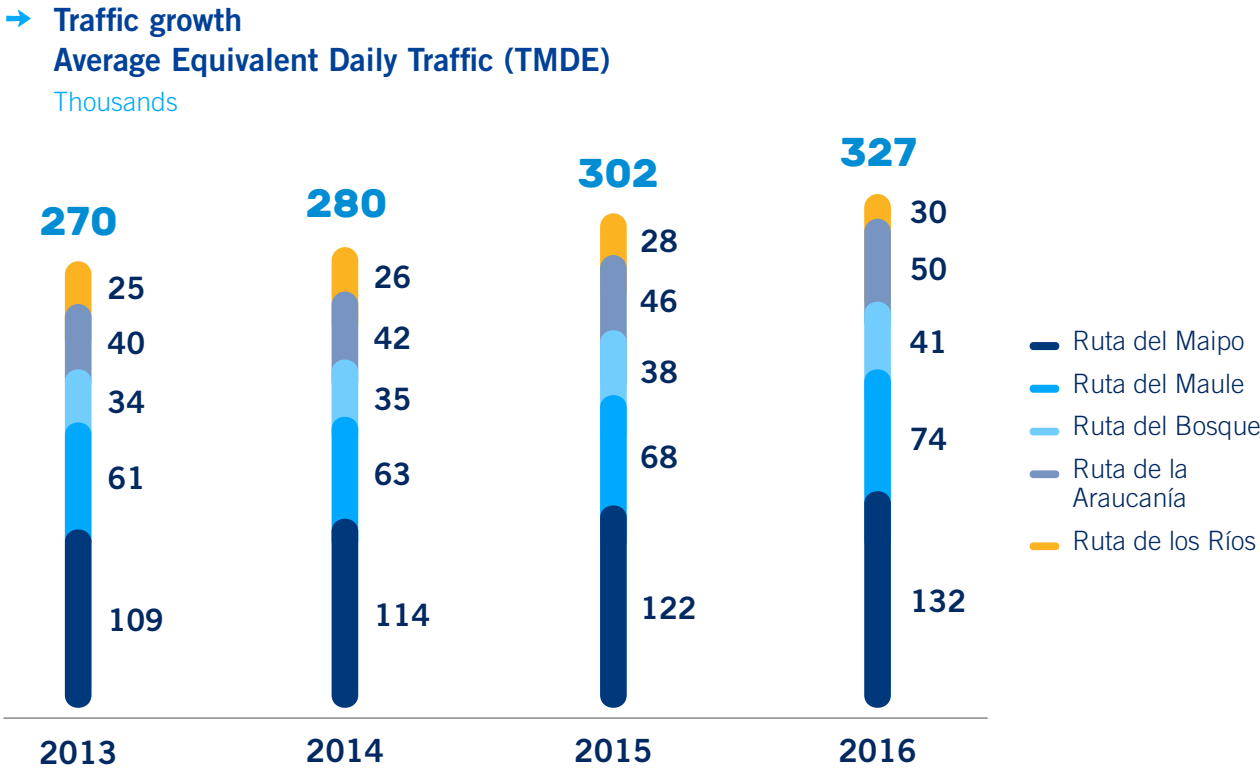
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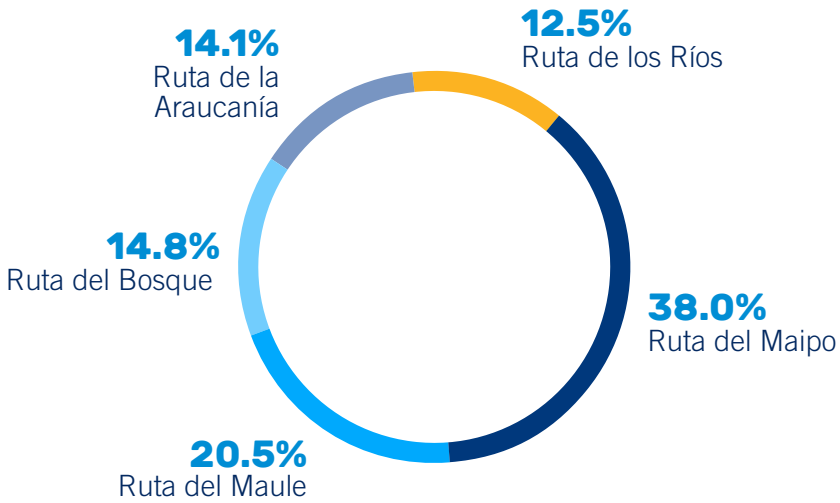
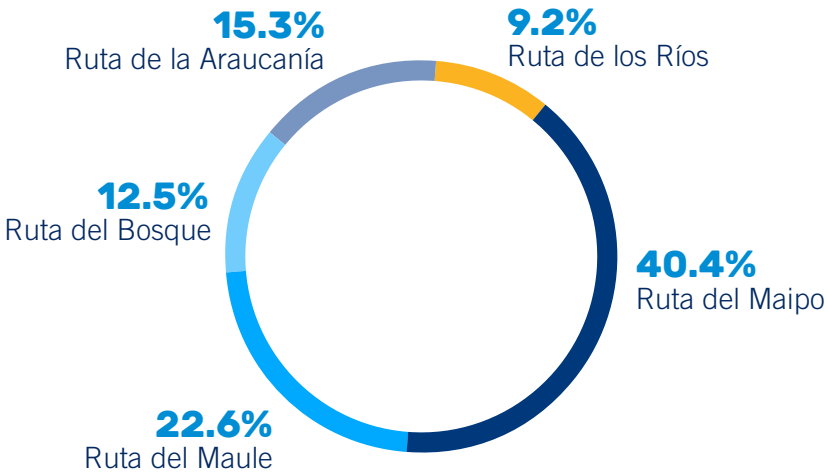
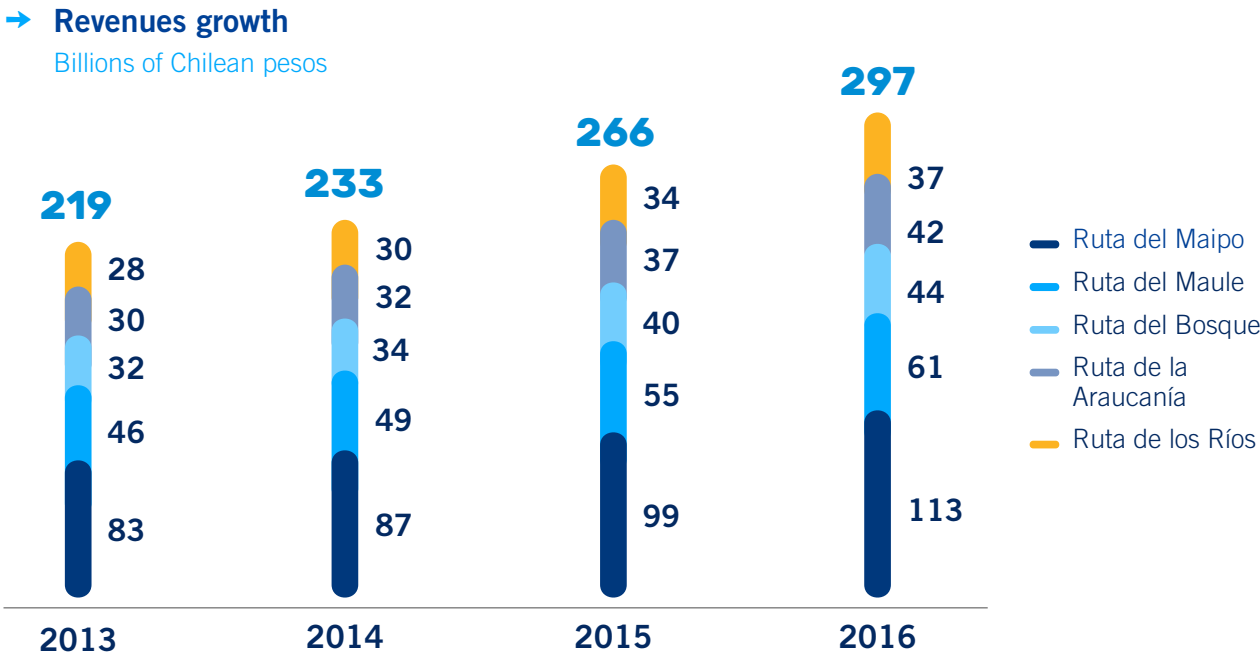
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Revenues of concessionaires, including traffics and grants, in Chilean pesos, increased 12,1% compared to 2015. Highest growths were reached at Ruta de la Araucanía 13,7% and Ruta del Maipo 14,2%.





Ruta Maipo Upgrade project

In January 2017, Ruta del Maipo presented to MOP the first part of the Third Lanes expansion project of the Santiago – Talca section of Ruta 5 Sur in southern country. The delivery meant an increase of road capacity from 2,800 to 5,000 vehicles per hour in one direction and in other sectors the layout and design speed was improved from 100 to 120 km/h. This project represented an investment of about USD 80 million.

OTHER PROJECTS

Parques del Río Project

This is a project for the city of Medellín, whose aim is to foster Medellin River as a central axis for mobility, public space, and sustainability.

In 2015, Parques del Rio company was established with the share participation of ISA (33%), Medellín (24%), Empresas Públicas de Medellín (33%), and Metro de Medellín (10%). This company will be responsible for the design, construction, maintenance, operation and commercial use of the project.

During 2016, it was expected to initiate execution of Stage 1 of this project. Despite its advancement, the current Municipal Administration of Medellín did not prioritize this investment in its governance agenda and under new conditions, both Empresas Públicas de Medellín and ISA considered this project not feasible.

ISA remains being solid about its efforts to consolidate and grow the Road Concession Business Unit, mainly in Chile, Colombia, and Peru.

PERSPECTIVES

In Latin America, the positive trend in the demographic growth and the middle class, the predominance of natural resources and raw materials in the export basket and the commitment of government to the improvement of competitiveness and quality of life of inhabitants, will imply greater opportunities for the road concession sector in the years to come.

In this context, ISA continues solid in its efforts to consolidate and grow the road concession business, mainly in Chile, Colombia, and Peru, either by the acquisition of operating companies or the participation of private initiatives and projects framed within the expansion plans of the region, which project investments up to USD 45 trillion.

In addition, Intervial Chile and its concession companies will continue with the analysis and proactive presentation of projects to MOP, which allow extending current concession period in consideration of the routes in terms of safety and service.

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INFORMATION TECHNOLOGIES AND TELECOMMUNICATION BUSINESS UNIT

2016 was a year of strategic transformations we took with passion, team work and a high degree of commitment. We design an articulated value offer on reliability, strength, and closeness to customers, which is translated into comprehensive solutions to respond to changing demands of the digital economy”.

Jaime Peláez Espinosa.
Chief Executive Manager.



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BUSINESS MANAGEMENT

With 15-year experience in a highly dynamic industry, **INTERNEXA** is a platform for operators, companies, and government to speed up their digitalization processes, providing them reliable, innovative, and flexible technology business solutions.

INTERNEXA has developed a relationship model in countries where it is present, providing connectivity solutions no matter where the destination. For this purpose, INTERNEXA has commercial departments in Colombia, Ecuador, Peru, Chile, Argentina, Brazil, and United States; and through REDCA in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

To support its services, the company operates an ecosystem of international, national, metropolitan, and undersea networks, equipped with innovative technology, which unites Latin American countries with the United States. With 48,866 kilometers of fiber optics, this network multiplies the service offer in more than 240 download points across the continent, thus benefiting more than 760 clients.

INTERNEXA is a platform for operators, companies, and government to speed up their digitalization processes, providing them reliable, innovative, and flexible technology business solutions.

FIBER OPTICS (KM)		
COUNTRY	COMPANY	FIBER OPTICS km
Colombia	INTERNEXA	6.887
Peru	INTERNEXA	4.674
Chile	INTERNEXA	2.377
Brazil	INTERNEXA	4.811
Argentina	INTERNEXA	2.577
Ecuador	INTERNEXA	2.413
Venezuela	Partnership with local operator	1.977
Central America	REDCA	2.150
Undersea cables		19.000
Total		48.866

Renewal of the value offer

INTERNEXA identified four growth drives (telecommunication operators, Over The Top (OTT), companies and governments) and redefined their processes, their intellectual capacity and their products, in order to provide the market (in record time) a set of world-class digital solutions.

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Given this premise, the company launched a value offer renovated and supported by five pillars to provide its customers solutions to:

- **Connect:** by taking advantage of regional presence, the company provides its clients a quick access to contents and transports optimal data volumes adapted to each company's demands; thus ensuring greater speed, security and stability.
- **Optimize:** it consists of enabling the digital transformation of businesses by means of virtual services that have universal information for all users.
- **Enable:** the company offers a set of collaboration and management tools that create productive, reliable, easy to access and in real-time environments.
- **Protect:** through control, the reduction of vulnerabilities and the monitoring of environmental informatics threats, integrity of corporate information is guaranteed, thus minimizing the risk of external attacks.
- **Transform cities:** by means of the incorporation of Big Data and Smart Cities solutions, projects for the public and private sectors are executed, which optimize the use of resources and foster a sustainable development.

New geographies

During 2016, INTERNEXA extended regional coverage to the Bolivian market, by starting the marketing of connectivity services between Peru and Bolivia, an initiative that would allow improving internet connection in this country.

With the purpose of getting closer to the client's facilities, metropolitan networks were implemented in the cities of Lima, Sao Paulo, Rio de Janeiro, Barranquilla, Medellin, and Bogota, which operate with reliability, scalability and availability of INTERNEXAS' backbone network.

In addition, linked to the purchase of own undersea cables in 2015, the company expanded its trade area to the East Coast of the United States.

Victories in the corporate market

The new value offer value towards a corporate segment, which was structured during 2016, achieved high-impact results. This is how the National Hydrocarbon Agency (AHN), the National Savings Bank (FNA), and the National Direction of Intelligence (DNI) from Colombia, and private entities from Peru and Brazil, relied on the corporate solutions offered by the company.

Metropolitan networks

With the purpose of getting closer to the client's facilities, metropolitan networks were implemented in the cities of Lima, Sao Paulo, Rio de Janeiro, Barranquilla, Medellin, and Bogota, which operate with reliability, scalability and availability of INTERNEXAS' backbone network.

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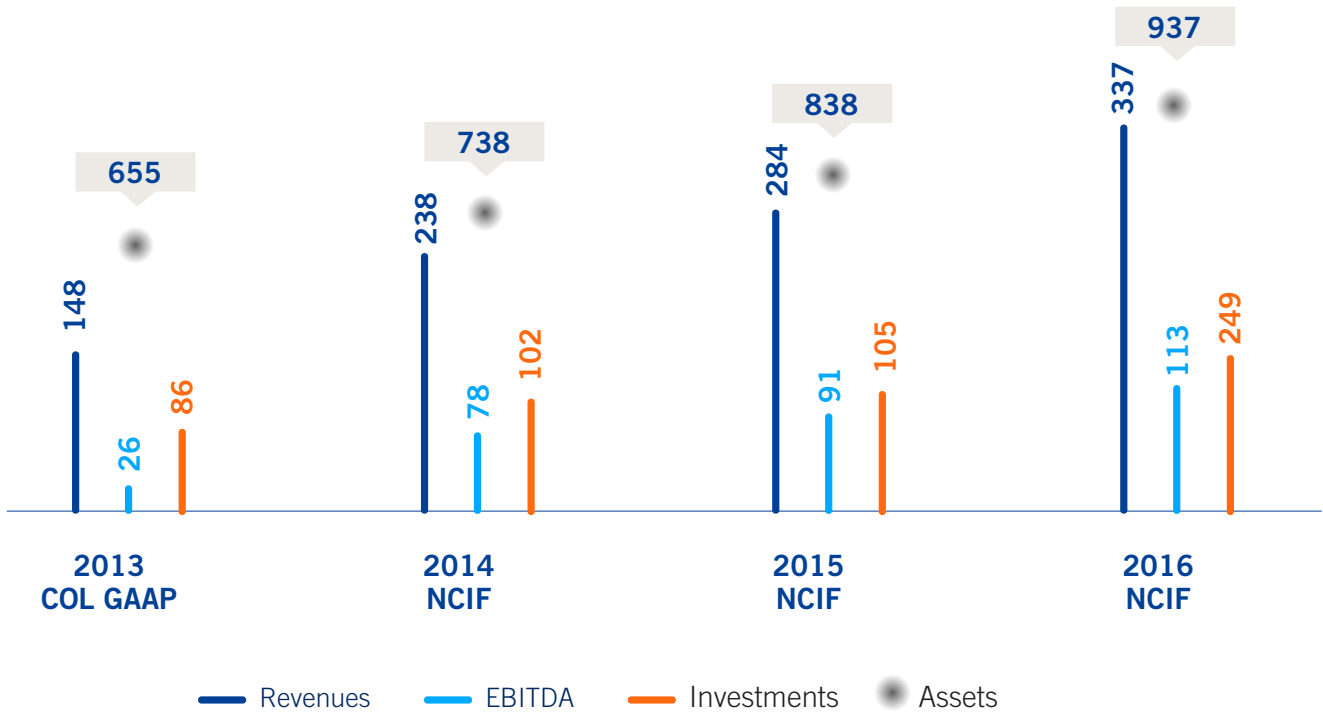
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→ Business evolution
Billions of COP



PERSPECTIVES

There are five main trends in the digital economy which make diffuse the limits of traditional categories and lead to stakeholders to be integrated for generating value and increasing their profitability. Among these trends, we have the improvement of the final user’s experience, cost control and business efficiency, greater regulatory pressures, greater merger and acquisition waves, and a business model of innovation in digital services.

These trends obligate stakeholders to understand that the differential compared to the client is no longer in the technology supply, but in the deep understanding of the client’s business model and the market characteristics. This is a condition to provide comprehensive technology business solutions, which are currently looked for by companies.

In this regard, technology becomes a mean to solve corporate and governmental problems. For example, the achievements regarding security matters of an intelligent city are not going to rely as much on purchasing cameras and surveillance systems, but in the management of those devices, the processing of their information and the analytics that translates information into policies, and ultimately, in benefits for citizens. All the above can be summarized as technology serving a corporate need, where intelligence allows technology to be a vehicle for improving decision-making.

In this trend towards integration, who is able to quickly understand the needs of different and dynamic markets, develop comprehensive solutions by using technology, and maintain the client’s loyalty, will be the one who wins the bet in digital economy.

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REAL-TIME SYSTEM MANAGEMENT BUSINESS UNIT

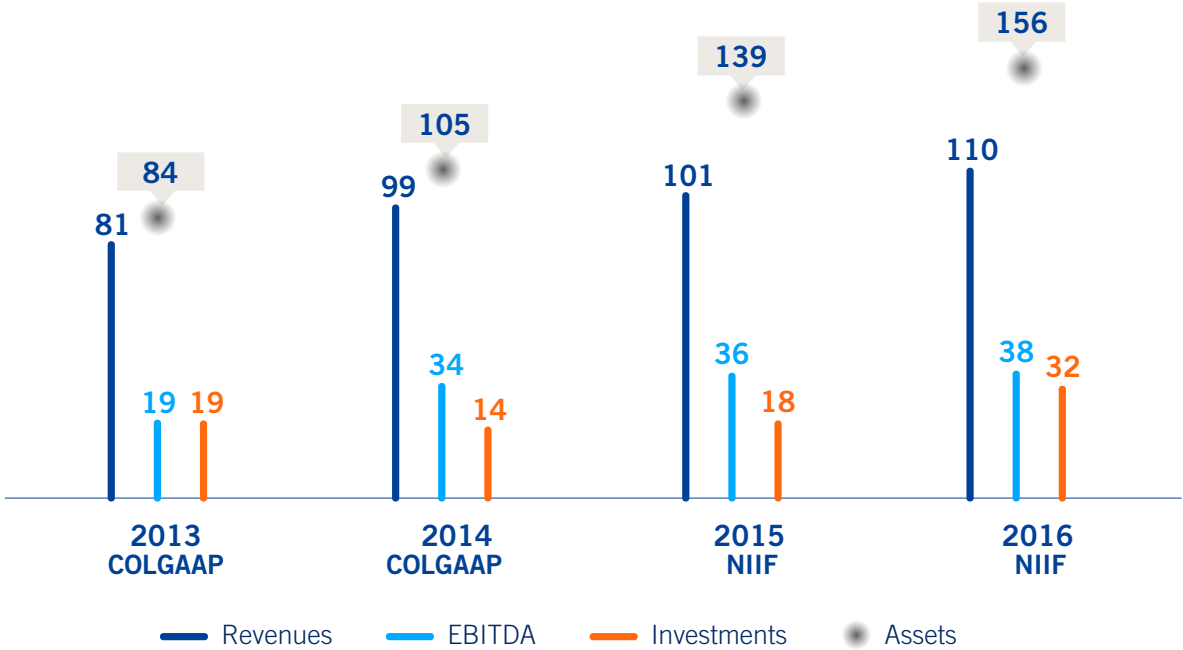
XM has strategies that make tangible the development of sustainable relationships with our stakeholders, ensuring a balance between the environment, welfare of people, company's profitability, and efficiency of the National Interconnected System of Colombia”.

María Nohemí Arboleda,
XM CEO.

Real-Time Systems Management consists of planning, design, optimization, commissioning, operation and management activities for transactional systems or technological platforms involving value added information exchange, among multiple stakeholders.

XM's experience and knowledge in operation of the energy system and administration of the wholesale energy market permit it to offer, through its companies, smart solutions based on the acquired technology and knowledge, to different economic sectors.

→ Business evolution
Billions of COP



BUSINESS MANAGEMENT

XM conducts planning and coordination of operation 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 carries out the settling and clearing of charges for use of the SIN's grids.

XM, as operator of the SIN, guarantees the continuous balance between electric energy output 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' generation with consumers' demand in an economic, reliable and safe manner under standards of quality.

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Generation of energy

In 2016, the operation of the SIN and the management of the MEM were mainly impacted by El Niño Phenomenon. This was more strictly evidenced during the last quarter of 2015 and the first quarter of 2016, when water supplies registered an accumulated deficit equivalent to 43% compared to historical average. Such situation was reflected in the decrease of the hydraulic offer, which caused an increase of the thermal generation to ensure the coverage of demand. However, the second semester of 2016 showed a trend towards normalization, so at the end of the year the total water supplies to SIN registered a value equivalent to 83% of the historical average.

Generation of Energy						
RESOURCES	2013 (GWH)	2014 (GWH)	2015 (GWH)	2016 (GWH)	%	VARIATION %
Hydraulic	41,836	42,158	42,464	44,246	67.10	4.2
Thermal	16,839	18,406	20,631	17,789	26.98	-13.8
Minor	3,170	3,293	2,927	3,193	4.84	9.1
Cogenerators	352	472	526	600	0,91	14.0
Autogenerators				111		
Total	62.197	64.328	66.548	65.939	100	-0.9

On December 31, the SIN had an effective net installed capacity of 16,595 MW, registering a growth of 1,1% compared to 2015, mainly due to the increase of 50MW capacity of the Guavio hydraulic plant and the commercial exploitation of minor plants and auto-generators, the latter especially during EL Niño phenomenon.

Generation of Energy						
RESOURCES	2013 MW	2014 MW	2015 MW	2016 MW	%	VARIATION %
Hydraulic	9,315	10,315	10,892	10,963	66.1	0.7
Thermal	4,515	4,402	4,743	4,728	28.5	-0.3
Minor	662	695	698	772	4.6	10.5
Cogenerators	66	77	87	100	0.6	15.0
Autogenerators				32	0.2	
Total SIN	14.559	15.489	16.420	16.595	100	1.1

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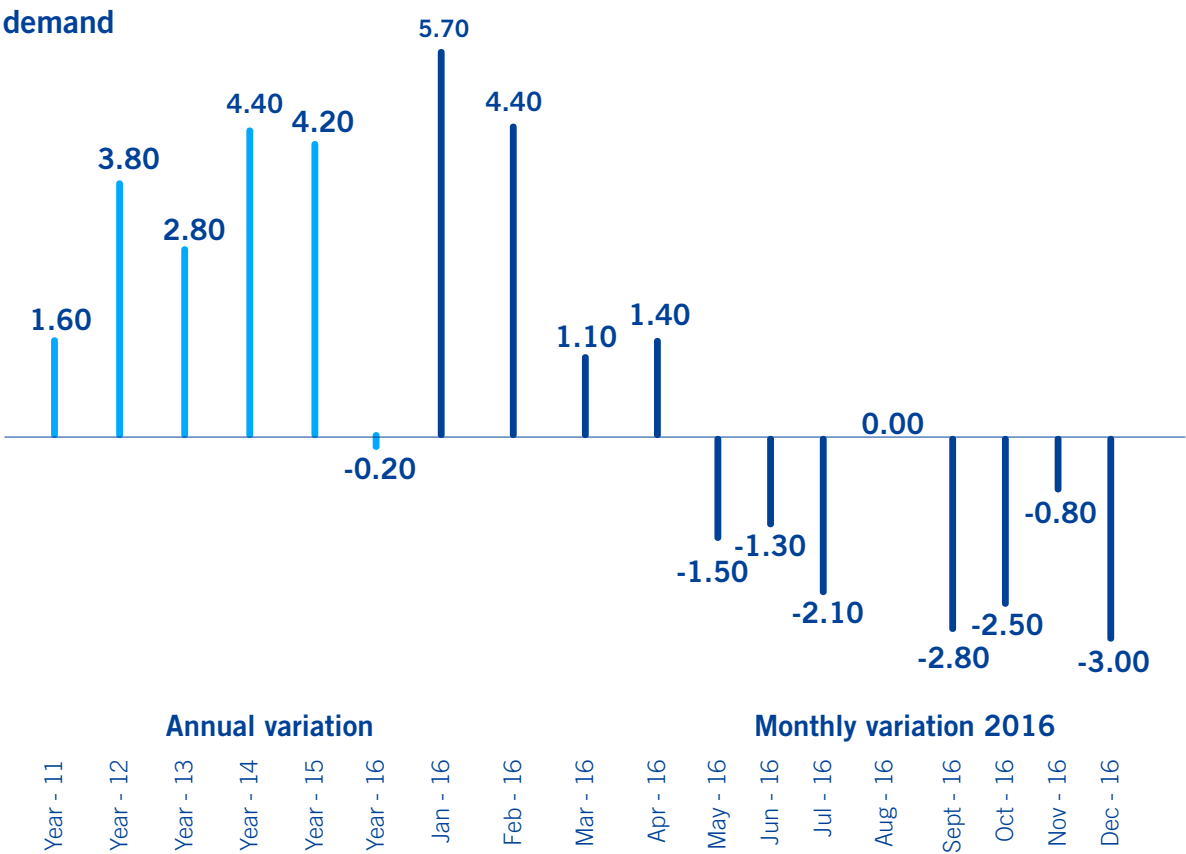
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Energy demand

Energy demand reached 66,315 GWh (0.2% more compared to 2015), due to the 1% increase of regulated demand (residential consumption and small businesses) and 1.7% decrease in unregulated demand (industry and commerce).

→ Variation of energy demand
Percentage (%)



The electric energy demand reached
66,315GWh

Electric market behavior

The Administrator of the Commercial Settlement System (ASIC) provides service to 66 generators, 93 marketers, 15 transmitters and 36 network operators.

Commercial Borders					
BORDERS	2013	2014	2015	2016	VARIATION %
Regulated users	8,872	9,670	8,957	9,554	6.7
Non-regulated users	5,672	5,546	5,461	5,373	-1.6
Public lighting	406	393	372	346	-7.0
Total	14,950	15,609	14,790	15,273	3.3

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The total volume traded by purchase and sale of energy in the MEM was COP19 trillion, same as in 2015.

Compared to last year, stock exchange purchase showed a 5,1% increase, while the weighted average price decreased by 19,5%, due to the improvement to water supply and their subsequent impacts to reduce price.

Market behavior	2013	2014	2015	2016	Variation %
WHOLESALE ENERGY MARKET TRANSACTIONS (MEM)					
Total market transactions (trillion COP)	13.5	14.6	19.0	19.0	0.2
Purchases in energy exchanges (trillion COP)	2.7	3.5	3.9	4.1	5.1
Weighted average price in exchange (COP/kWh)	178.9	225.5	378.3	304.7	-19.5
Weighted average price in contracts (COP/kWh)	125.9	131.5	143.4	156.1	8.8
ACCOUNT SETTLING AND CLEARING (LAC)					
STN usage fee (trillion COP)	1.26	1.33	1.52	1.81	19.4
FAER, FAZNI, FOES, PRONE funds (billion COP)	199.0	203.6	218.2	427.7	96.0

The secure and efficient management of collections made by MEM, which amounted to COP6,3 trillion in 2016, and the bank guarantees and prepayments to support obligations that amounted to COP56 trillion, were highlighted. At the end of the year, the collection of these obligations was 93,41% for the Commercial Exchange System (SIC) and 95,71% for the National Transmission System (SNT).

Energy situation

During the first semester of 2016, El Niño phenomenon increased its intensity, having a considerable impact on SIN operation. In consequence, XN continued and intensified actions and measurements posed during 2015. The following actions and measurements are highlighted:

- Comprehensive follow-up to the energy situation and to the evolution of variables that could have an energy impact was conducted, by continuously evaluating the real-operational information and making required adjustments to assumptions, which allowed the company to provide National Government, sector, and agents, with timely indications to maintain reliability in the supply of energy.
- Regular presentations to the Ministry of Mines and Energy were conducted, as well to different forums, guilds and committees of the electric and gas sector, related to energy situation and results of the mid-term energy planning analyses, which allows to give indications to the energy sector regarding amounts of thermal generation required and fuel needed (coal, gas and liquids) to satisfactorily cover the energy demand in case of low water supply.
- XM made proposals for changes and regulatory adjustments to the Energy and Gas Regulation Commission (CREG), tending to minimize risks for the reliable and secure assistance to demand. Finally, a large part of them were incorporated.

OTHER SECTORS

Financial

DERIVEX administers in Colombia a trading and registration system (in case of electricity events) that permits generators, traders and consumers hedging against price volatility in the electricity exchange, with total security compared to the compliance risk of its counterparty.

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

Now, DERIVEX has eight financial members acting as intermediary agents for trading. Since its entry into operation in 2010, 629,51 GWh have been traded between monthly futures contracts for 360,000 kWh-month and contracts for 10,000 kWh-month.

For its part, the Central Risk Agency of the Counterparty (CRCC) is a financial entity managing risks resulting from financial instruments trading. An energy-derivatives organized market requires an entity to take counterparty risk providing security and liquidity for transactions.

In 2016, the CRCC recorded a monthly average of 8,902 contracts (14,69% more than in 2015). Additionally, the open interest at year's end was COP 33,5 trillion, 25,81% more than the previous year.

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Mobility

NETWORK SMART SYSTEMS, a subsidiary of XM, operated during the Traffic Control Center (CCT) as an integrating element of components from the Medellín’s Mobility Smart System (SIMM) project. It provided technical support to the Medellín’s Mobility Secretariat through planning studies of the road network and proposals for improving traffic in the city.

In addition, it gives continuity to the project for delivery technical support services of technological update of the toll collection system developed by INTERCHILE S.A.

On the other hand, it signed with the Ports and Transportation Superintendency an inter-administrative contract to give continuity to the operation of the Monitoring Center of Transportation Activities (CEMAT).

PERSPECTIVES

Globalization, technological developments and changes in consumer habits bring a high dynamism in the context of business, leading organizations to face a more complex and uncertain environment. The electricity sector is no stranger to this reality and therefore XM faces new challenges as operator and manager of the energy market.

The technology is driving significant changes in the electrical industry, impacting the interaction and connection of users with the environment. Likewise, some paradigms are being reformulated, such as the competitive electric generation from unconventional renewable sources, the distributed generation, electric vehicles, active participation of demand and energy storage, as the most noteworthy.

Se resalta el ejercicio de medición de la Compañía de sus Gases Efecto Invernadero provenientes de sus operaciones, la cual arrojó un resultado de 420 TonCO₂e, la cual fue compensada a través de la inversión en proyecto de protección climática de South Pole Group: Reforestación con especies nativas en Cáceres (departamento de Antioquia, Colombia).

For the case of unconventional renewable energy sources, when coordinating operations, there will be the challenge of harmonizing the uncertainty of its variables with the quality, safety, and reliability that requires the attention of demand.

Likewise, demand will become increasingly aware of the relevant role it has for decision-making related to system expansion and operation. Moreover, this active role will be a benefit for all stakeholders of the supply chain if it is supported by a comprehensive, timely and secure flow of information; for which XM function should be strengthened in management issues, as well as the analysis of large volumes of information, guaranteeing their availability according to the needs of each stakeholder.

Likewise, the evolution of social and business areas involves a growing pressure for the electricity sector to seek new methods of production, transportation, and delivery of energy to enable a sustainable development of our society.

ESTADOS FINANCIEROS CONSOLIDADOS

Notas a los estados financieros consolidados

Informe del Revisor Fiscal a los estados financieros consolidados

Certificación de los Estados Financieros Consolidados
y otros informes relevantes

ESTADOS FINANCIEROS ISA

Notas a los estados financieros ISA

Informe del Revisor Fiscal a los estados financieros ISA

Informe especial de operaciones con filiales y subsidiarias

Certificación de los estados financieros y otros informes relevantes

Certificación de Normas de Propiedad Intelectual y Derechos de Autor

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RESULTADOS FINANCIEROS

ISA y sus empresas en Colombia, a partir de enero 1 de 2015, reportan sus estados financieros de acuerdo con las Normas de Contabilidad y de Información Financiera aceptadas en Colombia –NCIF– (*), y bajo lineamientos de la Contaduría General de la Nación quien expidió la Resolución 743 de 2013 y sus resoluciones modificatorias, con respecto a las entidades y negocios bajo su competencia.

Tanto los estados de resultados y como de situación financiera presentan un comparativo de los cierres de 2016 y 2015 bajo NCIF. También incluye información histórica con las cifras de cierre de 2014 bajo NCIF y las de cierre de 2013 bajo los anteriores principios contables que aplicaban en Colombia.

(*) Las NCIF corresponden a las NIIF autorizadas y traducidas de manera oficial por el Consejo de Normas Internacionales de Contabilidad (IASB, por sus siglas en inglés) al 31 de diciembre de 2012.

Resultados Consolidados

RESULTADOS CONSOLIDADOS DEL PERÍODO MILLONES \$	2016	2015	VARIACIÓN	% VARIACIÓN
RESULTADOS				
Ingresos operacionales	12.137.552	5.270.649	6.866.903	130,3
Costos y gastos AOM (sin pensiones)	3.214.429	2.399.034	815.395	34,0
EBITDA	8.923.123	2.871.615	6.051.508	210,7
Provisiones, depreciaciones, amortizaciones y pensiones	668.143	611.851	56.292	9,2
Costos y gastos operacionales	3.882.572	3.010.885	871.687	29,0
Otros ingresos neto	248.254	145.205	103.049	71,0
Utilidad por actividades de operación	8.503.234	2.404.969	6.098.265	253,6
Gasto financiero neto	(1.033.341)	(924.637)	(108.704)	11,8
Utilidad antes de impuestos	7.469.893	1.480.332	5.989.561	404,6
Provisión impuesto de renta	2.452.158	440.785	2.011.373	456,3
Utilidad antes de interés minoritario	5.017.735	1.039.547	3.978.188	382,7
Interés minoritario	2.881.106	337.999	2.543.107	752,4
Utilidad neta	2.136.629	701.548	1.435.081	204,6
SITUACIÓN FINANCIERA				
Activo	38.516.200	28.112.870	10.403.330	37,0
Pasivo	21.604.722	16.719.817	4.884.905	29,2
Patrimonio atribuible a propietarios de la controladora	9.863.857	7.840.224	2.023.633	25,8
Participaciones no controladoras	7.047.621	3.552.829	3.494.792	98,4
Patrimonio	16.911.478	11.393.053	5.518.425	48,4
INDICADORES				
Margen EBITDA (%)	73,5	54,5		
Margen operacional (%)	70,1	45,6		
Margen antes de interés minoritario (%)	41,3	19,7		
Margen neto (%)	17,6	13,3		
Rentabilidad del activo después de interés minoritario (%)	5,5	2,5		
Rentabilidad del patrimonio (%)	21,7	8,9		
Endeudamiento (%)	56,1	59,5		
EBITDA / Intereses (veces)	10,0	3,9		
Deuda neta / EBITDA (veces)	1,3	3,4		

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Los estados financieros consolidados de ISA de 2016 presentan la mayor utilidad en la historia de la Compañía, al cerrar el año con una utilidad neta de \$2.136.629 millones, 204,6% más que en 2015 (\$701.548 millones). Dicha utilidad incluye el reconocimiento de los valores de la Red Básica del Sistema Existente –RBSE– en la filial CTEEP por \$5.527.016 millones, de los cuales ISA recoge \$1.372.742 millones.

Efectos macroeconómicos

La conversión de la información financiera de las filiales y subsidiarias en el exterior generó variaciones en los diferentes rubros de los estados financieros, por el efecto de la revaluación del peso colombiano frente a las monedas de los países donde ISA tiene presencia. No obstante lo anterior, la estrategia financiera de mantener los ingresos y las deudas de las empresas en la misma moneda, hace que el efecto por conversión a Pesos de las filiales del exterior represente un resultado de 1,4% en la utilidad neta.

VARIACIÓN TASAS DE CAMBIO						
TASAS	PROMEDIO AÑO			CIERRE AÑO		
	2016	2015	% VARIACIÓN	2016	2015	% VARIACIÓN
Peso / Dólar	3.053,4	2.746,5	11,2	3.000,7	3.149,5	-4,7
Peso / Real	876,6	824,4	6,3	920,7	806,6	14,2
Peso / Peso chileno	4,5	4,2	7,5	4,5	4,4	1,1
Real / Dólar	3,5	3,3	4,6	3,3	3,9	-16,5
Peso chileno / Dólar	676,7	654,1	3,5	669,5	710,2	-5,7

Estado de resultados integrales consolidado

Los ingresos operacionales cerraron en \$12.137.552 millones frente a \$5.270.649 millones registrados en 2015, lo que representa un incremento de 130,3%, debido a:

- **Brasil:** mayores ingresos por el reconocimiento de la RBSE en CTEEP por \$5.527.016 millones.
- **Colombia:** mayores ingresos por la entrada en operación de nuevos proyectos, aumento de la Tasa Representativa del Mercado –TRM–; crecimiento en las ventas de servicios de telecomunicaciones, almacenamiento de información y videoconferencias, y mayores ingresos por los fondos administrados: Fondo de Apoyo Financiero para la Energización de las Zonas Rurales Interconectadas –FAER–, Programa de Normalización de Redes Eléctricas –PRONE– y Fondo de Energía Social –FOES–.
- **Perú:** mayores ingresos por servicios de construcción en la ejecución del proyecto Mantaro – Montalvo y la entrada en operación del proyecto Machu Picchu-Cotaruse, de su filial Transmantaro.
- **Chile:** mayores ingresos por la ejecución de servicios de operación en obras de mantenimiento mayor y rutinario en las concesionarias viales.

Descontando el efecto de la RBSE, los ingresos operacionales fueron \$6.610.536 millones, 25,4% más que en 2015.

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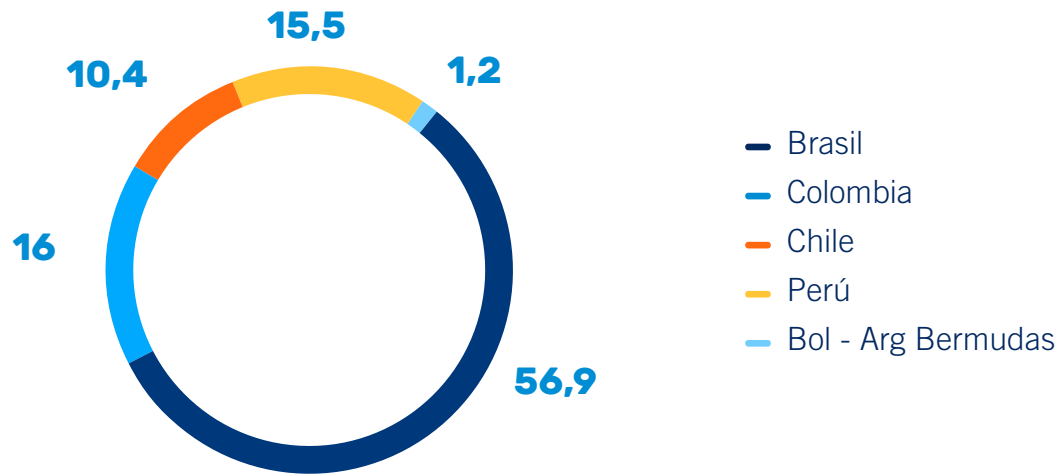
Por su parte, los costos y gastos operacionales presentaron un incremento de 29% frente al año anterior debido a:

- **Colombia:** mayores costos por contribuciones FAER, PRONE y FOES; mayores gastos por provisiones de cartera.
- **Perú:** mayor depreciación y amortización por la entrada en operación de las líneas Machu Picchu – Cotaruse, ampliaciones de red, y provisión de cartera asociada a inversiones.
- **Brasil:** menor provisión por contingencias laborales.
- **Chile:** incremento en los costos de conservación y mantenimiento mayor.

Como consecuencia, el EBITDA creció 210,7% al cerrar en \$8.923.123 millones frente a \$2.871.615 millones registrados en 2015; y el margen EBITDA igualmente aumentó al cerrar en 73,5% frente a 54,5% del año 2015. Descontando el efecto extraordinario de la RBSE, las contribuciones FAER, PRO-NE y FOES y los ingresos por construcción; el margen EBITDA se situó en el 66,5% respecto a 66,4% en 2015.

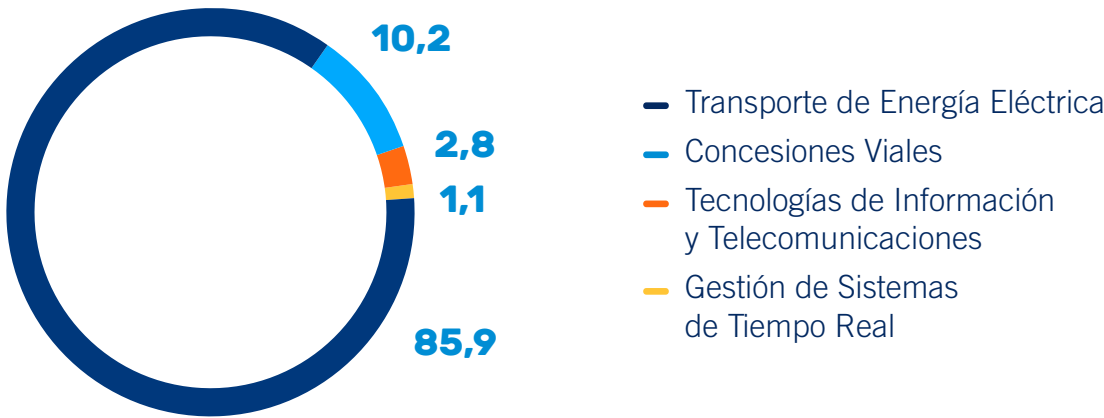
→ Ingresos consolidados por país

Porcentaje %



→ Ingresos consolidados por negocios

Porcentaje %



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El rubro otros ingresos netos alcanzó \$248.254 millones (71% más que en 2015) explicado principalmente por el ingreso correspondiente a la utilidad por la venta de acciones preferentes de la filial CTEEP por parte de ISA Capital.

La utilidad de las actividades de operación cerró en \$8.503.234 millones, 253,6% más que en 2015, y el margen operacional pasó de 45,6% a 70,1% en 2016.

Sin el reconocimiento del valor de la RBSE, la utilidad de operación sumaría \$2.976.218 millones, con crecimiento del 24%.

La estructura de financiación de ISA implica que el resultado de las operaciones de financiación e inversión sea un gasto. Los gastos financieros netos ascendieron a \$1.033.341 millones (11,8% más que en 2015) explicado principalmente por la mayor deuda requerida para financiar las inversiones.

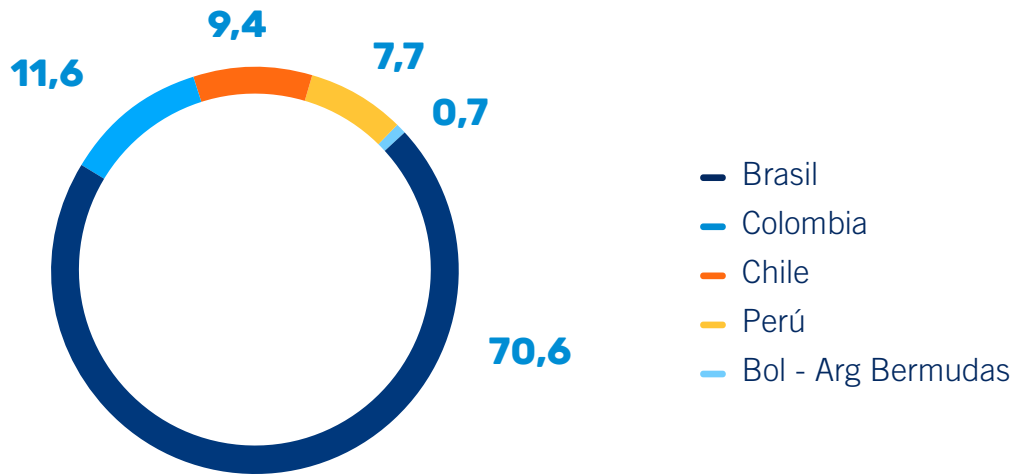
El gasto por impuesto de renta se incrementó en 456,3%, al pasar de \$440.785 millones a \$2.452.158 millones en 2016. Esta variación obedeció principalmente al impuesto diferido asociado al reconocimiento de la RBSE en CTEEP y al ajuste del impuesto diferido en Chile.

La utilidad consolidada antes de interés minoritario ascendió a \$5.017.735 millones, de la cual \$2.881.106 millones (57,4%) corresponde a la utilidad del interés minoritario.

Finalmente, la utilidad neta alcanzó \$2.136.629 millones, 204,6% más que en 2015 y el margen neto pasó de 13,3% a 17,6% en 2016. Esta utilidad neta incluye el reconocimiento del valor de la RBSE. Sin este efecto, la utilidad neta ascendería a \$763.887 millones, que corresponde a un crecimiento de 8,9% versus el acumulado del año 2015.

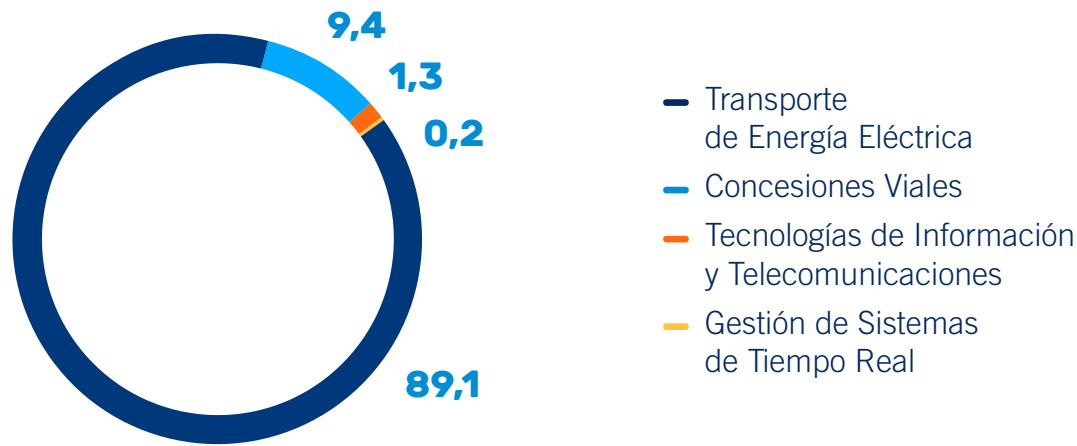
→ EBITDA consolidados por país

Porcentaje %



→ EBITDA consolidado por negocios

Porcentaje %



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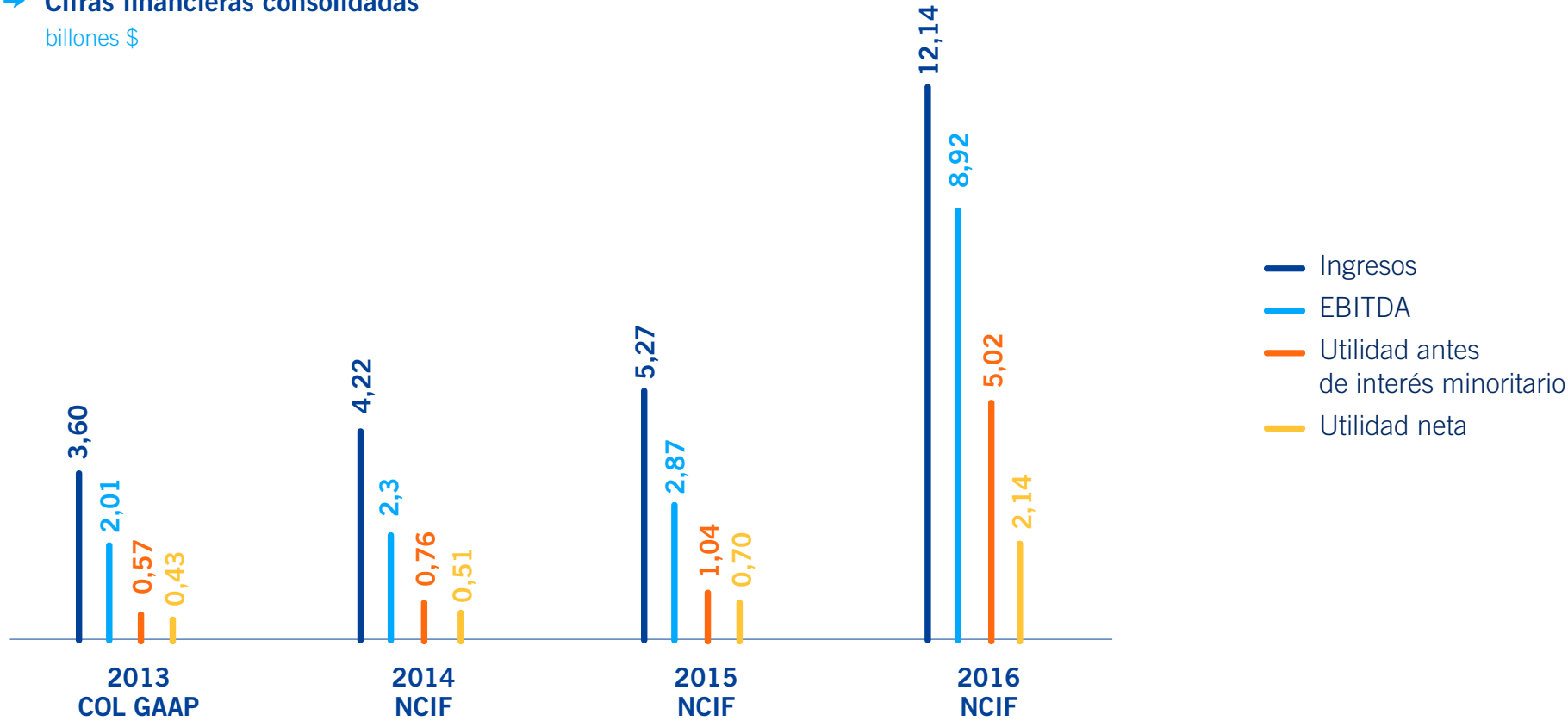
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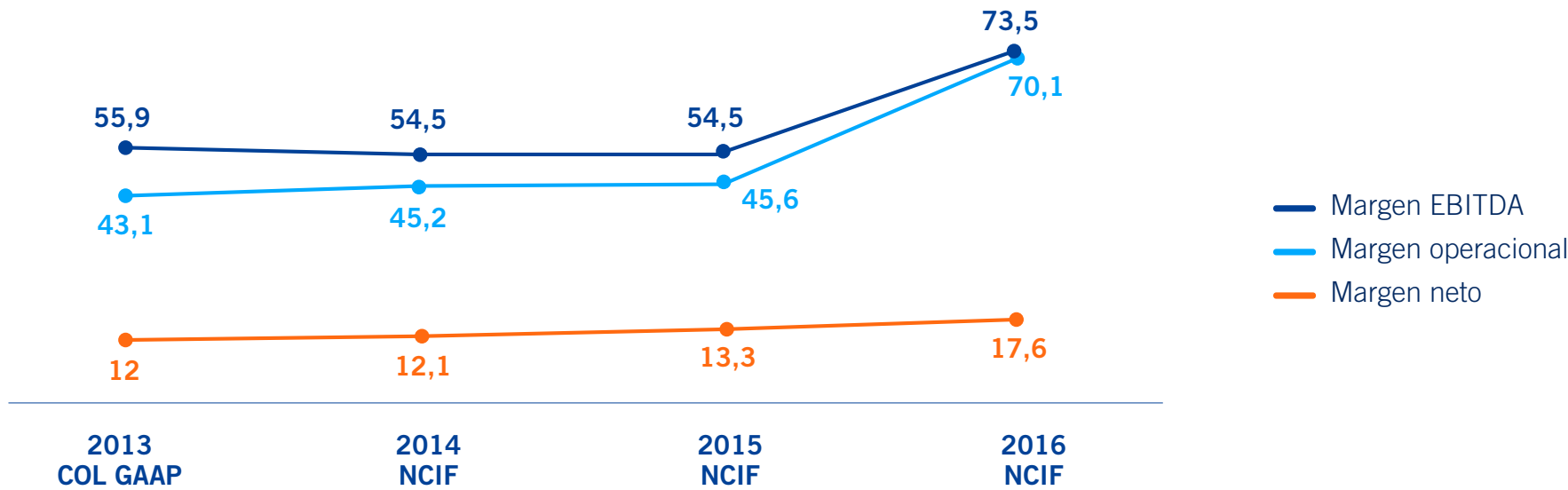
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→ Cifras financieras consolidadas
billones \$



→ Indicadores financieros del consolidado
Porcentaje %



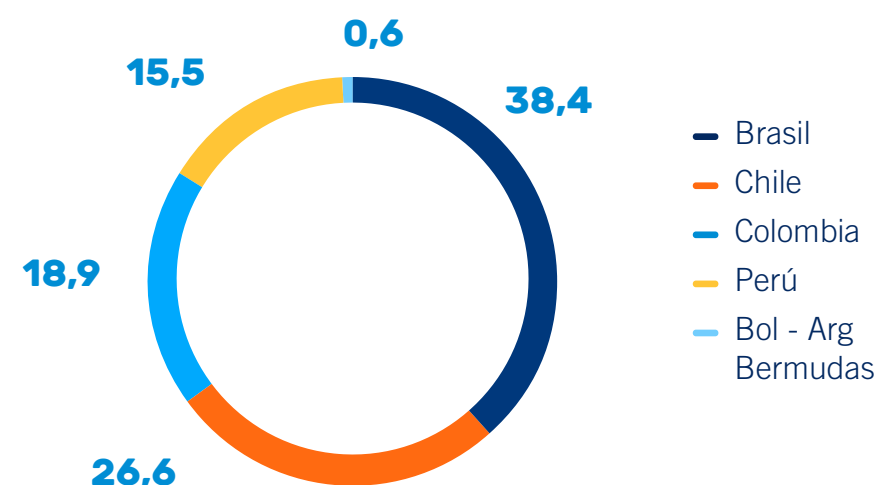
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Estado de situación financiera consolidado

Activo: cerró en \$38,5 billones, 37% más que en 2015. El aumento en el activo se presenta principalmente por el reconocimiento de la RBSE en Brasil, y mayores proyectos de construcción en Colombia, Chile y Perú.

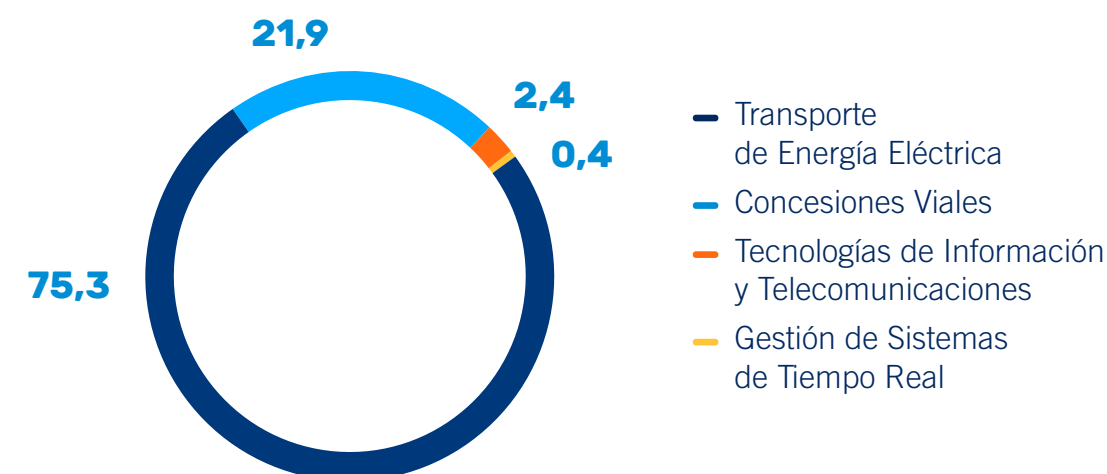
→ Activos consolidados por país

Porcentaje %



→ Activos consolidados por negocios

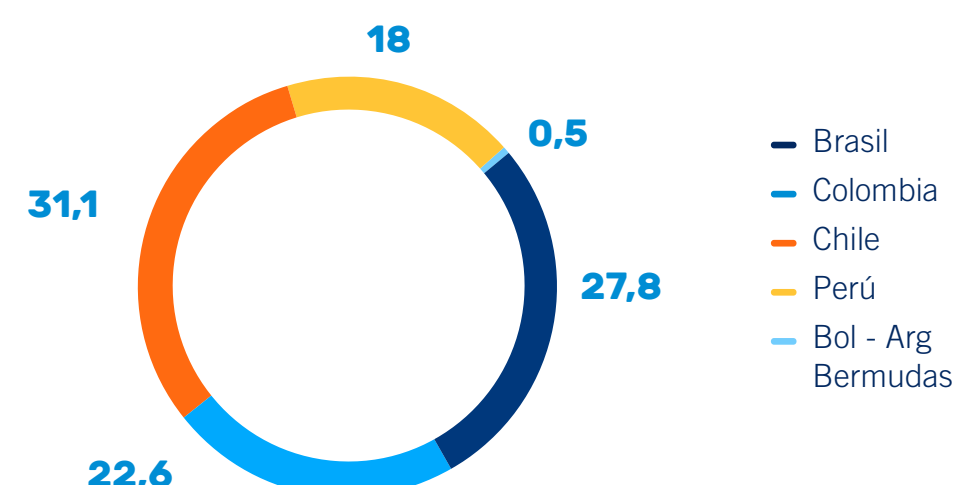
Porcentaje %



Pasivo: pasó de \$16,7 billones en 2015 a \$21,6 billones en 2016 (29,2% más), debido principalmente a mayor pasivo por impuesto diferido en Brasil (asociado a la RBSE), a mayor deuda contratada para respaldar los proyectos de construcción en Colombia, Chile y Perú, y a los dividendos decretados en la Asamblea General de Accionistas de ISA de 2015.

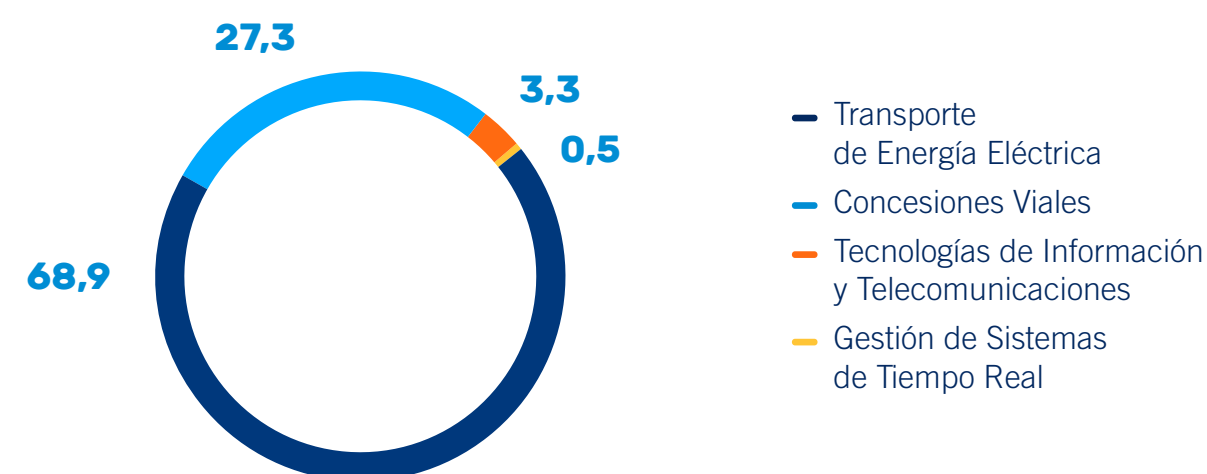
→ Pasivos consolidados por país

Porcentaje %



→ Pasivos consolidados por negocios

Porcentaje %



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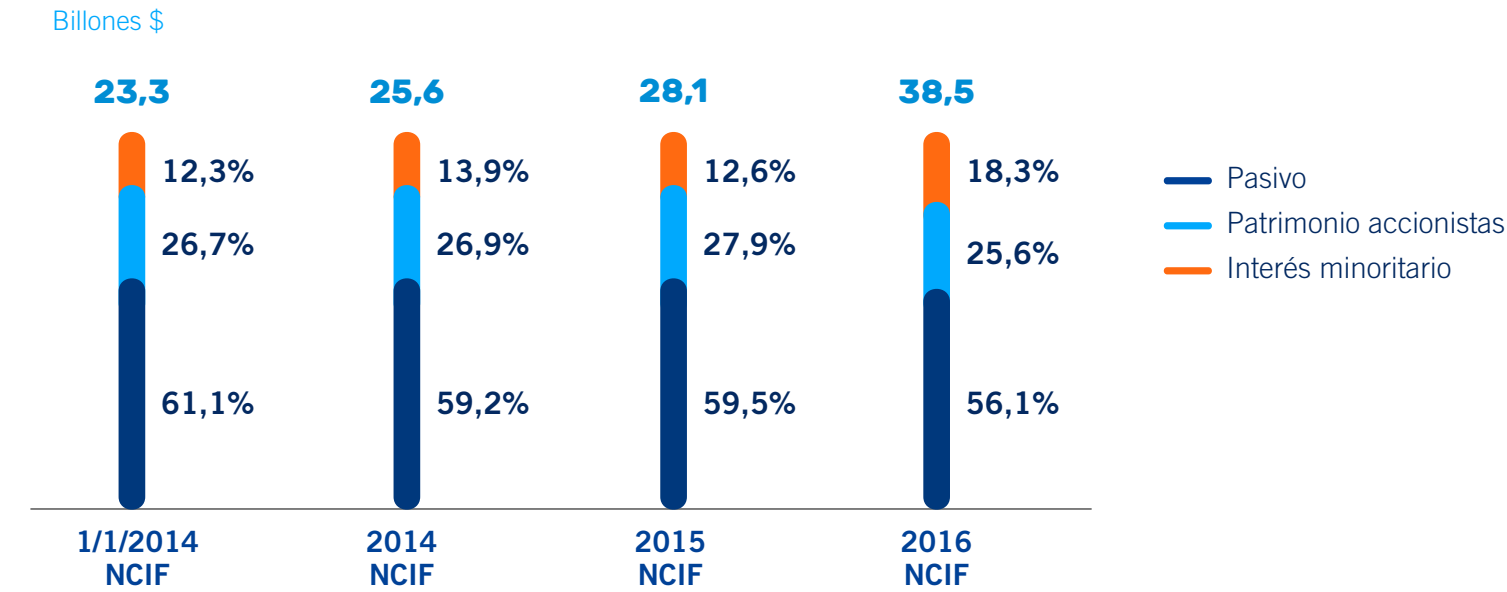
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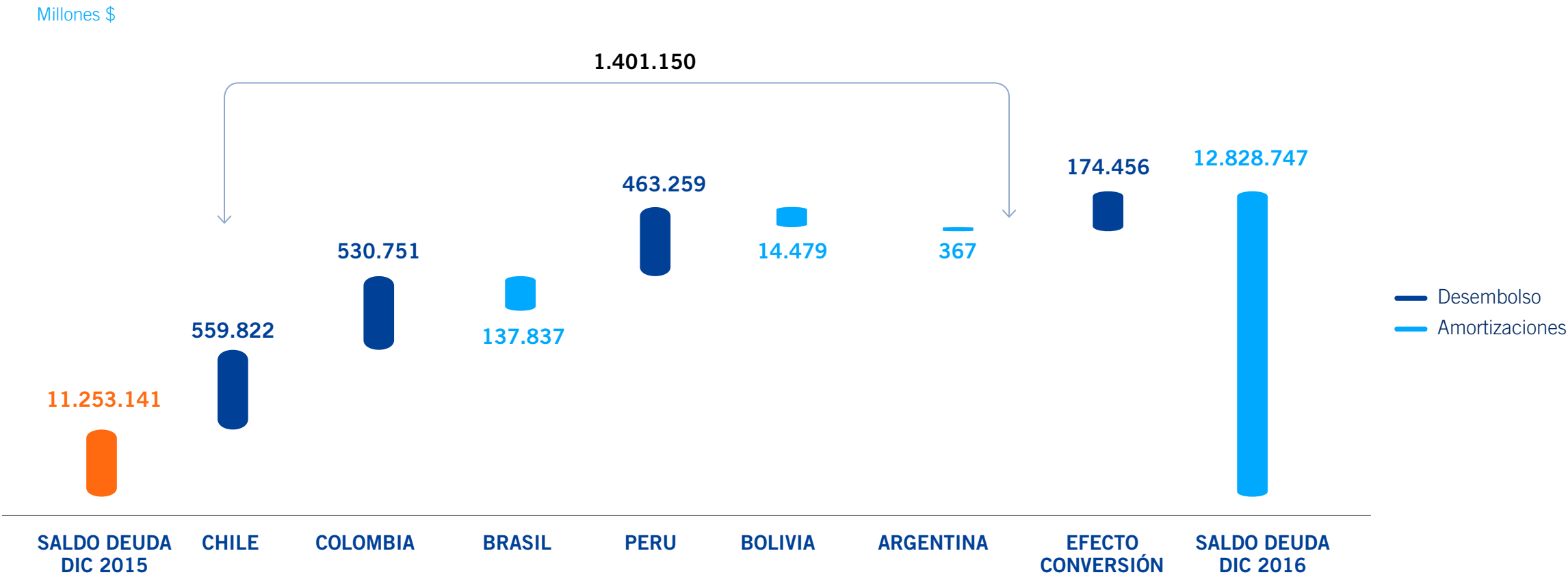
Patrimonio: cerró en \$9,9 billones, 25,8% más que en 2015, como resultado de las mayores utilidades del período, y el reconocimiento de la RBSE en Brasil.

→ Composición situación financiera consolidada



OBLIGACIONES FINANCIERAS Y BONOS

→ Obligaciones financieras y bonos



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La deuda financiera de ISA y sus empresas cerró en \$12,8 billones, con un incremento de 14% respecto al año anterior (\$11,2 billones), debido principalmente a la financiación del plan de inversiones de INTERCHILE, a través de tres líneas de crédito: un crédito senior por USD738 millones, una línea para el financiamiento del IVA por CLP67.992 millones y una línea adicional para garantías por USD33 millones. Al cierre del año se han desembolsado USD208,9 millones del crédito senior y CLP31.802 millones que hacen parte de la línea de IVA.

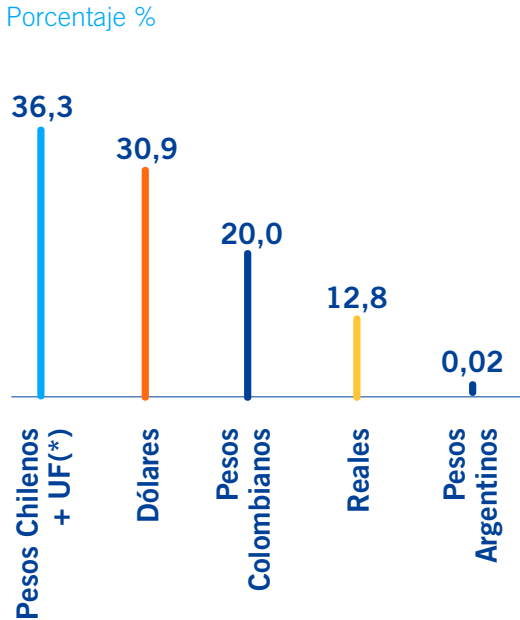
De igual forma, se destaca la emisión por parte de ISA del Décimo tramo del programa de valores por \$400.000 millones, destinados a financiar flujo de caja e inversiones. Además, ISA celebró un empréstito interno con BBVA Colombia por \$250.000 millones, para financiar su plan de inversiones 2016.

Asimismo, ISA Perú, Consorcio Transmantaro y Red de Energía del Perú, recibieron desembolsos de créditos bancarios por USD214,3 millones, con el fin de financiar sus proyectos en construcción.

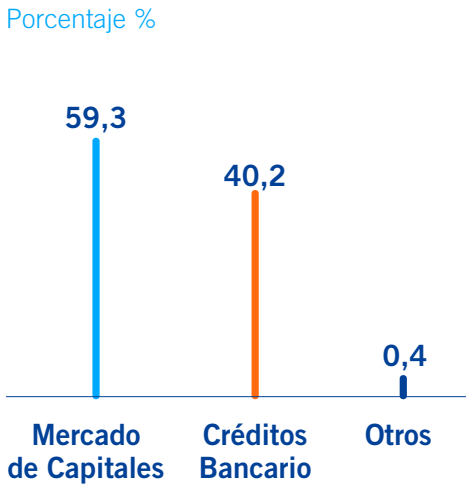
Cabe resaltar que durante 2016 se realizaron operaciones de manejo de deuda en las concesionarias chilenas Ruta del Maule y Ruta de los Ríos mejorando el perfil de los créditos en plazo y tasa de financiamiento.

Por último, se realizaron amortizaciones de deuda en todos los países según los cronogramas establecidos en los contratos de financiación, así:

→ **Deuda consolidada por monedas**



→ **Deuda consolidada por fuentes**



Colombia realizó amortizaciones por \$220.177 millones, Perú por \$169.643 millones, Brasil por \$312.007 millones y Chile por \$514.453 millones.

En las Notas 12 y 13 de los Estados Financieros, se encuentra el detalle y los principales movimientos de la deuda de ISA y sus empresas durante el 2016.

Siguiendo con la estrategia de obtener una cobertura natural frente al riesgo cambiario, ISA y sus empresas buscan contratar la deuda en la misma moneda de sus ingresos; y considerando que los proyectos que desarrollan son remunerados en el largo plazo, gran parte de su deuda la consiguen en el mercado de capitales (bonos) a tasas competitivas.

Calificaciones de riesgo crediticio

En 2016, las calificaciones de riesgo corporativo y de emisiones de bonos locales e internacionales, otorgadas por las agencias especializadas, ratificaron la fortaleza y solidez financiera de ISA y sus empresas, la estabilidad y predictibilidad de sus flujos de caja, la destacada posición como transportador de energía en Latinoamérica y su rol como participante en el negocio de Concesiones Viales en Chile.

Standard & Poor's –S&P–mantuvo el rating de ISA en BBB y Fitch Ratings subió a BBB+ la calificación internacional de largo plazo en moneda local y extranjera, con perspectiva estable a mayo de 2016. Sin embargo, las agencias calificadoras antes mencionadas, en el primer semestre de 2016 ajustaron la perspectiva de la calificación de Colombia de estable a negativa, lo cual directamente afectó la perspectiva de ISA pasando de estable a negativa.

Moody's conservó el rating en Baa2 con perspectiva estable.

De esta forma, las tres agencias calificadoras internacionales más importantes ubican a la Compañía en grado de inversión.

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COMPAÑIAS	RATINGS	S&P	MOODY'S	FITCH	FELLER-RATE	APOYO Y ASOCIADOS	PACIFIC CREDIT RATING	EQUILIBRIUM	HUMPHREYS
ISA	Corporativa	BBB (Neg) Ago. 2016	Baa2 (Estable) Dic. 2016	BBB+ (Neg) Jul. 2016					
	Emisión Bonos Locales			AAA (Estable) May.2016					
	Papeles Comerciales			F1+ May. 2016					
TRANSELCA	Emisión Bonos Locales			AAA (Estable) Abr. 2016					
ISA CAPITAL DO BRASIL	Calificacion Nacional			AA + (Estable) Ago. 2016					
	Corporativa			BB + (Neg) Ago. 2016					
	Emisión Bonos Internacional			BBB - (Estable) Ago. 2016					
CTEEP	Corporativa			AAA (estable) Ago. 2016					
	Emisión de Bonos			AAA(Estable) Ago. 2016					
	Emisión Bonos Internacional		Baa3 (Estable) Sep. 2016	BBB- (Estable) Abr. 2016					
TRANSMANTARO	Papeles Comerciales					CP-1+(Estable) Nov. 2016	p1+(Estable) Ene. 2015		
	Emisión Bonos					AAA (Estable) Nov. 2016		AAA (Estable) Dic.2016	
REP	Papeles Comerciales					CP-1+(Estable) Nov. 2016		EQL1(Estable) Dic. 2016	
	Emisión Bonos	BBB- (Estable) Dic. 2016	Baa3 (Estable) Ago. 2016		A (Estable) Jul. 2016				A (Estable) Jul. 2016
RUTA DEL MAIPO	Emisión Bonos	BB+ (EStable) Nov. 2015	Baa3 (Estable) Ago. 2016	A- (EStable) Nov. 2016	A (Estable) Jul. 2016				
RUTA DEL BOSQUE	Emisión Bonos								

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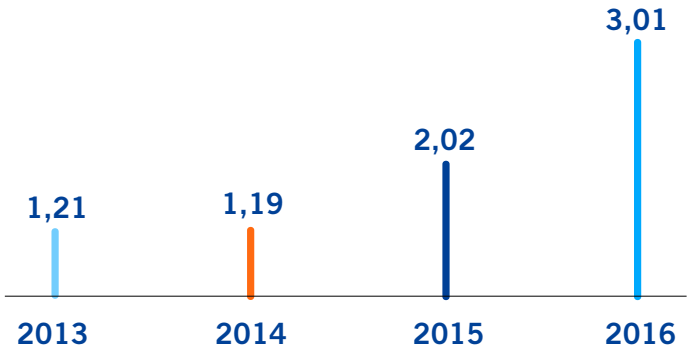
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Inversiones

Las cifras presentadas contienen las inversiones de caja de ISA y de las empresas que se consolidan en la contabilidad. La conversión a pesos se realiza con la tasa de cierre de cada trimestre.

→ Inversiones de caja
Billones de \$



En 2016 ISA y sus empresas invirtieron \$3 billones en sus planes de crecimiento:

- Colombia:** inversiones por \$521.936 millones:
- **ISA:** \$382.934 millones destinados a la construcción de proyectos de transmisión.
 - **TRANSELCA:** \$26.249 millones para la renovación de activos y proyectos en construcción.
 - **INTERNEXA:** \$79.693 millones en la ampliación de su infraestructura y en aportes a sus filiales en Brasil y Chile.
 - **XM:** \$33.060 millones en desarrollos tecnológicos y capitalizaciones a Derivex y a la Cámara de Riesgo Central de Contraparte de Colombia.

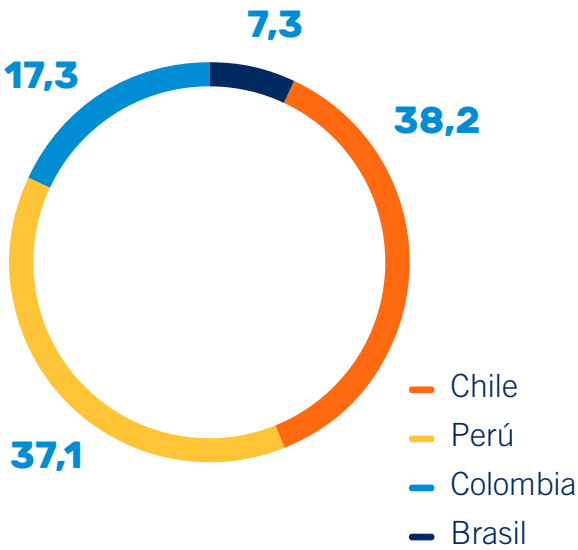
Brasil: CTEEP realizó inversiones por \$142.248 millones para reforzar su red y realizar aportes de capital a las empresas en las que tiene participación. Asimismo, las subsidiarias PINHEIROS, SERRA DO JAPI, EVRECY e IEMG invirtieron \$12.621 millones en la ampliación de sus redes. De otro lado, INTERNEXA Brasil ejecutó \$65.202 millones para inversión en cable marino y la ampliación de su red de fibra óptica.

Perú: Transmantaro invirtió \$834.418 millones en la ejecución de los proyectos adjudicados por el gobierno peruano, mientras que REP dedicó \$123.043 millones a la ampliación de su red eléctrica. ISA Perú invirtió 61.711 millones asociados a proyecto de ampliación. De otro lado, INTERNEXA Perú ejecutó \$97.623 millones en la ampliación de su red de fibra óptica.

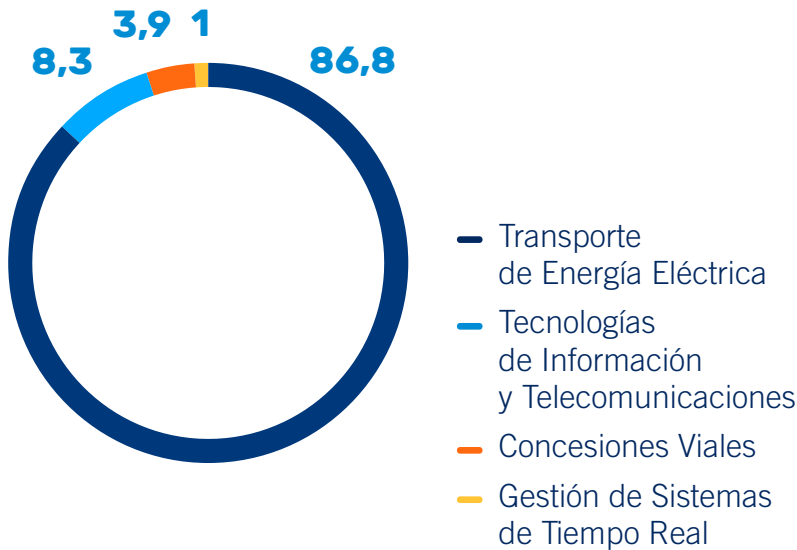
Chile: INTERCHILE realizó inversiones por \$1.031.615 millones para la construcción de proyectos de transmisión eléctrica.

Las compañías de concesiones viales realizaron inversiones por \$115.867 millones, ejecutadas en gran parte por Ruta del Maipo en el proyecto de terceras pistas y alumbrado LED, y por Ruta del Maule en la ampliación de plaza de peaje.

→ Inversiones por país
Porcentaje %



→ Inversiones por negocio
Porcentaje %



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RESULTADOS DE ISA

RESULTADOS DE ISA EN EL PERÍODO (MILLONES \$)	2016	2015	VARIACIÓN	% VARIACIÓN
RESULTADOS INTEGRALES				
Ingresos operacionales	882.446	848.082	34.364	4,1
Costos y gastos AOM (sin pensiones)	139.340	129.476	9.864	7,6
EBITDA	743.106	718.606	24.500	3,4
Provisiones, depreciaciones, amortizaciones y pensiones	189.361	179.670	9.691	5,4
Costos y gastos operacionales	328.701	309.146	19.555	6,3
Otros neto ingreso	1.910.009	410.540	1.499.469	365,2
Utilidad por actividades de operación	2.463.754	949.476	1.514.278	159,5
Gasto financiero neto	(229.899)	(55.878)	(174.021)	311,4
Utilidad antes de impuestos	2.233.855	893.598	1.340.257	150,0
Provisión impuesto de renta	92.395	187.277	(94.882)	-50,7
Utilidad neta	2.141.460	706.321	1.435.139	203,2
SITUACIÓN FINANCIERA				
Activo	13.840.631	11.393.622	2.447.009	21,5
Pasivo	3.962.397	3.543.851	418.546	11,8
Patrimonio	9.878.234	7.849.771	2.028.463	25,8
INDICADORES				
Margen neto (*) (%)	87,1	83,3		
Rentabilidad del activo (%)	15,5	6,2		
Rentabilidad del patrimonio (%)	21,7	9,0		

(*) Se depuran los ingresos por método de participación asociados con el RBSE de Brasil

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La Compañía presentó un resultado histórico muy positivo al cerrar el año con una utilidad neta (*) de \$2.141.460 millones, frente a \$706.321 millones en 2015, lo que representa un incremento de 203,2%.

Estado de resultados integrados individual

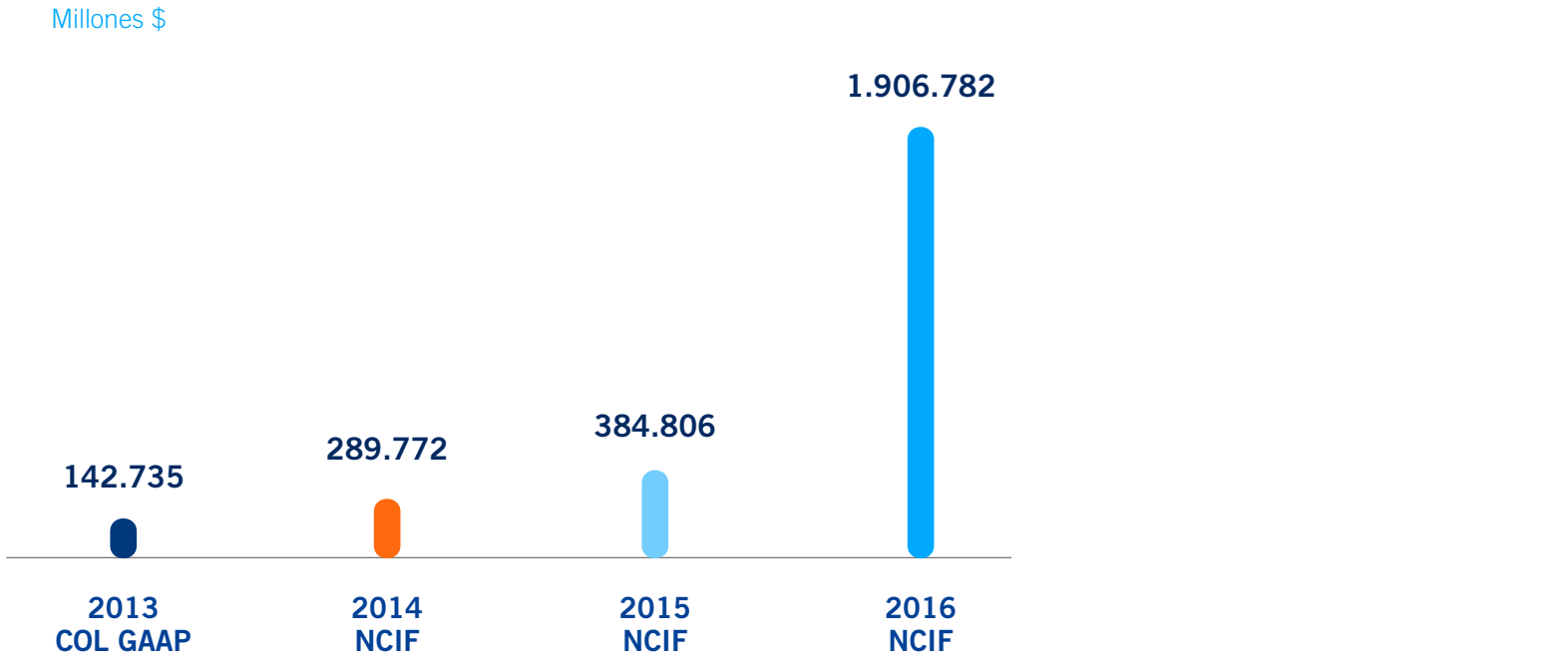
Los ingresos operacionales cerraron en \$882.446 millones frente a \$848.082 millones registrados en 2015, lo que representa un incremento de 4,1% debido principalmente a la utilidad en el contrato de cuentas en participación. Esta utilidad ascendió a \$837.439 millones, 3,7% más que el año anterior, originado en los mayores ingresos percibidos por las convocatorias UPME y a los menores costos de operación.

Por su parte, los costos y gastos operacionales presentaron un incremento de 7,6% frente al año anterior principalmente en costos y gastos de personal, publicidad, impresos y publicaciones y seguros.

El EBITDA de ISA registró un aumento de 3,4% y la utilidad por actividades de operación se ubicó en \$2.463.754 millones, 159,5% más que en 2015, debido principalmente a mayores resultados de las filiales y al registro del método de participación que incorpora el reconocimiento de la RBSE en Brasil (\$1.372.742 millones).

(*) La utilidad neta del estado financiero individual se diferencia de la utilidad neta del consolidado, en que este último incluye la amortización de los créditos mercantiles por \$4.831 millones.

→ Ingresos por método de participación



→ Ingresos por método de participación por país

Millones \$

PAÍSES	2013 COLGAAP	2014 NCIF	2015 NCIF	2016 NCIF	VARIACIÓN	% VARIACIÓN
Colombia	49.866	169.681	131.397	128.590	(2.807)	-2,1
Perú	40.229	55.752	83.625	117.032	33.407	39,9
Brasil	(110.362)	23.184	26.659	1.429.922	1.403.263	5263,7
Chile	161.562	38.674	130.533	214.955	84.422	64,7
Bolivia	2.096	4.142	12.628	14.782	2.154	17,1
Panamá - Bermuda	(656)	(1.661)	(36)	1.501	1.537	4269,4
TOTAL	142.735	289.772	384.806	1.906.782	1.521.976	395,5%

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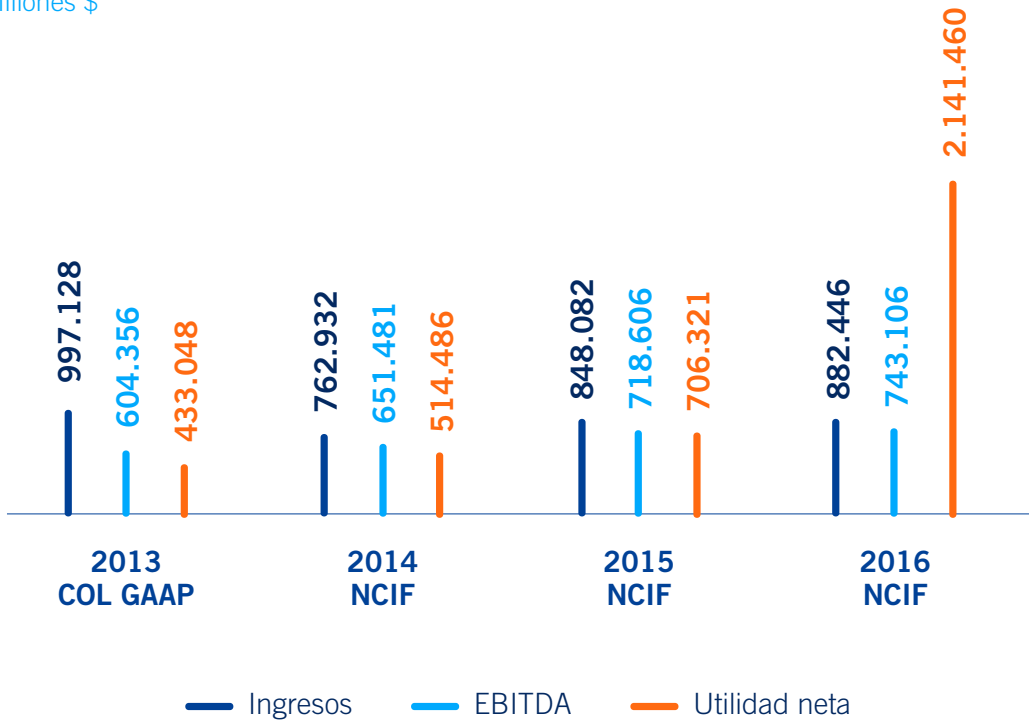


Por su parte, el gasto financiero neto fue de \$229.899 millones, 311,4% más que en 2015*, derivado de mayor deuda pública, necesaria para realizar capitaliza- ciones en infraestructura en Colombia y en los países donde ISA tiene presencia.

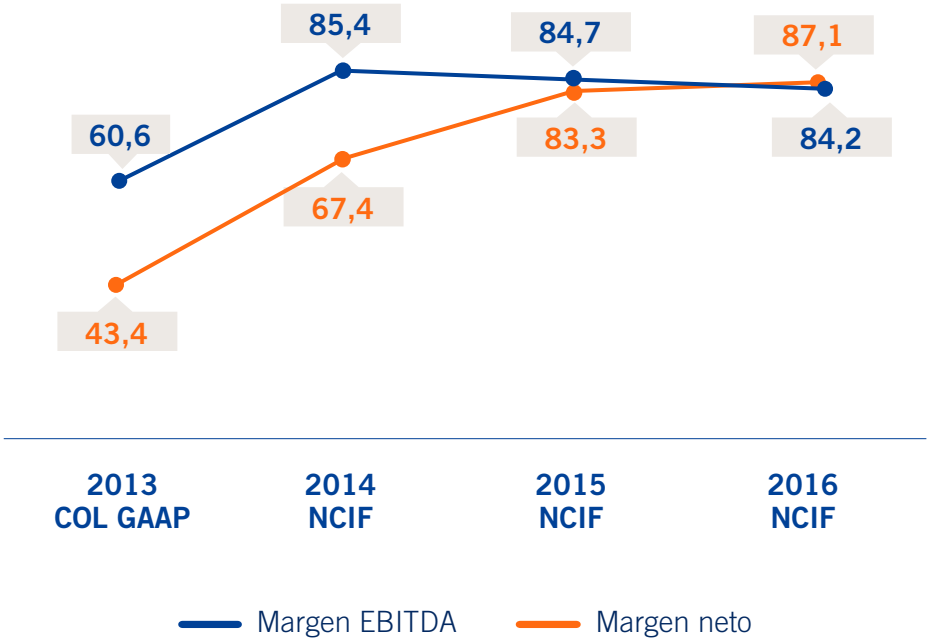
El gasto por impuesto de renta presentó una disminución de 50,7%, al pasar de \$187.277 millones a \$92.395 millones en 2016. La disminución se debe al ajuste del impuesto diferido por la variación de la tasa de renta que pasó del 34% al 33%, según lo aprobado por la nueva reforma tributaria, al mayor aprovecha- miento del beneficio de activos fijos productivos y a la mayor renta exenta recibida de la Comunidad Andina de Naciones –CAN–.

* Del mismo modo, en el año 2015 se obtuvo un ingreso importante por diferencia en cambio a favor que disminuye la base de comparación con respecto al año 2016.

→ Cifras financieras de ISA
Millones \$



→ Indicadores financieros de ISA
Porcentaje %



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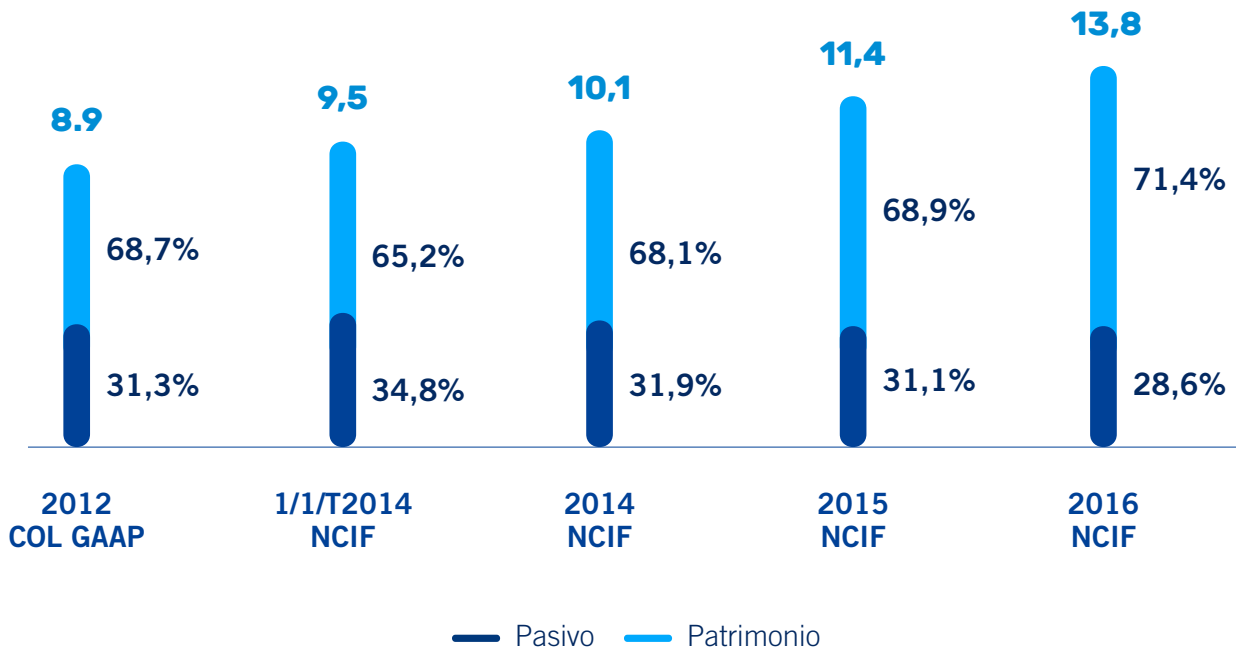
Estado de situación financiera individual

Activos: se ubicaron en \$13,8 billones, 21,5% más que en 2015. Esto obedece al incremento de las inversiones en subsidiarias y negocios conjuntos por el reconocimiento de la RBSE por \$1,3 billones y la activación de proyectos.

Pasivos: cerraron en \$4 billones, 11,8% más que en 2015 (\$3,5 billones), como consecuencia del mayor endeudamiento para financiar proyectos de infraestructura en Colombia e inversiones en los países donde ISA tiene presencia.

Patrimonio: alcanzó la suma de \$9,9 billones (25,8% más que en 2015), como consecuencia de mayores resultados en ISA y sus empresas, y el reconocimiento del valor de la RBSE, en la filial CTEEP en Brasil.

→ Composición situación financiera de ISA
Billones \$



Obligaciones financieras y bonos

Al 31 de diciembre de 2016, la deuda financiera registró un saldo de \$2,2 billones, 28% más que en 2015 (\$1,7 billones). Durante el período se presentaron los siguientes movimientos:

- La Compañía llevó a cabo la emisión del Décimo Tramo del Programa de Valores por valor de \$400.000, destinados a financiar flujo de caja e inversiones.
- Se canceló el Segundo Tramo del Programa de Emisión y Colocación de Valores de Deuda Pública Interna de ISA por la suma de \$150.000, por vencimiento de la emisión.
- Se celebró un empréstito interno con BBVA Colombia por la suma de \$250.000, para financiar el plan de inversiones 2016.
- Abono por USD3,8 millones al crédito con el BNP-PARIBAS.

La mayor parte de la deuda se encuentra contratada en pesos, debido a que una gran porción de los ingresos de ISA están expresados en esta misma moneda. Para conservar una cobertura natural respecto a los ingresos de las convocatorias UPME, fijados en dólares, mantiene una porción de su endeudamiento en esta moneda.

Igualmente, como la mayoría de los ingresos se encuentran indexados al IPP y a que existe una correlación media entre el IPC y el IPP, gran parte de la deuda se encuentra indexada al IPC.

Adicionalmente, dado que los proyectos que ISA desarrolla son remunerados en el largo plazo, gran parte de la deuda está contratada en el mercado de capitales (bonos) a tasas competitivas.

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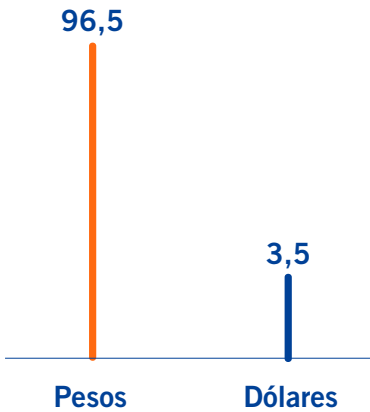
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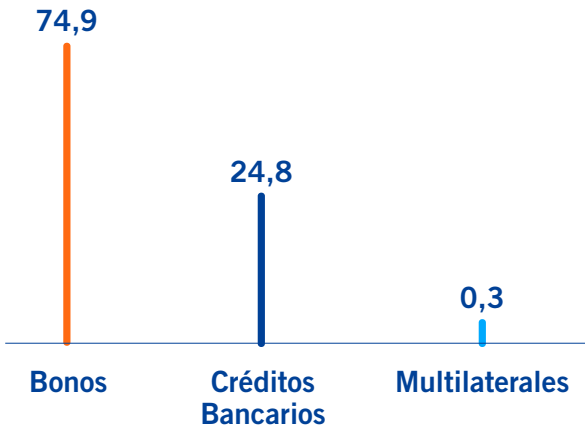
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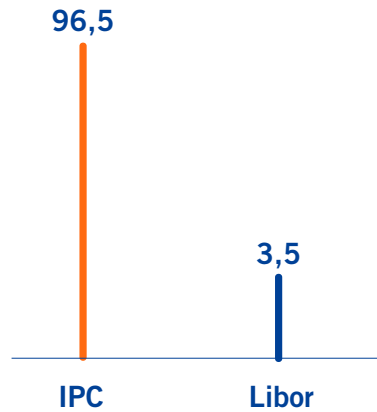
→ Deuda ISA por monedas
Porcentaje %



→ Deuda ISA por fuentes
Porcentaje %



→ Deuda ISA por tasas
Porcentaje %



Ley 1676 de 2013

Dando cumplimiento a la Ley 1676 de 2013, la cual modificó los artículos 2, 7 y 8 de la Ley 1231 de 2008, ISA permitió la libre circulación de las facturas emitidas por los vendedores o proveedores.

Litigios y demandas

Durante el año 2016 no se presentaron litigios o contingencias que pudieran afectar materialmente la situación de ISA. Las acciones judiciales y administrativas que se instauraron en su contra fueron oportuna y adecuadamente atendidas en defensa de los intereses de la Empresa y en cumplimiento de los deberes y responsabilidades que le competen.

A su vez, y en su propio nombre, la Compañía promovió las acciones judiciales y administrativas necesarias para el desarrollo de su objeto social y la

defensa de sus intereses, respetando las normas vigentes.

Información adicional sobre los litigios y demandas a la Empresa está contenida en las Notas a los Estados Financieros de ISA.

DESEMPEÑO DE LA ACCIÓN Mercado accionario

Durante el 2016, los mercados de valores de la región tuvieron un desempeño positivo, recuperando en parte las desvalorizaciones de 2015. El índice Morgan Stanley Capital International Emerging Markets –MSCI EM– Latin America, diseñado para medir el desempeño del mercado bursátil de Brasil, Chile, Colombia, México y Perú, presentó un retorno positivo de 27,9%.

El índice COLCAP de Colombia terminó el año con una variación positiva de 17,2%, en línea con el comportamiento de la región. Por su parte el S&P, considerado el índice más representativo de la situación del mercado de Estados Unidos, presentó un comportamiento positivo más moderado, acumulando 9,5% durante el año.

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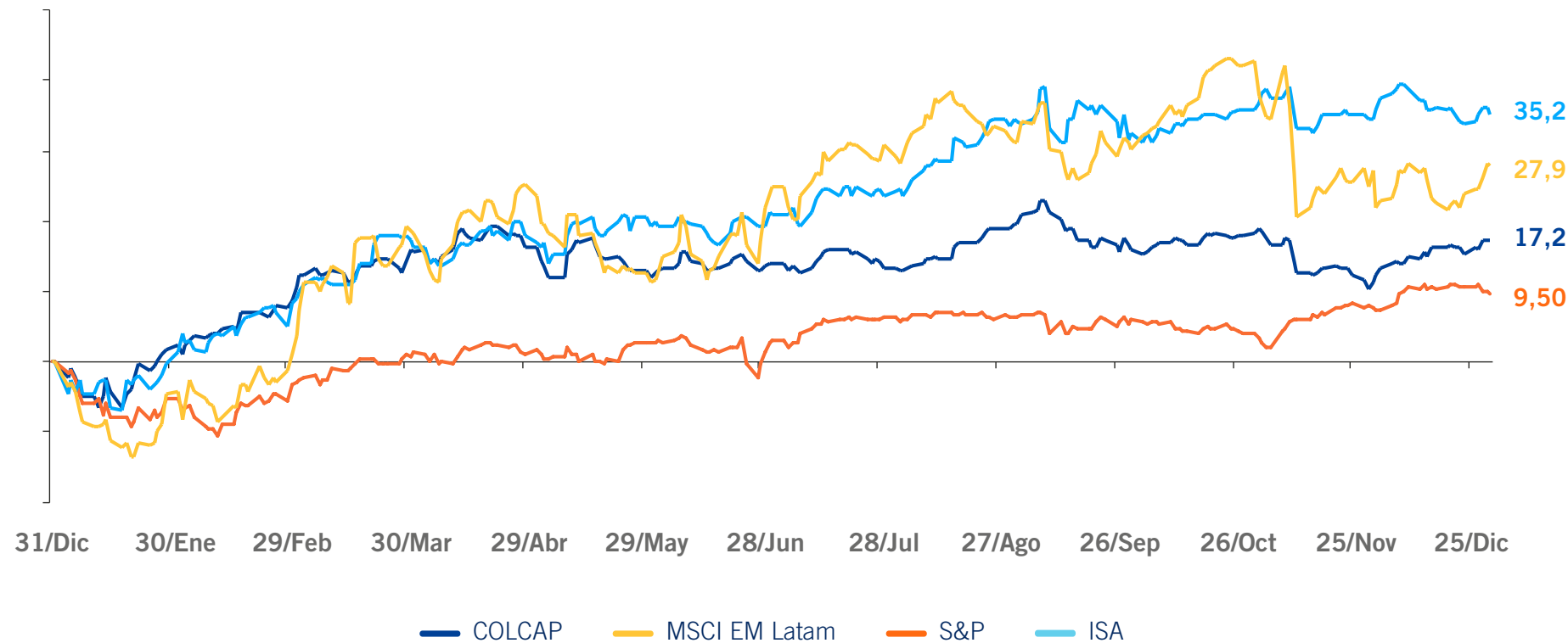
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→ Variación principales índices accionarios vs. ISA

Valoración %



Los eventos más relevantes que influyeron en estos resultados se pueden resumir en:

- Un comienzo de año con aversión riesgo dada la volatilidad en los precios del petróleo y los resultados macroeconómicos de EEUU y China.
- El aumento en el apetito por riesgo se genera por la mayor inversión extranjera en mercados emergentes a mitad de año, sustentado en un crecimiento más lento a lo esperado en EEUU, la volatilidad del precio del petróleo y el resultado del Brexit.
- Un cierre de año donde los mercados cedieron por la aversión al riesgo, probablemente afectados por los resultados de las elecciones en EEUU, así como los débiles resultados laborales en este país y al aumento de la tasa de la FED.
- ISA, además de seguir la tendencia alcista del mercado desde mediados de enero, se vio favorecida por el anuncio del Ministerio de Minas y Energía de Brasil sobre las condiciones del pago de la indemnización pendiente desde el 2012 de CTEEP, filial de ISA en ese país y por los buenos resultados financieros presentados durante el 2016.

ISA tuvo una valorización superior
a los mercados, acumulando.

35,2%

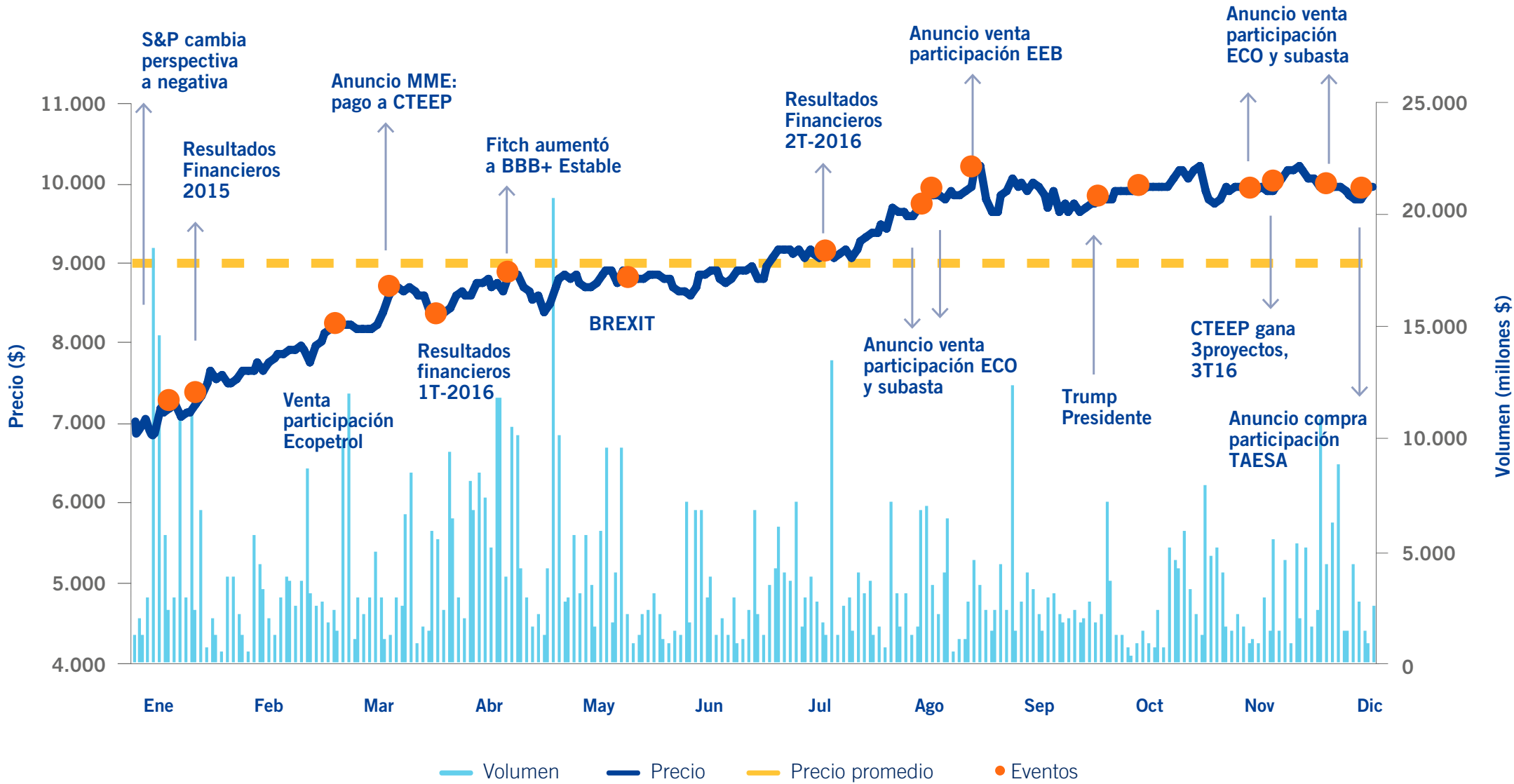
Acción de ISA

En 2016 la acción de la Compañía se situó 18% por encima del índice COLCAP que representa el comportamiento de las acciones del mercado colombiano. ISA alcanzó un precio máximo de \$10.260, un mínimo de \$6.870 y promedio de \$8.991. El precio de cierre para el 2016 fue \$9.980, con una valorización de 35,2% durante el año.

\$11.360

precio de cierre de la acción de ISA
Marzo 8 de 2017

→ Variación precio de la acción de ISA .vs. Principales índices



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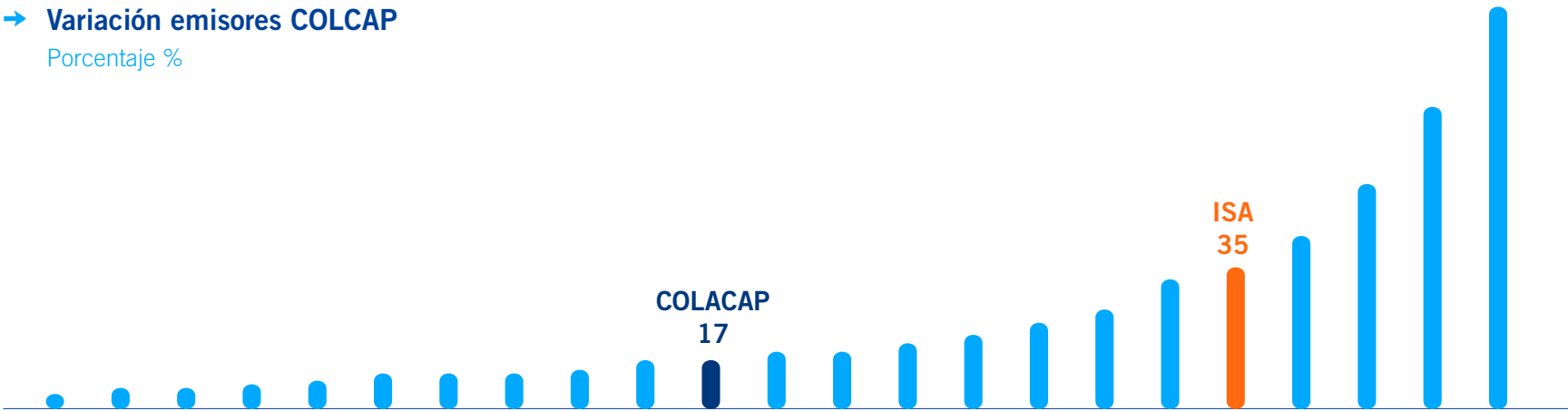
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→ Variación emisores COLCAP
Porcentaje %

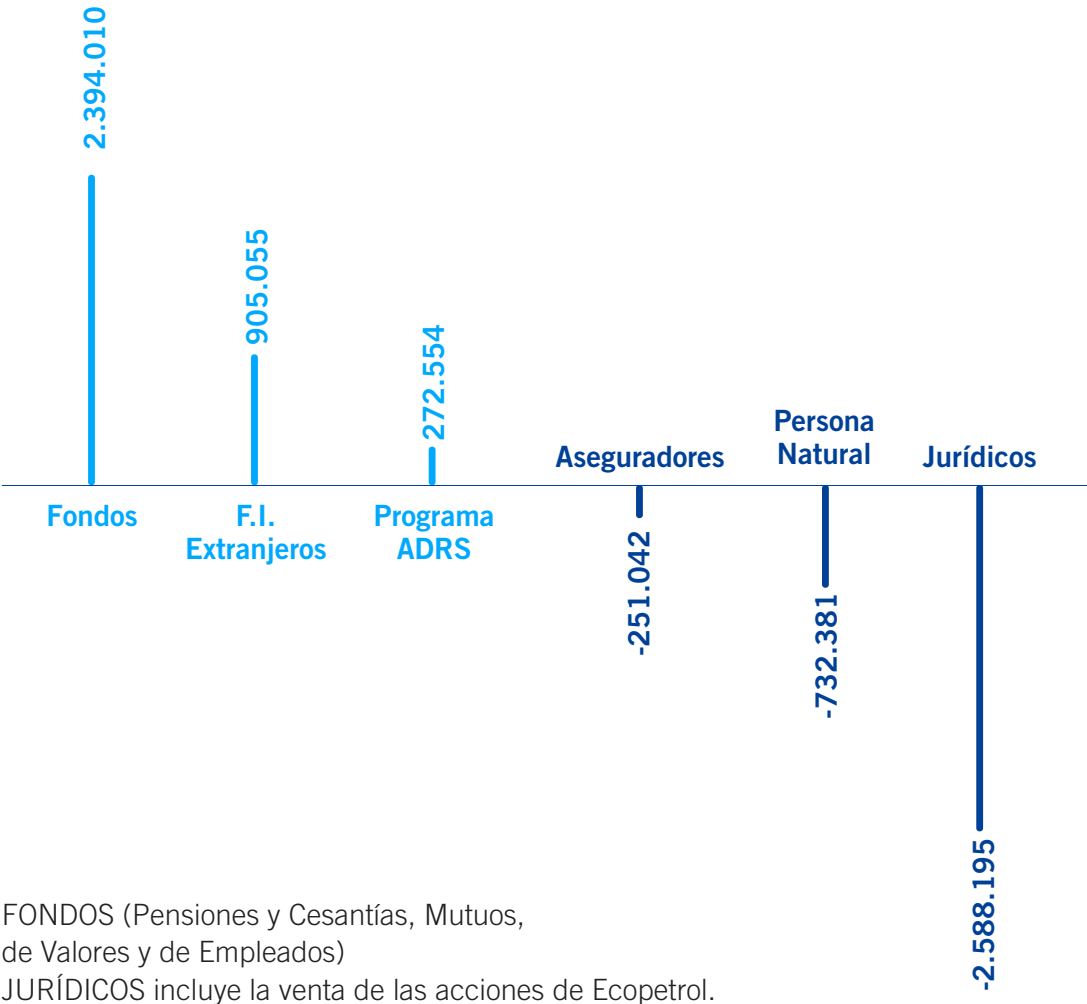


El volumen diario promedio transado en 2016 fue de \$3.660 millones, representando una liquidez mayor igual al 72% con respecto al año inmediatamente anterior. Estos resultados fueron la consecuencia de un mejor apetito por la acción dados los buenos resultados de la Compañía, mayores expectativas por el anuncio de las condiciones del pago de la indemnización pendiente en CTEEP y la venta de la participación que Ecopetrol tenía en la compañía.

La venta de las acciones de ISA por parte de Ecopetrol se realizó mediante oferta pública en los meses de abril y diciembre, donde se adjudicó el 100% de su participación (77% y 23% respectivamente). Como resultado de esta venta, el porcentaje del flotante (lo que se transa libremente en el mercado), pasó de 31,44% a 36,76%.

Durante 2016 los compradores netos fueron los Fondos (Pensiones y Cesantías, Mutuos, de Valores y de Empleados), los cuales adquirieron un gran porcentaje de las acciones vendidas por Ecopetrol, y en segundo lugar estuvieron los Fondos de Inversión Extranjeros. Los grandes vendedores, descontando Ecopetrol, fueron las personas naturales.

→ Negociación de la acción
Millones \$



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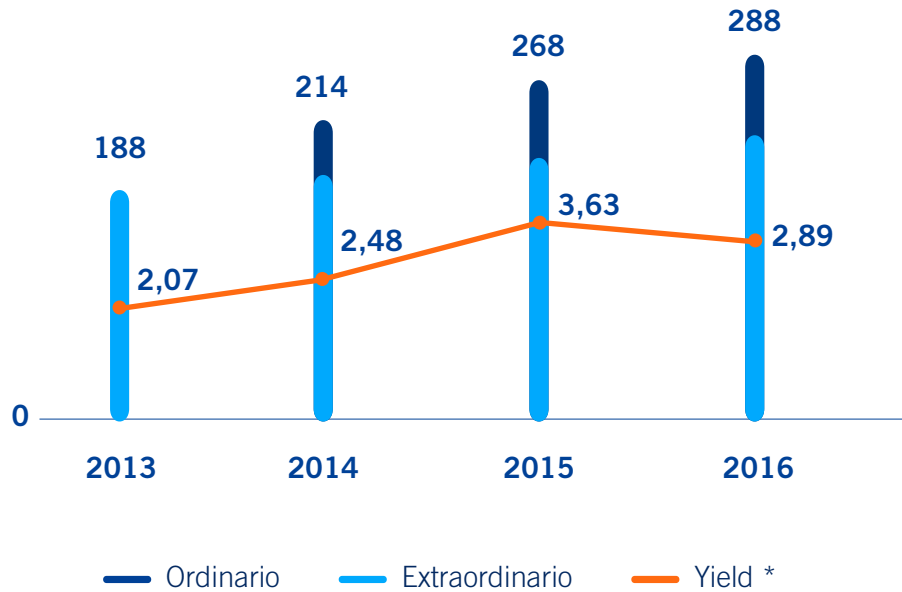
Dividendos

La Asamblea General de Accionistas, celebrada el 31 de marzo de 2016, aprobó distribuir utilidades a sus accionistas por \$319.011 millones, que corresponde al 52% de la utilidad líquida de 2015. El dividendo pagado fue de \$288 por acción, 7,5% más que el año anterior, compuesto por un dividendo ordinario de \$228 y uno extraordinario de \$60.

El pago se realizó en dos cuotas iguales de \$144 por acción el 26 de julio y 15 de diciembre de 2016.

→ Dividendos

Pesos \$



(*) Yield: rendimiento del dividendo anual sobre el precio de cierre de la acción.

→ Información bursátil

2016	
BVC: ISA CB – ADR: EESFY	
Nro. de acciones en circulación	1.107.677.894
Flotante (%)	36,76
Cantidad de Accionistas	33.804
Valor Nominal (\$)	32.8
Precio de cierre	9.980
UPA: Utilidad por Acción (\$)	713
Dividendo ordinario	228
Dividendo extraordinario	60
Capitalización bursátil (millones \$)	11.054.625
Volumen diario promedio (millones \$)	3.660
Bursatilidad	ALTA - Puesto 8
ÍNDICES	
Participación COLCAP (%)	4,84
Participación COLEQTY (%)	4,83
Participación COLIR (%)	4,91
MÚLTIPLOS	
RPG: Precio / Utilidad (%)	13,99
Q de Tobin: Precio/Valor en libros (veces)	1,31
EV/EBITDA: Valor de la Compañía/EBITDA (veces)	7,98
Yield (%)	2,89

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016, and 2015

Amounts expressed in millions of colombian pesos

	Notes	2016	2015
ASSETS			
Current assets			
Cash and cash equivalent	4	1.167.353	1.029.250
Current financial assets	6	3.807.400	2.587.369
Current tax	18	463.818	292.190
Inventories - net	8	101.743	148.013
Non-financial assets	7	132.875	193.782
Total current assets		5.673.189	4.250.604
Non-current assets			
Restricted cash	5	68.311	46.554
Investments in joint ventures	9	1.690.711	1.204.681
Financial instruments	9	16.315	25.757
Current financial assets	6	16.570.181	9.947.885
Inventories - net	8	72.932	81.726
Property, plant, and equipment - net	10	7.753.111	6.699.448
Investment property	11	8.724	7.886
Intangibles	12	6.179.860	5.450.737
Non-financial assets	7	67.416	77.700
Deferred tax	18	415.450	319.892
Total non-current assets		32.843.011	23.862.266
Total assets		38.516.200	28.112.870

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	Notes	2016	2015
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Financial liabilities	14	1.674.203	1.540.247
Accounts payable	16	905.226	685.079
Employee benefits		73.253	66.195
Current tax	18	245.065	235.978
Provisions	17	537.283	472.780
Other non-financial liabilities	20	229.713	226.282
Total current liabilities		3.664.743	3.226.561
Non-current liabilities			
Financial liabilities	14	10.797.221	9.382.032
Accounts payable	16	979.709	1.151.775
Non-current taxes	18	1.041.742	230.852
Employee benefits	19	465.142	422.835
Provisions	17	267.893	264.043
Other non-financial liabilities	20	401.777	304.528
Deferred tax	18	3.986.495	1.737.191
Total non-current liabilities		17.939.979	13.493.256
Total liabilities		21.604.722	16.719.817



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	Notes	2016	2015
Shareholders' equity	2		
Subscribed and paid-in capital	21.1	36.916	36.916
Premium for placement of shares	21.4	1.428.128	1.428.128
Reserves	21.6	1.878.709	1.491.399
Retained earnings		3.232.907	3.237.679
Net income		2.136.629	701.548
Other comprehensive income		1.150.568	944.554
Equity attributable to controlling interest		9.863.857	7.840.224
Non-controlling interest		7.047.621	3.552.829
Total Shareholders' equity		16.911.478	11.393.053
Total liabilities and shareholders' equity		38.516.200	23.112.870

See accompanying notes to consolidated financial statements.



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Chief Executive Officer
(See attached certificate)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended as of December 31, 2016, and 2015

Amounts expressed in millions of colombian pesos

	Notes	2016	2015
Revenues from ordinary activities	22		
Energy transmission services		8.983.152	2.739.308
Connection charges		211.553	202.701
TOLL ROAD CONCESSIONS		1.126.331	1.095.223
Dispatch and coordination CND-MEM		75.112	65.015
MEM Services (STN, SIC, SDI)		39.625	34.885
Telecommunications and Information Technologies		337.167	283.785
Other operating revenues		61.423	51.868
Constructions for sale		1.303.189	797.864
Total Revenues from ordinary activities		12.137.552	5.270.649
Operating costs	24.1	2.902.062	2.198.018
Gross profit		9.235.490	3.072.631
Administrative expenses	24.2	980.510	812.867
Other net revenues/(expenses)	25	14.564	35.064
Equity method net revenue/(expense)	25	233.690	123.840
Profit from operating activities		8.503.234	2.418.668
Financial revenues	26	1.054.174	1.014.193
Financial expenses	26	2.087.515	1.952.529

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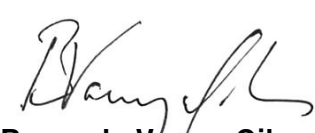
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	Notes	2016	2015
Income before taxes		7.469.893	1.480.332
Income tax	18	2.452.158	440.785
Income of the year		5.017.735	1.039.547
Non-controlling interest		2.881.106	337.999
Income attributable to controlling interest		2.136.629	701.548
INCOME OF THE YEAR			
Net income attributable to controlling interest		2.136.629	701.548
Non-controlling Participation		2.881.106	337.999
Total net income of the year		5.017.735	1.039.547
Actuarial earnings (losses) from definite benefit plans, net of taxes		(14.042)	1.220
Earnings from cash hedging, net of taxes		69.949	1.593
Earnings from foreign exchange differences, net of taxes		150.108	546.648
Other comprehensive income		206.015	546.461
Total net income attributable to controlling interest		2.342.644	1.255.090
Non-controlling Participation		2.881.106	333.918
Comprehensive income of year		5.223.750	1.589.008

See accompanying notes to consolidated financial statements.



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CONSOLIDATED CASH FLOW STATEMENT

December 2016 - December 2015

Amounts expressed in millions of colombian pesos

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	2.136.629	701.548
Non-controlling interests	2.881.106	337.999
Depreciation of property, plant, and equipment	279.145	271.735
Amortization of intangible assets and other assets	257.823	233.124
Amortization of retirement pensions and extra-legal benefits	4.282	10.711
Provision for protection of accounts receivable	48.062	996
Provision for inventory protection	1.000	(551)
Impairment of investments	19.183	-
Provisions contingencies	1.747	72.686
Provision for major maintenance	35.261	23.149
Income tax provision	2.452.158	440.785
Loss in sale and removal of property, plant, and equipment	449	-
Expense for foreign exchange difference	326.792	793.628
Equity method joint control	(233.690)	(123.840)
Provision recovery	(217)	782.657
Interest and commissions accrued	970.708	-
	9.180.438	3.544.627



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	2016	2015
Changes in operating assets and liabilities		
Debtors	(7.281.869)	(172.769)
Collection (accrual) for compensation of NI assets in CTEEP	-	401.475
Inventories	57.198	(61.172)
Non-financial assets and other assets	(165.345)	(111.334)
Accounts payable and other liabilities	179.347	(73.979)
Labor obligations	7.058	8.426
Estimated liabilities and provisions	(201.196)	1.720
Collections in favor of third parties	(6.937)	(30.273)
Non-controlling Participation	248.616	(211.929)
Payment due to employees' benefits	245.014	(8.084)
Tax payments	(75.436)	(502.850)
Net cash provided by operating activities	2.186.888	2.783.858
Cash flows from investment activities:		
Variation of permanent investments	(92.929)	(36.051)
Intangible acquisitions	(1.035.816)	(796.051)
Purchase of property, plant, and equipment	(1.328.804)	(943.502)
Net cash used in investment activities	(2.457.549)	(1.776.504)
Cash flows from financing activities:		
Interest received in cash	54.603	111.596

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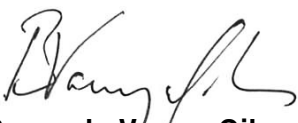
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	2016	2015
Interest and commissions paid in cash	(879.919)	(741.549)
Dividends paid in cash	-	(296.858)
Increase in financial obligations	1.915.765	542.539
Bonds issuance	1.002.057	500.000
Payment of financial obligations	(667.823)	(624.881)
Bond payment	(1.015.919)	(782.581)
Net cash used by financing activities	408.764	(1.291.734)
Net increase (reduction) in cash and cash equivalent	138.103	(284.380)
Cash and cash equivalent at the beginning of the year	1.029.250	1.313.630
Cash and cash equivalent at the end of the period	1.167.353	1.029.250


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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended as of December 31, 2016, and 2015

Amounts expressed in millions of colombian pesos

	Reserves											
	Subscribed and paid-in capital	Premium for placement of shares	Legal	By tax regulation	Reserve for reacquisition of own shares	For equity strength- ening	For rehabilitation and replacement of STN assets	Total reserves	Comprehensive Income	Other Comprehensive Income	Non- controlling interest	Total
NOTE	21.1	21.4	21.6									
Balance as of 01/01/2015	36.916	1.428.128	18.458	619.210	38.100	481.989	37.434	1.195.191	3.826.154	395.093	3.565.452	10.446.935
Transfers approved by the General Shareholders' Meeting	-	-	-	96.933	-	199.275	-	296.208	(296.208)	-	-	-
Payment of ordinary dividends at COP208 per share and an extraordinary dividend at COP60 settled on 1,107,677,894 outstanding shares, payable in four installments April-July-October-December	-	-	-	-	-	-	-	-	(296.858)	-	-	(296.858)
Foreign exchange difference	-	-	-	-	-	-	-	-	-	546.647	(138.693)	407.954
Other comprehensive income	-	-	-	-	-	-	-	-	-	2.813	-	2.813
Other changes	-	-	-	-	-	-	-	-	4.592	-	(211.929)	(207.337)
Net income in 2015	-	-	-	-	-	-	-	-	701.548	-	337.999	1.039.547

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	Reserves											
	Subscribed and paid-in capital	Premium for placement of shares	Legal	By tax regulation	Reserve for reacquisition of own shares	For equity strength- ening	For rehabilitation and replacement of STN assets	Total reserves	Comprehensive Income	Other Comprehensive Income	Non- controlling interest	Total
Balance as of December, 2015	36.916	1.428.128	18.458	716.143	38.100	681.264	37.434	1.491.399	3.939.228	944.553	3.552.829	11.393.053
Transfers approved by the General Shareholders’ Meeting	-	-	-	95.816	-	291.494	-	387.310	(387.310)	-	-	-
Payment of ordinary dividends at COP228 per share and an extraordinary dividend at COP60 settled on 1,107,677,894 outstanding shares, payable in two installments 2016	-	-	-	-	-	-	-	-	(319.011)	-	-	(319.011)
Foreign exchange difference	-	-	-	-	-	-	-	-	-	150.107	613.686	763.393
Other comprehensive income	-	-	-	-	-	-	-	-	-	55.908	-	55.908
Net income as of December 31, 2016	-	-	-	-	-	-	-	-	2.136.629	-	2.881.106	5.017.735
Balance as of December 31, 2016	36.916	1.428.128	18.458	811.959	38.100	972.758	37.434	1.878.709	5.369.536	1.150.568	7.047.621	16.911.478

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016, AND 2015

Amounts expressed in millions of colombian pesos, except per value of share and net income per share; foreign currency in original amounts

I. GENERAL NOTES

1. ISA AND ITS COMPANIES

Interconexión Eléctrica S.A. E.S.P. –ISA–, parent company, with registered office in the city of Medellin, was incorporated as a joint stock company by public deed N° 3057 granted by the Eighth Notary Public of Bogota on September 14, 1967.

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

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

On November 22, 1996, by means of public deed N° 746, granted by the Sole Notary of Sabaneta, ISA changed its legal nature to Public Mixed-Ownership Utility Company, established as a national business company, by shares, and of the kind of incorporations, ascribed to the Ministry of Mines and Energy and under the legal regime established by Law 142 of 1994, situation which was valid on January 15, 1997 with the entering of private contribution.

Pursuant to the Constitutional Court under ruling C-736 dated September 19, 2007, ISA has a special legal nature, defined as a Mixed-Ownership Utility Company, entity decentralized by services, part of the executive branch of the public power with a special legal private law regime.

Its headquarters is in the city of Medellin on Calle 12 sur # 18-168.

ISA’s corporate purpose is:

- The provision of Energy Transmission utility, pursuant to Laws 142 and 143 of 1994 and the rules adding, amending, or replacing them, as well as the rendering of services connected, complementary and related with such activities, according to the legal and regulatory framework in force.
- The development of systems, activities and Information and Communications Technologies.
- The direct or indirect participation in activities and services related to the transport of other kind of energy.
- Rendering of technical and non-technical services in activities related to its corporate purpose.
- The development of infrastructure projects and its commercial exploitation as well as activities performed in connection with the exercise of engineering in terms of Law 842 of 2003, and norms, which add it, modify it, or amend it.

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- The investment in national or foreign companies which have as their business purpose the exploitation of any legal economic activity; investment in movable and immovable property, and investment in shares, quotas or parts, bonds, commercial papers or fixed or variable rate instruments, registered in the stock exchange market or any other mode provided by the law that allows investment of resources.
- Management of the economic group companies by means of the definition of strategic alignments, organizational, technical, and financial guidelines, among others.

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

INTERCOLOMBIA, TRANSELCA S.A. E.S.P., Compañía de Expertos en Mercados S.A. E.S.P. –XM–, and its subsidiary, SISTEMAS INTELIGENTES EN REDS S.A.S.; ISA Capital do Brasil S.A., and its subsidiary, Companhia de Transmissão de Energia Elétrica Paulista –CTEEP– and its subsidiaries, Interligação Elétrica de Minas Gerais S.A., Interligação Elétrica Pinheiros S.A., Interligação Elétrica Serra do

Japi S.A. and Evrecy Participações Ltda and the investment funds, Referenciado DI Bandeirantes and Xavantes Referenciado DI.; 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., INTERNEXA S.A., and its subsidiaries, INTERNEXA in Peru and Chile, Transamerican Telecommunication S.A. in Argentina, INTERNEXA Participações S.A. and its subsidiaries, INTERNEXA in Brazil Operadora de Telecomunicações S.A., INTERNEXA Capital Participações Ltda; INTERCHILE S.A., ISA Inversiones Chile Ltda., ISA Inversiones Maule Ltda., and its subsidiary INTERVIAL CHILE S.A., which also has its 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.; INTERVIAL COLOMBIA S.A.S. and LYNEAR SYSTEMS RE LTD. companies in which the parent company owns direct and indirect interest (hereinafter the subordinates).

In compliance with External Circular 002 of 1998 issued by the Financial Superintendence of Colombia, following is a chart with personnel employed, classified in Management and Trust and other, with related expenses, from the parent company and the controlled companies in the consolidation of Financial Statements:

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2016						
PARENT COMPANY/ SUBSIDIARIES	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL	
	N° People	Value	N° People	Value	N° People	Value
Interconexión Eléctrica S.A. E.S.P. – ISA–	200	36.391	15	1.068	215	37.459
INTERCOLOMBIA	374	52.413	202	22.961	576	75.374
ISA Capital do Brasil S.A.	2	1.587	-	-	2	1.587
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	124	30.686	1.459	117.574	1.583	148.260
Interligação Elétrica de Minas Gerais S.A. –IEMG–	7	239	11	648	18	887
Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–	5	285	37	2.082	42	2.367
Interligação Elétrica Serra do Japi S.A.	7	610	28	1.354	35	1.964
Evrecy Participações Ltda.	4	42	9	716	13	758
Interconexión Eléctrica ISA Perú S.A.	1	75	-	-	1	75
Red de Energía del Perú S.A. –REP–	214	41.661	153	22.193	367	63.854
Consortio Transmantaro S.A.	2	451	-	-	2	451
Proyectos de Infraestructura del Perú S.A.C. –PDI–	14	1.837	78	4.281	92	6.118
Interconexión Eléctrica ISA Bolivia S.A.	3	1.170	27	1.655	30	2.825
TRANSELCA S.A. E.S.P	16	4.048	194	18.776	210	22.824
Compañía de Expertos en Mercados S.A. E.S.P. –XM–	235	35.930	3	302	238	36.232
Sistemas Inteligentes en Red S.A.S.	47	1.940	-	-	47	1.940
INTERNEXA S.A.	216	27.271	20	1.201	236	28.472

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2016						
PARENT COMPANY/ SUBSIDIARIES	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL	
	N° People	Value	N° People	Value	N° People	Value
INTERNEXA Perú S.A.	29	5.553	-	-	29	5.553
INTERNEXA Chile S.A.	14	3.773	-	-	14	3.773
Transamerican Telecommunication S.A.	2	10.597	7	24.454	9	35.051
INTERNEXA Participações S.A.	-	-	-	-	-	-
Internexa Brasil Operadora de Telecomunicações S.A.	7	2.529	84	8.452	91	10.981
INTERCHILE S.A.	26	4.910	-	-	26	4.910
INTERVIAL CHILE S.A.	8	5.307	66	13.014	74	18.321
Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	3	688	27	1.059	30	1.747
Ruta del Maipo Sociedad Concesionaria S.A. (*)	5	2.829	126	9.618	131	12.447
Ruta del Maule Sociedad Concesionaria S.A. (*)	3	677	39	2.571	42	3.248
Ruta del Bosque Sociedad Concesionaria S.A. (*)	1	677	34	1.243	35	1.920
Ruta de los Ríos Sociedad Concesionaria S.A. (*)	3	688	28	1.149	31	1.837
TOTAL	1.572	274.864	2.647	256.371	4.219	531.235

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2015						
PARENT COMPANY/ SUBSIDIARIES	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL	
	N° People	Value	N° People	Value	N° People	Value
Interconexión Eléctrica S.A. E.S.P. –ISA–	191	29.905	12	820	203	30.725
INTERCOLOMBIA	362	47.119	204	21.851	566	68.970
ISA Capital do Brasil S.A.	2	1.444	-	-	2	1.444
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	13	4.767	1.607	175.593	1.620	180.360
Interligação Elétrica de Minas Gerais S.A. –IEMG–	2	35	14	862	16	897
Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–	2	35	31	2.397	33	2.432
Interligação Elétrica Serra do Japi S.A.	2	303	24	1.796	26	2.099
Evrecy Participações Ltda.	2	35	13	867	15	902
Interconexión Eléctrica ISA Perú S.A.	1	22	-	-	1	22
Red de Energía del Perú S.A. –REP–	209	12.016	154	5.719	363	17.734
Consorcio Transmantaro S.A.	1	22	-	-	1	22
Proyectos de Infraestructura del Perú S.A.C. –PDI–	14	1.831	79	4.724	93	6.555
Interconexión Eléctrica ISA Bolivia S.A.	5	1.295	30	1.499	35	2.794
TRANSELCA S.A. E.S.P	16	4.048	194	18.776	210	22.824
XM, Compañía de Expertos en Mercados S.A. E.S.P.	225	31.304	3	269	228	31.574
Sistemas Inteligentes en Red S.A.S.	42	2.192	-	-	42	2.192
INTERNEXA S.A.	195	23.006	19	1.058	214	24.063

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2015						
PARENT COMPANY/ SUBSIDIARIES	MANAGEMENT AND TRUST PERSONNEL		OTHER		TOTAL	
	N° People	Value	N° People	Value	N° People	Value
INTERNEXA Perú S.A.	29	4.719	-	-	29	4.719
INTERNEXA Chile S.A.	15	3.383	-	-	15	3.383
Transamerican Telecommunication S.A.	-	-	9	22.006	9	22.006
INTERNEXA Participações S.A.	-	-	-	-	-	-
Internexa Brasil Operadora de Telecomunicações S.A.	4	1.441	37	4.138	41	5.579
INTERNEXA Capital Participações Ltda.	-	-	-	-	-	-
INTERVIAL CHILE S.A.	8	4.942	65	16.302	73	21.244
Ruta de la Araucanía Sociedad Concesionaria S.A. (*)	3	665	27	1.571	30	2.236
Ruta del Maipo Sociedad Concesionaria S.A. (*)	6	2.680	119	12.407	125	15.088
Ruta del Maule Sociedad Concesionaria S.A. (*)	2	642	38	3.116	40	3.758
Ruta del Bosque Sociedad Concesionaria S.A. (*)	1	628	32	1.728	33	2.357
Ruta de los Ríos Sociedad Concesionaria S.A. (*)	3	665	29	1.656	32	2.321
TOTAL	1.355	179.144	2.740	299.155	4.095	478.300

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

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2. BASIS OF PRESENTATION

The main policies and practices adopted by ISA and its companies are described as follows:

2.1 Consolidation principles

Consolidated Financial Statements include the financial statements of the parent company and all subsidiaries (including structured entity).

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

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

The structured entities where ISA has control in Colombia are the Betania autonomous equity and through CTEEP in investment funds Referenciado DI Bandeirantes and Xavantes Referenciado DI.

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

Investments on which the Group exercise control are consolidated through the global integration method, which adds the financial statements of the parent or controlling company, all the assets, liabilities, equity, revenues, costs and subsidiary expenses, previous elimination in the parent or controlling company of the investment made by it on the equity of subsidiaries, as well as operations and reciprocal balances existing on the date of the generation of consolidated financial statements.

The consolidation of operations of the parent and subsidiaries was determined using the following basic principles:

- a) At the time of takeover, the assets acquired and liabilities assumed from the subsidiary are recorded at fair value, except for certain assets and liabilities that are recorded following the valuation principles set out in other IFRS. (See Note 3.1 for details of business combinations and goodwill).
- b) The value of the interest of non-controlling shareholders in equity and in the comprehensive income of subsidiaries, respectively, is presented under non-controlling interest in the consolidated statement of financial position. The income of the period and each component of other comprehensive income are attributed to the owners of the controlling entity and to the non-controlling interest. These shares correspond to third parties alien to the Group. At ISA Capital do Brasil, it includes stake on the preferred shares under repurchase agreement with HSBC and BV Financeira S.A. Likewise, it includes preferential dividends linked to this participation.
- c) Subsidiary financial statements are included at the consolidated financial statements, as of the date the Group obtained control on the subsidiary and up to the date its control ends.
- d) Investments in foreign subsidiaries are recorded based on as financial statements of December 31, each year, approved under IFRS and converted into colombian pesos, according to the provisions of IAS 21, prior definition of the functional currency using the dollar of the United States as currency. The income and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different to the presentation currency, are translated into the presentation currency as follows:

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

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

- e) All significant balances and transactions among ISA and the subsidiaries were eliminated in the consolidation process.
- f) Changes in ownership interests of ISA and its companies in a subsidiary which do not result in loss of control are accounted for within equity. The carrying amount of the shares owned by ISA and its companies and the non-controlling interest are adjusted to reflect changes in their corresponding share in the subsidiary. Any difference between the amount under which the non-controlling interest and the fair value of the consideration paid or received, is recognized directly in equity, and attributed to the owners of the controlling entity.

- When control of a subsidiary is lost, the gain or loss on disposal is calculated as the difference between:
- The aggregate fair value of the consideration received and the fair value of the share retained and,
 - The previous carrying amount of the assets (including surplus value) and the liabilities of the subsidiary and the non-controlling interest.

Accounting policies of Group’s subsidiaries apply evenly with ISA, in order to ensure consistency in the Group’s financial information, appropriate basis for consolidation.

In the investments in associates and joint ventures, the parent company applies the equity method in its Consolidated Financial Statements.

An associate is an entity over which the parent company is able to exercise significant influence, through the power to participate in decisions about its operating and financial policies.

In general, significant influence is presumed in those cases in which the Group holds a stake above 20%, although it should be assessed as well as the control.

Joint venture is an agreement whereby the parties that have joint control have rights to the net assets of the entity. Joint control occurs only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The equity method is an accounting method whereby the investment is initially recorded at cost and adjusted for post-acquisition change in the Company’s participation in net Assets of the entity. The income of the period and other comprehensive income of the Company include its share of the income for the period and other comprehensive income of the entity.

The dividends received from these companies are recorded as lower value of investment.

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Transactions involving a loss of significant influence over an associate or joint venture are accounted for by recognizing any retained stake by its fair value and the gain or loss resulting from the transaction is recognized in income for the period including the corresponding items of other comprehensive income.

For transactions not involving a loss of significant influence in the associate or joint venture; the equity method remains being applied and the portion of the gain or loss recognized in other comprehensive income relating to the reduction in the share of the property is reclassified in income.

The consolidated financial statements as of December 31, 2016, were authorized to be issued by the Board of Directors during meeting held on February 24, 2017.

The following figures were taken from the separate financial statements from ISA, its subsidiaries, and the jointly controlled entities, as of December 31, 2016, and 2015, according to Decree 2784/2014 and in the consolidation currency (colombian peso):

SUBSIDIARIES

December 2016				
COMPANY	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS)
Interconexión Eléctrica S.A. E.S.P. –ISA–	13.832.611	3.962.396	7.727.876	2.140.581
INTERCOLOMBIA S.A. E.S.P.	255.986	179.160	53.197	23.629
ISA Capital do Brasil S.A.	2.178.237	614.740	1.688.039	(124.541)
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	13.443.232	4.378.651	4.917.023	4.147.558
Interligação Elétrica de Minas Gerais S.A. –IEMG–	162.158	44.316	107.422	10.420
Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–	573.384	131.519	379.702	62.163
Interligação Elétrica Serra do Japi S.A.	317.230	83.794	182.050	51.386
Evrecy Participações Ltda.	48.140	2.968	35.287	9.885
Interconexión Eléctrica ISA Perú S.A.	198.838	102.430	77.906	18.502
Red de Energía del Perú S.A. –REP–	1.580.527	981.227	507.586	91.713
Consortio Transmantaro S.A.	3.960.151	2.598.459	1.230.311	131.381
Proyectos de Infraestructura del Perú S.A.C. –PDI–	132.415	121.502	8.575	2.337

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December 2016				
COMPANY	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS)
Interconexión Eléctrica ISA Bolivia S.A.	150.592	53.689	67.926	28.978
TRANSELCA S.A. E.S.P.	1.397.250	686.646	621.842	88.762
Compañía de Expertos en Mercados S.A. E.S.P. –XM–	123.067	98.834	17.278	6.955
Sistemas Inteligentes en Red S.A.S.	24.246	11.492	8.069	4.685
INTERNEXA S.A.	464.681	285.080	171.862	7.739
INTERNEXA Perú S.A.	189.812	178.543	18.510	(7.241)
INTERNEXA Chile S.A.	60.386	52.754	2.969	4.663
Transamerican Telecommunication S.A.	22.103	11.413	12.003	(1.313)
INTERNEXA Participações S.A.	172.809	84	170.467	2.257
INTERNEXA Brasil Operadora de Telecomunicações	378.236	205.485	169.920	2.830
ISA Inversiones Chile Ltda.	1.620.526	279	1.505.995	114.251
ISA Inversiones Maule Ltda.	1.123.737	261.065	768.293	94.380
INTERVIAL CHILE S.A.	2.575.944	87.936	2.284.150	203.858
Ruta de la Araucanía Sociedad Concesionaria S.A.	1.188.329	860.742	295.187	32.400
Ruta del Maipo Sociedad Concesionaria S.A.	5.042.669	3.582.352	1.269.805	190.512
Ruta del Maule Sociedad Concesionaria S.A.	530.983	398.896	134.656	(2.569)
Ruta del Bosque Sociedad Concesionaria S.A.	672.399	560.454	137.882	(25.938)
Ruta de los Ríos Sociedad Concesionaria S.A.	534.099	426.822	73.146	34.132
LINEAR SYSTEMS RE LTD.	32.999	27.746	2.871	2.382
INTERCHILE S.A.	1.791.117	806.094	977.342	7.680
INTERVIAL COLOMBIA S.A.S.	1.297	24	1.268	5
Fondos de Inversión Referenciado DI Bandeirantes	190.682	22	156.629	34.031
Fondo de Inversión Xavantes Referenciado DI	167.154	12	145.637	21.505
Patrimonio Autónomo Betania	8.019	-	7.140	879

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December 2015				
COMPANY	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS)
Interconexión Eléctrica S.A. E.S.P. –ISA–	11.019.845	3.556.335	7.143.448	320.062
INTERCOLOMBIA S.A. E.S.P.	285.247	206.879	53.991	24.377
ISA Capital do Brasil S.A.	1.627.891	1.100.207	656.261	(128.577)
Companhia de Transmissão de Energia Elétrica Paulista –CTEEP–	5.414.443	1.224.332	3.873.568	316.543
Interligação Elétrica de Minas Gerais S.A. –IEMG–	139.884	42.040	87.133	10.711
Interligação Elétrica Pinheiros S.A. –IE PINHEIROS–	469.849	127.097	286.118	56.634
Interligação Elétrica Serra do Japi S.A.	269.425	80.190	165.960	23.275
Evrecy Participações Ltda.	45.395	2.278	34.430	8.687
Interconexión Eléctrica ISA Perú S.A.	144.977	45.434	84.335	15.208
Red de Energía del Perú S.A. –REP–	1.646.262	1.011.030	530.285	104.947
Consorcio Transmantaro S.A.	3.414.251	2.293.787	1.051.944	68.520
Proyectos de Infraestructura del Perú S.A.C. –PDI–	229.130	215.363	9.604	4.163
Interconexión Eléctrica ISA Bolivia S.A.	167.610	79.962	62.891	24.757
TRANSELCA S.A. E.S.P.	1.334.479	667.619	622.994	43.866
Compañía de Expertos en Mercados S.A. E.S.P. –XM–	333.303	307.986	16.605	8.712
Sistemas Inteligentes en Red S.A.S.	17.077	9.008	3.743	4.326
INTERNEXA S.A.	435.558	263.672	150.023	21.863
INTERNEXA Perú S.A.	219.630	200.333	18.476	821

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COMPANY	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS)
INTERNEXA Chile S.A.	59.354	58.873	8.887	(8.406)
Transamerican Telecommunication S.A.	21.217	8.643	12.876	(302)
INTERNEXA Participações S.A.	131.922	271	132.321	(670)
INTERNEXA Brasil Operadora de Telecomunicações	284.925	172.337	130.919	(18.331)
ISA Inversiones Chile Ltda.	1.398.277	663	1.394.156	3.458
ISA Inversiones Maule Ltda.	1.083.193	313.131	828.082	(58.020)
INTERVIAL CHILE S.A.	2.260.231	90.920	2.181.080	(11.769)
Ruta de la Araucanía Sociedad Concesionaria S.A.	1.205.311	912.796	264.282	28.233
Ruta del Maipo Sociedad Concesionaria S.A.	4.753.132	3.470.303	1.116.459	166.370
Ruta del Maule Sociedad Concesionaria S.A.	624.147	376.260	283.576	(35.689)
Ruta del Bosque Sociedad Concesionaria S.A.	744.232	607.888	119.575	16.769
Ruta de los Ríos Sociedad Concesionaria S.A.	606.787	460.180	121.249	25.358
LINEAR SYSTEMS RE LTD.	27.276	24.220	1.638	1.418
INTERCHILE S.A.	742.202	261.351	478.406	2.445
INTERVIAL COLOMBIA S.A.S.	1.465	197	1.415	(147)
Fondos de Inversión Referenciado DI Bandeirantes	148.351	11	117.362	30.978
Fondo de Inversión Xavantes Referenciado DI	206.992	16	204.447	2.529
Patrimonio Autónomo Betania	7.929	-	8.393	(464)

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JOINTLY CONTROLLED ENTITIES

2016 FINANCIAL INFORMATION				
COMPANY	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS)
Interligação Elétrica Madeira S.A. –IEMADEIRA–	5.297.506	2.947.669	1.868.664	481.172
Interligação Elétrica Norte Nordeste S. A. –IENNE–	705.309	319.002	359.483	26.824
Interligação Elétrica Sul S. A. –IESUL–	304.732	84.383	211.143	9.206
Interligação Elétrica Garanhuns S.A. –IE GARANHUNS–	1.229.648	528.090	620.969	80.589
Transnixa S.A. E.M.A.	35.060	41.066	(3.163)	(2.843)
Derivex S.A.	2.442	1.422	1.218	(198)
Interconexión Eléctrica Colombia - Panamá S.A. –ICP–	16.051	2	16.018	30
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	303	2	392	(91)

2015 FINANCIAL INFORMATION				
COMPANY	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS)
Interligação Elétrica Madeira S.A. –IEMADEIRA–	4.276.688	2.660.930	1.420.323	195.435
Interligação Elétrica Norte Nordeste S. A. –IENNE–	580.368	266.638	289.908	23.822
Interligação Elétrica Sul S. A. –IESUL–	247.687	65.756	178.792	3.139
Interligação Elétrica Garanhuns S.A. –IE GARANHUNS–	950.482	411.268	494.304	44.910
Transnixa S.A. E.M.A.	37.402	41.050	2.095	(5.743)
Derivex S.A.	901	448	863	(410)
Interconexión Eléctrica Colombia - Panamá S.A. –ICP–	19.191	576	21.522	(2.907)
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	412	13	517	(118)

2.2 Accounting principles

The Business Group prepares its financial statements in accordance with the standards of accounting and financial reporting –NCIF–, for its acronym in Spanish, adopted by the Colombian General Accounting Office, established in Law 1314 of 2009, regulated by Resolution 743 of 2013 of the General Accounting Office and all its subsequent amendments and Regulatory Decree 2784 of 2012 and all its subsequent amendments. These accounting and financial reporting standards correspond to the International Financial Reporting Standards –IFRS– officially translated and authorized by the International Accounting Standards Board –IASB–, as of December 31, 2013.

2.3 Adoption of new standards and interpretations

Standards of Accounting and Financial Reporting accepted in Colombia, issued but not yet in force

Numeral 3 Article 2.1.2 of book 2, Part 1 of Decree 2420 of 2015 as amended by Decree 2496 of 2015 and 2131 of 2016 and article 1 of Decree 2131 of 2016, include the standards that have been issued by the IASB and adopted in Colombia that will become in effect in years subsequent to 2016.

→ New Standards of Accounting and Financial Reporting –NCIF– accepted in Colombia in force as of January 1, 2017, excluding IFRS 9 and 15, to be in force as of January 01, 2018.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB released the final version of IFRS 9, Financial Instruments that collects all the phases of the financial instruments project and supersedes IAS 39 Financial Instruments: measurement and classification and all previous versions of IFRS 9. The standard introduces new requirements for classification,

measurement, impairment, and hedge accounting. IFRS 9 is to be applied on periods beginning on January 1, 2018. Retroactive application is required, but comparative information is not required to be amended. Earlier application is permitted for previous versions of IFRS 9 (2009, 2010 and 2013), if the date of initial application is prior to February 1, 2015.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional regulation which allows an entity, when implementing for the first time IFRS and whose activities are subject to rates regulations, to continue applying most of the former accounting policies for regulatory deferral accounts. Entities adopting IFRS 14 must present deferral accounts as separate entries in the financial statement and to present these account transactions as separate entries in the income statement and the global income statement. This regulation requests a detailed description of the nature and risks related to the regulated rates of the company, as well as the impact of regulated rates in the financial statements. IFRS 14 is to be applied on periods beginning on January 1, 2017.

→ Annual Improvements of IFRS, Cycle 2010 - 2012

These improvements are effective from July 1, 2014. The improvements include the following amendments:

IFRS 15 Revenues from ordinary activities from contracts with customers

IFRS 15 was published in May 2014 and establishes a new five-step model applied to revenues from contracts with customers. Pursuant to IFRS 15 the revenue is recognized by an amount that reflects the consideration that an entity expects to have in return for the transfer of goods or services to a customer. The principles of IFRS 15 entail a more structured approach to measure and record revenues.

This new standard is applicable to all entities and will repeal all previous standards for revenue recognition. A total or partial retroactive application is required for fiscal years beginning on January 1, 2018, allowing advance application.

Amendments to IFRS 11: Accounting for acquisitions of interest in joint operations

Amendments to IFRS 11 require that a joint operator should record the acquisition of interest in a joint operation, which constitutes a business, by applying the relevant principles of IFRS 3 for accounting business combinations. The amendments also clarify that interest previously held in the joint operation will not be revalued in the acquisition of additional interest while the joint control is held. Additionally, an exception has been added to the scope of these amendments for not applying the same when the parties that share joint control are under the common control of an ultimate holding company.

Changes are to be applied to initial acquisitions of interest in a joint operation and acquisitions of any additional interest in the same joint operation. They will be prospectively applied to fiscal years beginning on January 1, 2017, although its early implementation is allowed.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Amortization

These amendments clarify that the revenues reflect a pattern of obtaining benefits arising from the exploitation of a business (which includes the asset), rather than the economic benefits consumed by the use of the asset. Therefore, the fixed material asset cannot be amortized using an amortization method based on revenues and it can only be used in very limited circumstances to amortize intangible assets. These amendments will be prospectively applied for fiscal years beginning on January 1, 2017, although they can be applied in advance.

Amendments to IAS 27: Equity method in separate financial statements

Modifications allow entities to use the equity method of accounting in measuring investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities which had applied IFRS and select the change for the equity method will have to apply this change retroactively. Entities incorporating IFRS for the first time and select the equity method in their separate financial statements, must apply such method as of the IFRS transition date. These modifications must be applied to accounting periods starting on January 01, 2017; anticipated application is allowed though.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The amendments address the conflict between IFRS 10 and IAS 28 in the treatment of loss of control of a subsidiary that is sold or contributed to an associate company or joint venture. The amendments clarify that gain or loss resulting from the sale or contribution of assets that constitutes a business, as defined in IFRS 3, between the investor and its associate company or joint venture is recognized in its entirety. However, any gain or loss arising from the sale or contribution of assets which do not constitute a business, is only recognized up to the interest of investors not related to the associate or joint venture. These amendments shall be applied prospectively and are in force for accounting periods starting on or after the first day of January 2017, with anticipated adoption allowed.

→ Annual Improvements Cycle 2012-2014

These improvements are effective for fiscal years beginning on or after January 1, 2017; early adoption is permitted. They include:

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IFRS 5 Non-current Assets held for Sale and Discontinued Operations

Assets (or disposal groups) are generally prepared either through sale or distribution to their owners. The amendment clarifies that the change from one of the methods of disposal to another would not be considered a new plan of disposal but a continuation of the original plan. Therefore, there is no interruption in the application of the requirements of IFRS 5. This amendment should be prospectively applied.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing Contracts

The amendment clarifies that a servicing contract that includes a fee may constitute continuous involvement in a financial asset. An entity must assess the nature of the fee and the agreement against the guide of continuous involvement under IFRS 7 to assess whether disclosures are required. The assessment of which servicing contracts constitute a continuous involvement, it must be retrospectively performed. However, the requirement of disclosure would not have to be provided for a period beginning before the annual period in which the entity applies amendments for the first time.

(ii) Applicability of Amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that disclosure requirements of compensation do not apply to interim condensed financial statements, unless such disclosures provide a significant updating of the reported information in the most recent annual report. This amendment should be retrospectively applied.

IAS 19 Employee benefits

The amendment clarifies that the depth of the high-quality corporate bond market is evaluated based on the obligation currency rather than the country where the

obligation is located. When there is no deep market for high-quality corporate bonds denominated in that currency, the rates of government bonds must be used. This amendment should be prospectively applied.

IAS 34 Interim Financial Reporting

The amendments clarify that required interim disclosures must be either in its interim financial statements or embedded by cross referencing between interim financial statements and wherever the interim financial information is included (for example, in the management reports or in the reports of risk). The other information within the interim financial information must be available to users in the same conditions and at the same time as interim financial statements. This amendment should be retrospectively applied.

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 1 Presentation of Financial Statements clarify, instead of changing significantly, existing requirements of IAS 1. Amendments explain:

- The materiality requirements in IAS 1.
- Which specific items in the income statement and OCI and statement of financial position can be disaggregated.
- That entities have flexibility about the order in which the notes to the financial statements are presented.
- That participation of the associates and joint ventures in OCI, accounted by using the equity method must be presented together in a single line, and classified among those items that may or may not be later reclassified to the income statement.

In addition, amendments clarify the requirements applying when additional subtotals are presented in the financial statement and income statement and OCI. These amendments are effective for annual periods beginning on or after January 1, 2017; early adoption is allowed.



Amendments to IFRS 10, 12 and IAS 28 Investment Entities: Application of the Consolidation Exception

The amendments address issues which have arisen in the application of the consolidation exception in investment entities under IFRS 10.

The amendments to IFRS 10 clarify that the exception to present consolidated financial statements is applied to the parent company which is a subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value.

On the other hand, amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity as such and that provides support services to the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value. When applying the equity method, the amendments to IAS 28 enable investor to leave the measurement of fair value applied by the investment associate entity or joint venture to its participation in the subsidiaries.

These amendments should be retrospectively applied and are effective for annual periods beginning on or after January 1, 2017; early adoption is permitted.

→ New Standards of Accounting and Financial Reporting –NCIF– accepted in Colombia, in force from January 1, 2018

Article 1 of Decree 2131 of 2015 added enclosure 1.2 to Decree 2420 of 2015, modified by Decree 2496 of 2015, adding modifications to IAS 7, IAS 12, and clarifications to IFRS 15.

Amendments to IAS 7

Initiative on disclosure initiative: the modifications made to IAS 7 are part of the disclosure initiative of the IASB and require companies to disclose information

that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes affecting or not the cash flow. In the initial amendment application, the company is not obliged to include comparative information for former periods.

Amendments to IAS 12

Recognition of deferred tax assets for unrealized losses: these amendments clarify how to account deferred tax assets corresponding to debt instruments at fair value.

Amendments to IFRS 15

Clarifications to IFRS 15 Revenues from ordinary activities from contract with customers: this modification clarifies some issues related to contract with customers, in order to give uniformity to the understanding of the standard by diverse stakeholders.

IFRS issued by IASB not adopted in Colombia

IASB issued on January 13, 2016 a new IFRS 16 standard - Leases, which provides a comprehensive model to identify lease agreements and their treatment in the financial statements, for lessees and lessors. It replaces IAS 17 - Leases and interpretative guidance.

2.4 Main judgments and estimates

The preparation of the financial statements based on IFRS, demands from the administration the use of judgments, estimates and assumptions to establish the reported figures on assets and liabilities, the exposition of contingent assets and liabilities, on the date of the financial statements, the reported figures for revenues and expenses, as well as the applications of accounting policies as of December 31, 2016.

Nonetheless, final income could differ from estimates included in the statements of financial position. Management expects that variations, if any, have no significant effect on the statements of financial position.

These estimates are based on the best experience of Management, best use of information available on the date of issuance of these consolidated financial statements and on the best expectations in relation to present and future events; current results may differ from these estimates but are adjusted once they are known.

The Group Management has determined that the most significant judgments and estimates correspond to:

- Identification of Cash Generating Units –CGUs –: they are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- The identification of CGUs involves significant judgment, mainly in the way how the entities must add its assets.

→ **Definition of hierarchy levels of financial instruments:** (See Note 3.11)

→ **Lease agreements:** Lease agreements may be financial or operating and their classification is based on the extent to which the risks and benefits of ownership of the asset affect lessor or lessee. A lease is classified as financial when all the risks and benefits belonging to the real estate are substantially transferred from the property leased to the lessee, on the contrary, it is classified as an operating lease. These risks include the possibility of losses from idle capacity or technological obsolescence, as well as variations in performance due to changes in economic conditions. Benefits may be represented by the expectation of a profitable exploitation throughout the economic life of the asset and the gain from revaluation or realization of a residual value.

This classification is made at the beginning of the agreement and is not changed during its term, unless lessee and lessor agree to change the terms of the lease. None of the less, changes in estimates –economic life or residual asset value–, would not generate a new classification of the lease.

→ **Disbursements incurred by concessions recognized as intangibles, or as financial asset, in accordance with the guidelines of IFRIC 12:** The Management of each company that holds concession arrangements, determines the disbursements capitalized as intangibles or determines the financial assets by cash flows to be received, based on the requirements provided in the concession arrangements signed with the respective governments, which provide the infrastructure and other assets that should be part of the concession granted, the same that will be delivered to the grantor at the end of the relevant terms.

Those goods acquired by each of these companies, with the purpose of providing support to the operations inherent to the concessions granted, but not included in the goods of such concession, are recorded, and classified as fixed assets or supplies, depending on their nature.

→ **Provision for value impairment:** The estimate for doubtful accounts is established if there is objective evidence that the Company may not recover the amounts of debts according to the original terms of the sale or services rendered. To this end, the Group Management and each company periodically evaluate the adequacy of the estimate through the ageing analysis of accounts receivable and collection statistics held by the Company. The estimate for doubtful accounts is recorded against income in the year where their need is determined. In the opinion of the Management, this procedure allows to reasonably estimate the provision for bad debts, to adequately cover the risk of loss in accounts receivable, according to market conditions where the Company operates.

→ **Estimate of value of operating assets:** future in and out cash flow, as a result of the continuous use of the asset as well as of its disposal through other methods at the end of its life-cycle, and the corresponding discount is applied to these future cash flows.

→ **Estimated recoverable amount of a non-financial asset:** the carrying value of

non-financial assets, excluding deferred taxes is reviewed at each balance sheet date to determine whether there is indication of impairment. If there are indications, the recoverable amount of the asset is estimated and charged to income for the year.

- **Useful life and residual values of property, plant, and equipment:** the determination of useful lives and residual values of the components of property, plant and equipment involves judgments and assumptions that could be affected if circumstances change. The Management of each company of the Group reviews these assumptions periodically and adjusts them prospectively if any change is identified.
- **Useful life of intangibles by concessions, mainly extensions:** it is estimated and recorded depending on the closing date of the concession arrangement, that is, in terms of the remaining useful life of each extension.
- **Provision for legal and administrative proceedings:** in estimating loss contingency in legal proceedings that are pending against the ISA and its companies, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the current status of proceedings. This provision is linked to the probability of occurrence, as well as the professional judgment and opinion of the legal advisers. Currently the provision calculation is done pursuant to the established by Resolution N° 353, issued in November 2016 by the National Agency of Legal Defense of the State.
- **Recovery of deferred tax assets:** the use of professional judgment is required to determine whether deferred tax assets should be recognized in the statement of financial position. Deferred tax assets require the Group Management to assess the likelihood that the companies will generate taxable income in future periods to use the deferred tax assets. Estimates of future taxable revenues are based on financial projections and application of tax laws existing in each jurisdiction. To the extent that future cash flows and taxable revenues materially differ from estimates, this could have an

impact on the ability of the Company to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax laws could limit the ability of the companies to obtain tax deductions in future periods. Any difference between estimates and effective further disbursements is recorded in the year in which it occurs.

- **Provision for significant replacements and maintenance:** under the concession arrangements, the costs of significant replacements and maintenance (necessary to keep the infrastructure in the conditions required) are estimated and recorded as expense and a provision at the closing of each annual period, in terms of the condition factors and ageing of the transmission lines and substations, with respect to which a qualitative analysis is performed (weather conditions, number of technical failures, technical inspections) and quantitative analysis (samples, physic-chemical and lab analysis) annually performed by the maintenance area and, based on such factors, an estimate of disbursements for maintenance and significant replacements is made, taking into account the current market prices for parts to be replaced. Based on the budget of capital expenses prepared, the companies apply inflation indexation to the cash outflows, and to update the provision for significant replacements and maintenance, they apply an annual rate free of risk considering the current market conditions and the specific related risk of liabilities.
- **Traffic projections for concessions:** To estimate the concession term by the MDI (Mecanismo de Distribución de Ingresos) –Revenue Distribution Mechanism– for concessions Ruta del Maipo, Ruta del Maule, Ruta del Bosque and Ruta de la Araucanía, Chilean concessionaires, traffic studies are performed by an independent entity based on GDP projections and local variables according to the concession.
- **Employee benefits:** the cost of defined benefit pension plans and other post-employment medical benefits and the present value of pension obligations are determined by using actuarial valuations. These estimates include

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analyzing several hypotheses which could defer from future real events, such as determining the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the calculation of the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

- The mortality rate is based on the specific country’s public mortality rates. The future wage increases and pension increase are based on expected future inflation rates for each country (See Note 19: Employee benefits).

2.5 Functional currency and presentation currency

The items included in the consolidated financial statements are expressed in the primary economic environment in which the parent company operates –colombian pesos– and consequently this one is the functional and presentation currency.

2.6 Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Gains and losses from exchange differences resulting from the payment of such transactions and from the translation at exchange rates at year-end of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Gains from exchange related to loans, cash and cash equivalent are presented in the statement of comprehensive income under “financial income”, in addition, losses are presented in the comprehensive income statement under the item “financial expenses”.

→ Rates used

Transactions and balances in foreign currencies are translated at current exchange rates certified by the Central Bank in Colombia or official banks from the countries where the Group does transactions.

The exchange rates used for the preparation of consolidated financial statements as of December 31, 2016, and 2015, expressed in colombian pesos, were as follows:

Average rate: for translation of comprehensive income statement balances:

CURRENCY	2016	2015
COP / USD	3.000,71	2.746,47
COP / BRL	876,58	824,38
COP/ CLP	4,51	4,20
BRL / USD	3,48	3,33
CLP / USD	676,67	654,07

Rate of closure: for translation of statement of financial position balances:

CURRENCY	2016	2015
COP / USD	3.000,71	3.149,47
COP / BRL	920,72	806,56
COP/ CLP	4,48	4,43
BRL / USD	3,26	3,90
CLP / USD	669,47	710,16

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2.7 Classification of balances as current and non-current

In the accompanying statement of financial position, balances could be classified according to their maturities, i.e., current are those with maturities equal to or below twelve months, except provisions for post-employment obligations and the like, and as non-current for maturities exceeding such period.

3. MAIN ACCOUNTING POLICIES

The main accounting practices and policies applied in the preparation of the accompanying consolidated financial statements are as follows:

3.1 Business combination and surplus value

A business combination should be accounted by using the acquisition method. The consideration for each acquisition is measured at fair value, which is calculated as the sum of the fair value on the acquisition date of assets, minority interests in the acquisition, liabilities generated or accepted and the equity instruments issued by the Group, in exchange for the control acquired. Costs related to acquisition are recognized in income when incurred.

Identifiable assets acquired and liabilities assumed are recognized at their fair value at the acquisition date, except that:

- The deferred tax assets or liabilities and liabilities or assets related to employee benefit agreements are recognized and measured in accordance with IAS 12 Income Tax and IAS 19 Employees Benefits, respectively;
- Liabilities or equity instruments related to payment agreements based on shares from the acquired company or payment arrangements based on Group shares made in replacement of agreements with payment based on shares from the acquired company are measured in accordance with IFRS 2 Share-based payments at the acquisition date; and
- The assets or the group of assets for disposal that are classified as held for sale in

accordance with IFRS 5 Non-current assets held for sale and discontinued operations are measured in accordance with such Standard.

If the initial accounting for a business combination can be determined only provisionally at the end of the period in which the combination was made, because the fair values to distribute to identifiable assets, liabilities and contingent liabilities of the acquired or the cost of the combination can be determined only provisionally, the combination will be accounted for by using these provisional values; these values will be adjusted when the fair values of assets and liabilities are objectively determined until a period of twelve months after the date of acquisition.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and it is included as part of the consideration transferred in a business combination. Changes in the fair value of contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against surplus value. The measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent registration of changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. The contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent cancellation is recorded in equity. Contingent consideration that is classified as an asset or liability is re-measured at its reporting date in accordance with IAS 39, or IAS 37 where appropriate, with the resulting gain or loss recognized in profit or loss.

In cases of business combinations carried out in stages, the equity of the Group in the acquired company is re-measured at its fair value at the acquisition date (i.e., the date on which the Group obtained control) and the resulting profit or loss, if any, is recognized in profit or loss. The amounts resulting from the participation in the acquired company prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified in profit or loss, if such treatment would be appropriate, if such participation is sold.

During the period between 01/01/2015 and 31/12/2016, business combinations were not present.

3.1.1 Goodwill

When the Group acquires control of a business, surplus value is recorded for the difference between the consideration transferred and the fair value of identifiable Assets, liabilities assumed and any non-controlling interest in the business obtained.

Goodwill is not amortized and is subject to annual impairment tests or whenever there are indications that its value has deteriorated. Losses for impairment applied to surplus value are recorded in income for the period and its effect is not reversed.

If the net amounts of identifiable assets acquired and assumed liabilities, exceed the amount of the consideration transferred, the amount of any non-controlling interest in the acquired one and the fair value of the interest previously held by the acquirer in the acquired one, then said excess or negative surplus value is recognized directly in income for the period as profit from the purchase for value below the market price.

3.2 Inventories

Inventories are recorded at cost or net realizable value, whichever is less.

For the Group companies, inventories correspond to materials used in internal maintenance and conservation activities of operating assets. They are initially recognized at acquisition cost, which includes all costs incurred in the purchase. Consumption of inventories is determined based on the weighted average cost method.

Inventories are annually tested for impairment or lost value, based on a specific analysis made by management. If impairment takes place, it is recognized in profit or loss of the period.

3.3 Property, plant, and equipment

Property, plant, and equipment are valued at acquisition cost –historical cost– or construction cost, less depreciation and accumulated impairment losses, if any. In addition to the price paid for the acquisition of each item, the cost also includes, as the case may be, the following:

- Import tariffs and non-recoverable indirect taxes imposed on the acquisition, after deducting trade discounts and rebates.
- All costs directly related to the placing of the asset and the necessary conditions for its operation in the manner intended by Management.
- Loan costs directly attributable to the acquisition of a qualifying asset.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is based, when they are obligations in charge of the Company as a result of using the item during a period, for purposes other than production of inventories during that period.

Expenditures for maintenance, preservation and repair of these assets are recorded directly in income as an expense in the period incurred.

Additions and expansion costs, modernization or improvements are capitalized as

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higher value of the relevant property, provided they increase their useful life, expand their production capacity and operational efficiency, improve the quality of services, or allow significant reduction costs.

An item from property, plant and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an asset is determined as the difference between net sales proceeds, if any, and the carrying value of the asset. This effect is recognized in income.

→ Safety and environment assets

Certain items from property, plant and equipment may be acquired for safety or environmental purposes. Although the acquisition of such kind of property, plant and equipment does not increase the economic benefits provided by the items of existing property, plant, and equipment, it might be necessary for the entity to obtain future economic benefits from the other assets. Safety assets are depreciated linearly over their estimated useful life.

→ Assets under construction and assembly

Assets used during the course of construction for management, production, supply, or non-defined purposes, are recorded at cost, less any recognized impairment loss. Such property is classified in the appropriate categories of property, plant, and equipment when they are ready for their intended use, from which time depreciation of these assets begins i.e., when they are in the location and under the required conditions for operating as intended.

→ Loan costs

Loan costs directly attributed to the acquisition, construction, or production of qualifying assets, which are assets that require a substantial period for use before being ready for their use, are added to the cost of those assets until

they are ready for use. In general terms for the Group, it will be considered a substantial period such having a duration equal or greater than six (6) months. However, in case of periods shorter than such necessary for the construction of a qualifying asset, each company’s management will financially support the generation of future profits.

Specific loans are those entered into with the specific purpose of obtaining a suitable asset, and consequently, costs due to real loans entered into, could be directly capitalized, deducting financial yields obtained because of the temporal investment in funds as long as the activities to prepare the asset for its use are being conducted. Determining whether loans are specific or not, requires an assessment of the circumstances and evidence or internal documentation supporting this purpose.

The capitalization rate is based on generic loan costs, divided by the weighted average of the loans received by the Company, which have been outstanding during the accounting period, excluding loans considered specific.

Capitalization rate = Cost of total loans for the period (excluding specific loans) / Weighted average of loans (excluding specific loans).

The revenues earned from temporary investment in specific loans pending of consumption on qualifying assets is deducted from the loan costs eligible for capitalization.

All other loan costs are recognized in income during the period they are incurred.

Every year, the parent and its companies review the remaining life of the assets, for which a methodology was set, based on the rate of deterioration of each asset associated with an instantaneous rate of failure, which in turn is associated with its

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effective age. Based on international assets survival curve rates and the effective rate, the aging rate is calculated, estimate life expectancy and the remaining life as well. This methodology has enabled obtaining more reliable values to estimate the remaining life of assets, useful input for assets renewal plan and basis of valuation thereof.

Lands are not depreciated as they have an indefinite useful life. Depreciation is calculated using the straight-line method on the cost, based on the estimated useful life of assets.

→ **Residual value**

It is the estimated amount that would be obtained by asset disposal after deducting estimated costs for such disposal, if such asset would have already reached its disposal age and other expected conditions at the end of its useful life.

→ **Components of assets**

A component of a fixed asset is an item that can be seen as part of another asset, but due to its own characteristics, the role it plays and the type of strategies or activities that continue during its technical service life, it may be treated as a separate asset.

Each component of properties, plant and equipment shall be identified and separated from other assets to depreciate their useful life and make its treatment and accounting control easier. Important spare parts and the permanent maintenance equipment, the company is to use for more than one accounting period, normally comply with specifications to be labeled as property, plant, and equipment. Similarly, if spare parts and auxiliary equipment of a fixed asset, could only be used for such asset, it will be accounted as property, plant, and equipment.

3.4 Investment Property

Investment property –land, buildings, considered in whole or in part, or both– as part of the company or by the lessee who has agreed upon a finance lease, to obtain yields, surplus value, or both, instead of having them for their use in the rendering of services or administrative purposes. Investment property generates cash flow which is independent from the cash flow generated by other assets own by the company.

Its initial measurement is carried at cost, which includes the purchase price and any directly attributable expenditure –professional fees due to legal services, taxes due to property transfers, among others–. Subsequently, they are measured at cost, less depreciation and accumulated impairment.

Transfers to, or from investment properties, are only made when there is a change in its use. In the case of a transfer from an investment property to a property, plant and equipment, the cost considered for subsequent accounting is the value in books on the date of its change. If a property, plant, and equipment becomes an investment property, it will be also accounted based on its value in books.

Transfers which could be generated are:

- The Company occupies an asset classified as investment property; in these cases, the asset is reclassified to property, plant, and equipment.
- Conducting an operating lease to a third party or to be use by the Company. In these cases, the asset is reclassified to investment property.

Investment property is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an investment property is determined as the difference between net sales proceeds, if any, and the book value of the asset. This effect is recognized in income in the period in which it was derecognized.

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3.5 Nonfinancial assets

It includes anticipated paid expenses, Information, Telecommunication and Technology services and other assets which are amortized through the straight-line depreciation method during the periods on which economic benefits are expected. Prepaid expenses mainly include money transactions such as pay of insurances, among others, and they could be also amortized pursuant to the validity of the corresponding policies.

3.6 Intangibles

An intangible asset is recognized as such when the condition of being identifiable and separable are met, the Group has the ability to control the future economic benefits associated with it and the item will generate future economic benefits.

Intangible assets are initially recognized at their production or acquisition cost, and then they are valued at their corresponding accumulated amortization net cost and from the impairment losses such assets have had, if any.

An intangible asset is derecognized upon its disposal or, when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset, measured as the difference between net revenues from the sale and the carrying amount of the asset, is recognized in the income when the asset is derecognized.

Residual values, useful lives and amortization methods are reviewed at each annual period and are applied prospectively if necessary.

→ Easements

Easements are rights obtained for the use of a strip of land for the installation of a transmission line. It implies restrictions on land use by the owner and authorization to the owner of the line for operations of construction, operation, and maintenance.

Such intangibles are permanent rights with an indefinite term for use; although transmission lines related to these easements do have limited life. The Group has the possibility to either replace transmission lines when their useful life ends or use the right of easements acquired for any other service related to energy and telecommunications transmission, which are described in the purposes of creation of the easements. Easements are not amortized, but are tested for impairment on an annual basis.

→ Software and licenses

Software is amortized by the straight-line depreciation method for a maximum period of three years. Licenses are amortized by the straight-line depreciation method for the periods for which it is expected to receive benefits, according to feasibility studies for their recovery.

→ Research and development costs

Research costs are recognized as expenses as they are incurred. Disbursements for development in a project are recognized as intangible assets when the Group is able to prove that:

- The technical feasibility to complete the intangible assets for becoming available for use or sale.
- Its intention to complete the asset and its capacity of using or selling the asset.
- The capacity to use or sell the intangible asset.
- How the asset generates future economic benefits.
- The availability of resources to complete the asset.
- The capacity to reliably measure the disbursement during development.

3.7 Concessions

IFRIC 12 –Service concession Arrangements– for those public service concession arrangements where grantor controls or regulates:

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- The services to be provided by the concessionaire by using the infrastructure, to whom the services are provided and at what price; and
- Through ownership, the right of usufruct or otherwise, any residual interest on the infrastructure at the end of the term of the concession contract.

IFRIC 12 also applies for infrastructure:

- Built or acquired by the operator to third parties;
- Already existent, to which operator has been granted access for use.

This interpretation establishes the generic principles of recognition and measurement of rights and obligations under the concession contracts and defines the following models:

Financial asset model: When the operator has an unconditional and contractual right to receive cash or other financial asset from the grantor for the specific amounts for the service and the grantor has little or no power to avoid paying under the agreement.

The recognized financial asset is classified in the category of loans and receivables under IAS 32 and IAS 39 and presented in the statement of financial position in current and non-current receivables. This asset bears interest using the method of effective interest rate. (See Note 22).

Intangible asset model: When the operator receives from the grantor the right to charge a fee based on the use of infrastructure; the operator will recognize an intangible asset to the extent that it receives a right –a license– to charge users of the utility. The right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent of use of the service by the public.

The intangible asset generated by the concession contracts is amortized by the straight-line depreciation during validity terms of such contract. The amortization expense in intangible assets with finite useful lives is recognized at the integrated income statement at its category, guaranteeing coherence with the function of such intangible assets.

Mixed model: When the contract includes simultaneously commitments of guaranteed remuneration by the grantor and commitments of compensation dependent on the level of use of the infrastructure under concession.

Expansions of infrastructure are recorded as additions to the intangible asset as it is expected that future economic benefits will be generated for the company.

Replacements and significant maintenance that the Group must make to the energy transmission system infrastructure in order to keep standards of quality and reliability of service, required in the concession contract, which do not generate future economic flows for the company, are recorded as part of the provision for significant replacements and maintenance.

The costs of renovations, improvements and additions are capitalized, while routine maintenance and repairs that do not extend the useful life of goods is recognized in income of the corresponding period.

In general, at ISA’s companies holding concessions for provision of utilities, it is understood that the construction of infrastructure performed by the operator is a service provided to the grantor, other than operation and maintenance service, and as such it is remunerated by the same.

In accordance with the contents of and following IFRIC 12, the revenues related to construction remuneration as well as costs and expenses incurred and hired with

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suppliers for construction are accrued in income of the period; the difference between income and cost associated to construction correspond to the construction margin that in certain ISA group concessions was negotiated in terms of the operation.

ISA group periodically tests for impairment those assets related to the concession, or earlier, in case that the events or circumstances indicate that the carrying value exceeds the recoverable value of the assets of the concession. In case there is a difference, it is recognized immediately in the income statement for the year.

The cash generating units defined for this treatment are directly associated with each concession contract with their corresponding extensions if any, that is, the assets assigned to the concession, belong to the same cash generating unit.

3.8 Impairment of assets

An asset value is impaired when its book value exceeds its return value, and consequently at the end of each period reported, or before if there is any indication of impairment, ISA evaluates the carrying amounts of its tangible and intangible assets of undefined useful life, to determine whether there is an indication that those assets have suffered any impairment loss.

The recoverable amount of an asset or a Cash Generating Unit is the higher between the fair value less the available costs and its value in use. Under these conditions, provided that the fair value or recoverable amount is less than the carrying number of assets, ISA and its companies must record such impairment.

The impairment loss is recognized as a lower cost of the asset or asset component that generated it and as an expense of the period where it was determined.

The recovery of impairment losses on assets cannot exceed the carrying amount that would have been determined, net of depreciation, if the impairment loss

for the same had not been recognized in previous periods. For assets regarding concessions, ISA group periodically tests assets for impairment, or earlier if any events or circumstances arise.

In the process of estimating the provision for doubtful collection, the Management of each company regularly evaluates market conditions, for which it uses ageing of portfolio analysis in accordance with the classification of risks for business operations and overall portfolio. According to the analysis made by Management, it is considered that a receivable is impaired when collection results impossible due to debtors' and guarantors' insolvency, lack of collateral, or any cause that allows considering them as losses in accordance with a sound business practice.

When receivables have a high risk of loss without having been provisioned, provided there is objective and express evidence that the flows are not recoverable under the initial terms of the transaction or business, an impairment loss of clients is recognized charged to the integrated income statement, under provision for doubtful recovery clients.

Financial assets other than those measured at fair value through profit or loss are assessed at the date of each statement of financial position to establish the presence of indicators of impairment. Financial assets are impaired when there is objective evidence that, as a result of one or more events occurring after the initial recognition, the estimated future cash flows of the investment have been impacted as a result of one or more events after initial recognition.

Loss due to impairment of financial assets at amortized cost is determined as the difference between the carrying amount of the asset and the present value of future estimated cash flows, discounted at the original effective interest rate of the financial asset.

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Investments in subsidiaries, associated entities, and joint ventures are assessed at the date of each statement of financial position to determine the presence of impairment indicators, through the cash flow methodology.

3.9 Leases

Leases are classified as operating and finance lease. Lease that transfers substantially all risks and rewards incidental to ownership of the asset is classified as finance lease, otherwise, it is classified as operating lease.

3.9.1 Finance leases

→ When a Group company is the lessee

When a company of the group is the lessee of a property in finance lease, the cost of the leased assets is disclosed in the separate statement of financial position, depending on the nature of the asset under lease and, simultaneously, a liability is recorded in the separate statement of financial position for the same value; which is the lower between the fair value of the leased property or the present value of minimum lease payments payable to lessor plus, if applicable, the exercise of the purchase option.

These assets are amortized using the same criteria applied to the items of property, plant, and equipment for own use. Lease payments are divided in interest and debt relief. Financial expenses are recognized in the income statement.

→ When a Group company is the lessor

When companies from the ISA group act as lessor of an asset under finance lease, assets are not presented as property, plant and equipment since the associated risks have been transferred to the lessee and in exchange a financial asset is

recognized at the present value of the minimum lease payments received from the lease and any unguaranteed residual value.

3.9.2 Operating lease

Leases in which the ownership of the leased asset and all substantial risks and rewards of the asset remain with the lessor.

Payments for operating leases are recognized as expenses –or revenues– in the income statement linearly over the lease term. Contingent payments are recognized in the period in which they occur.

When a Group company makes advance lease payments related to the use of property, these payments are recorded as prepaid expenses and amortized over the term of the lease.

3.10 Financial instruments

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

3.10.1 Current financial assets

Their classification depends on the business model used to manage the financial assets and the characteristics of contractual cash flows of the financial asset; this classification is determined at the time of initial recognition.

→ Financial assets at fair value with changes in income:

Its characteristic is that they are incurred mainly for the purpose of obtaining liquidity management with frequent instrument sales. These instruments are measured at fair value and changes in value are recorded in income when they occur.

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→ Accounts receivable and others:

They correspond to non-derivative financial assets, with known payments and fixed maturities, under which Management has the intent and ability to collect the contractual cash flows of the instrument.

Amortized cost is calculated by adding or deducting any premium or discount over the remaining life of the instrument and using the effective interest method. Gains and losses are recognized in the income statement when assets are recognized, for amortization or if there is objective evidence of impairment.

Loans and account receivables are financial assets issued or acquired by a company of the group in exchange of cash, goods or services handed over a debtor. Accounts receivable from sales are recognized at the original invoice value, net of accumulated impairment losses, until all risks and benefits are transferred to the third party.

→ Financial assets at fair value with changes in other integral income:

They correspond to investments in variable income not held for trading or not corresponding to a contingent consideration from an acquirer in a business combination. For these investments, ISA may choose at initial recognition and irrevocably, to disclose gains or losses on subsequent measurement at fair value in other comprehensive income.

These instruments are measured at fair value. Gains and losses arising from the re-measurement at fair value are recognized in other comprehensive income until derecognition of the asset. In these cases, gains and losses that were previously recognized in equity are reclassified to income of the period.

→ Cash and cash equivalent

Cash and cash equivalent in the statement of financial position includes all cash

balances and cash held in banks. For purposes of preparing the cash flow statement and due to their liquidity, temporary investments with original maturities less than 90 days are considered cash equivalents; these accounts are not subject to significant risk of changes in value.

Bank overdrafts payable on demand and that are an integral part of cash management are included as a component of cash and cash equivalents for purposes of the cash flow statement. And for the statement of financial position, the financial accounts disclosing overdrafts are classified as financial obligations.

Restricted cash is a money resource which is independently classified in order to use it for specific purposes and previously established, such as: debt payment, capital equipment, or to be used under emergencies and/or unforeseen losses. Therefore, it has certain limitation for its availability, which could be legal or contractual and it cannot be freely used to cover current financial commitments, as a result of the company normal activities of the company.

→ Derecognition of financial assets

A financial asset or a portion thereof, is derecognized when sold, transferred, expired or control is lost over the contractual rights or cash flows of the instrument. When substantially all risks and rewards of ownership are retained by ISA, the financial asset continues to be recognized in the statement of financial position for its full value.

3.10.2 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable transaction costs, except in the case of loans which are initially recognized at fair value of cash received less directly attributable transaction costs.

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ISA and its companies determine the classification of their financial liabilities in their initial recognition, which include: financial liabilities at fair value with changes in profit or loss or at amortized cost.

→ **Financial liabilities at fair value with changes in income**

They include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value with changes in the income statement.

→ **Financial liabilities at amortized cost**

They include borrowings received and bonds issued, which are initially recognized at the amount of cash received, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate, recognizing interest expenses based on the effective yield.

→ **Derecognition of financial liability**

The Group will derecognize a financial liability if, and only if, it expires, is canceled or the obligations originating the same have been met. The difference between the carrying amount of the financial liability and the consideration paid and payable is recognized in income.

3.10.3 Derivative financial instruments and hedging operations

Derivative financial instruments are initially recorded at fair value at the date of the transaction being valued on subsequent dates at fair value of those dates. The recognition of gains or losses from changes in fair value depends on the designation made of derivative financial instruments.

The Group designates certain hedging instruments, which include derivatives, embedded derivatives, and non-derivatives with respect to foreign currency risk as a fair value hedge, cash flow hedge, or net investment hedge in a foreign operation.

At the inception of the hedge, the entity documents the hedging ratio and objective and risk management strategy of the Company for undertaking the hedge; such documentation will include how the entity will measure the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

→ **Fair value hedging:**

Changes in fair value of derivatives designated and qualified as fair value hedges are recognized immediately in income, along with any changes in fair value of the hedged asset or liability attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of income with the hedged item.

The Company interrupts hedge accounting when: the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer meets the criteria for hedge accounting.

Any adjustment to the carrying amount of a hedged financial instrument is amortized to income for the period.

→ **Cash flow hedging:**

The effective change part in fair value of derivatives is recognized in other comprehensive income and will be accumulated under the heading “cash flow hedge gains.” The ineffective portion of gain or loss on the hedging instrument is recognized immediately in income in the line “other gains and losses”.

Amounts previously recognized in other integrated income and accumulated in equity, are reclassified in income of the period in which the hedged item, in the same line of the integrated income statement of the hedged item recognized.

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However, if the hedge of a forecast transaction would generate the recognition of a non-financial asset or non-financial liability, losses or gains previously accumulated in the equity are transferred and directly included in the initial cost or other item of the non-financial asset or liability.

The Company will discontinue hedge accounting when: the hedging instrument expires, is sold, or exercised and no longer meets the requirements for hedge accounting or hedge cash flow, ceases to be effective. A hedging is considered to be highly effective when the changes in the fair value or in cash flows from the underlying directly attributable to the hedged risk, are offset with the changes of the fair value or in the cash flows of the hedging instrument, with and effective range between 80%-125%. In this case, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income and accumulated in equity will remain separate in equity until the forecasted transaction is recognized in income. When it is no longer expected that the forecasted transaction will occur, any cumulative gain or loss is reclassified from equity to income.

→ **Hedges of a net investment in a foreign operation:**

Hedges of a net investment in a foreign operation are accounted for, similarly to cash flow hedges. Any gain or loss on the hedging instrument determined to be an effective hedge is recognized in other comprehensive income and accumulated in the foreign business translation reserve. The gain or loss relating to the ineffective portion will be recognized in income and included in the line “other gains and losses”.

Gains and losses on hedging instruments related to the effective portion of the hedge accumulated in the foreign business translation reserve are reclassified to income at the time of disposal of the business abroad.

3.10.4 Offsetting assets and financial liabilities

Financial assets and liabilities are offset and reported net in the financial statements if and only if there is a legally enforceable right to the closing date requiring to receive or cancel the amounts recognized for their net amount, and when there is an intention to offset on a net basis to realize the assets and settle the liabilities simultaneously.

3.11 Fair value measurement

The fair value of an asset or liability is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the primary market, i.e., the market with higher volume and level of activity for the asset or liability. In absence of a primary market, it is assumed that the transaction is carried out in the most advantageous market to which the Company has access, i.e., the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

To determine the fair value, the Company uses valuation techniques that are appropriate to the circumstances and on which there are sufficient data for measuring, maximizing the usage of relevant observable input data and minimizing the usage of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified in the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: valuation techniques for which, the data and variables that have a significant effect on the determination of fair value recorded are observable, either directly or indirectly.
- Level 3: internal valuation techniques, using company estimated variables not observable for the asset or liability (there is no observable information in the market).

By measuring the fair value, the Company considers the characteristics of the asset or liability:

- For non-financial assets, measurement of fair value considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- For liabilities and equity instruments, the fair value assumes that the liability will not be settled and the equity instrument will not be canceled, nor otherwise extinguish on the measurement date. The fair value of the liability reflects the effect of default risk, i.e. the risk that a Company does not fulfill an obligation, which includes but is not limited to own credit risk of the Company;
- In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the counterpart, it can measure the fair value on a net basis, consistently with how market participants would price net risk exposure at the measurement date.

3.12 Operations from the Wholesale Energy Market

In development of the activity of managing the electricity trading system (Administración del Sistema de Intercambios Comerciales de Energía Eléctrica –ASIC–) in the wholesale market and acting as agent with representation of the participants in the Colombian electricity market, ISA group through its subsidiary XM, collects on behalf of third parties those monies related to transactions performed by the principals in that market and distributes them to the beneficiary agents.

XM defines the following accounting criteria for the recognition of the regulated revenues:

- Revenues due to operating cost: The revenues by operating costs are recorded at the time of the service.
- Revenues due to investment cost: the methodology of recognition of regulated revenues of XM, provides the approval of investment revenues which is subject to meeting the five-year investment program. The total revenue received and corresponding to the remuneration from investments and projects, is treated as a deferred revenue at the moment billed; this deferred revenue is amortized according to depreciation expenses, amortization and studies and period projects, in the proportion as a result of dividing the deferred revenue by the investment on the fixed and intangible assets (net) of the financial statement position from former period. The value of investments not executed are transferred to the following year, this means, they are decreased at the amount billed in the following period.
- Remuneration of shareholders' equity. This revenue is recognized at the time that the regulated service is provided.
- Remuneration of the adjustment to the maximum regulated revenues: the total revenues received for this concept is recognized as a deferred revenue, which is amortized in the proportion additional approved expenses are executed. The adjustment value of the maximum regulated revenue not executed and linked to the implementation of new resolutions and legal defense expenses, is transferred to the next year, this means, the amount billed is reduced in the next period.

3.13 Provisions

They comprise provisions which are recognized when the Group has a present obligation –be it legal or implicit– as the result of a passed event, it is then probable that a resources outflow is needed to settle such obligation, and a reliable estimate can be made in regards to the obligation amount.

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The amount recognized as provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period, considering the risks and associated uncertainties. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount represents the present value of the cash flow –when the effect of the value of money over time is material–.

Certain contingent conditions may exist at the date of issuance of the statement of financial position. They may result in a loss for the Group and will only be resolved in the future, when one or more events occur or may occur; such contingencies are estimated by the management and its legal counsels. The estimated loss contingencies necessarily involve an exercise of judgment and is a matter of opinion.

In estimating loss contingency in legal proceedings that are pending against the Group companies, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the status of proceedings.

If the assessment of a contingency indicates that it is probable that a material loss will occur and the amount of the liability can be estimated, then it is recorded in the statement of financial position. And if the assessment indicates that a potential loss is not probable and the amount is known, or is probable but the amount of the loss cannot be estimated, then the nature of the contingency is disclosed in a note to the statement of financial position, with an estimate of the probable range of loss. Loss contingencies considered as remote are generally not disclosed.

3.14 Income tax

The expense for income tax for the period comprises current and deferred income tax. Tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. The expense for income tax is recognized in income,

except in the case related to items recognized directly in equity, in which case it is recognized in equity.

3.14.1 Current tax

The current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the profit reported in the income statement because of items of revenues or taxable or deductible expenses in other years and items that are never taxable or deductible. Liabilities for current tax is calculated using tax rates enacted or substantially approved at the end of the period.

Management periodically evaluates positions taken in tax returns with respect to situations where tax laws are subject to interpretation. The Group, where applicable, creates provisions on the amounts expected to be paid to the tax authorities.

3.14.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying number of assets and liabilities included in the statement of financial position and the corresponding tax bases used for determining taxable income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities by current tax and are related to income taxes applied by the same tax authority on the same taxable entity.

Deferred tax assets are recognized by all deductible temporary differences, including tax losses, to the extent that it is likely to be taxable income against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be recovered.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable

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profits available to allow the use of all or part of the deferred tax asset. The deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

3.15 Employee benefits

Employee benefits include all compensation to employees and former employees related to the provision of services to the entity. These are wages, short and long-term benefits, termination benefits and post-employment benefits.

3.15.1 Post-employment benefits

→ Defined contribution plans

The defined contribution plan is a post-employment benefit in which the Group pays fixed contributions to a pension fund, and which has no legal obligation to pay additional amounts. The obligations for payment of contributions to defined benefit pension plans are recognized as an expense for employment benefits into income in the periods in which the services are rendered by employees.

→ Defined benefit plan

In the case of defined benefit plans, the obligation and the cost of such benefits is determined by using the method of the projected unit credit with independent actuarial valuations on an annual basis.

The liability recognized in the statement of financial position regarding defined benefit pension plans is the present value of the obligation set at the date of the statement of financial position, less the fair value of the plan assets, along with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated outflow of cash, using interest rates calculated from the yield curve of Colombian Government bonds –TES B curve–, denominated in Actual Value Units (Unidades de Valor Real –UVR–, with periods near to the terms of the pension obligation until maturity.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless changes in the pension plan are conditional on the employee to continue in service for a specific period (period granting the right). In this case, the past service costs are amortized using the straight-line method during the period granted by the right.

→ Other post-employment obligations

The Group provides its pensioners with medical plan benefits, contributions to social security and educational aid after the employment relationship. The right to this benefit generally conditioned that the employee has worked until retirement age.

The obligation and the cost of such benefits are determined through a projected unit credit methodology. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise. Qualified independent actuaries annually value these obligations.

3.15.2 Non-current benefits

Some companies of the Group provide their employees with benefits associated with their time of service, such as seniority premium and five-year period payments.

The fair value of any related asset is deducted from the present value of the obligation by benefits defined when establishing deficit or surplus. The certified independent actuaries annually perform the calculation, using the projected credit unit method to make a reliable estimate of the final cost for the Company. Any actuarial gain or loss is recognized in income in the period concerned.

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3.15.3 Current benefits

Short-term obligations from employee benefits are recognized as expenses as the related service is provided. Employment obligations are adjusted at the end of each year, based on laws and labor agreements.

An obligation for the amount expected to be paid within the following cut-off year is recognized when a legal or current constructive obligation is held to pay this amount as a result of a service provided by the employee in the past and the obligation can be estimated with reliability.

3.15.4 Plan assets

Plan assets correspond to the set of assets used by the Group through subsidiary XM, in virtue of the legal provisions in effect or by own initiative to comply with pension obligations. These resources are recognized following the same policies that would apply if were classified in the other kind of assets and their restatement is recognized in income of the period. The minimum amount of the reserve must correspond to pension liabilities supported by the actuarial calculation.

3.16 Onerous contracts

Present obligations arising from an onerous contract are recognized as a provision when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under the same. To date of the statement of financial position, the Group has no provisions for onerous contracts.

3.17 Recognition of revenues, costs, and expenses

Revenues, costs, and expenses are recorded based on the principle of accrual.

3.17.1 Revenues

Revenues are calculated at fair value of the consideration received or receivable, considering the estimated amount of any discount, bonus, or commercial rebate that

the entity may grant. Revenues from rendering of services are recognized over the contractual period or when services are rendered.

The following criteria apply for the recognition of revenues:

→ Revenues from energy transmission and other associated services

Colombian companies –ISA, INTERCOLOMBIA, TRANSELCA and XM– providers of the energy transmission and other related services, are regulated by the Gas and Energy Regulatory Commission (Comisión de Regulación de Energía y Gas –CREG–). The revenues by operating costs are recorded at the time of the service.

→ Due to its special operation, XM defined the following accounting criteria for the recognition of regulated revenues:

- Revenues by investment cost and remuneration of adjustment to maximum regulated revenues: the methodology of recognition of regulated revenues of XM S.A. E.S.P. provides the approval of investment revenues by the adjustment at maximum regulated revenues, which is subject to meeting the five-year investment program or the development of additional assigned activities. For this situation, the total revenue received is initially registered as a deferred revenue, in virtue of their origin and nature, they have the nature of revenues and affect various periods where they should be applied or distributed. This deferred revenue will be amortized according to the destination of such funds, either to finance asset acquisition, in which case it will be amortized in the same proportions as the expense is recognized by depreciation and amortization of these assets, or by covering the specific costs or expenses, in which case it will be amortized by the value of the cost or expense covered.
- Remuneration of shareholders’ equity. This revenue is recognized at the time that the regulated service is provided.

→ Revenues from concession arrangements

Revenues from concession applicable to Companies in Brazil, Bolivia, Chile, and Peru are measured by the fair value of the consideration received or receivable, considering the contractually defined conditions of payment. The following specific criteria must be met to recognize revenue in accordance with the application of IFRIC 12:

- Construction services
- Revenues and costs for construction services of projects are recognized in the comprehensive income statement, according to the method of percentage of completion of projects at the date of statement of financial position. Some Group companies do not recognize any profit margin in the provision of these services because these services are provided, managed, and/or monitored by a related company which recognizes such margin in its financial statements; in Brazil, it was determined that the fair value of construction assets consider a sufficient margin to cover costs and expenses incurred in the construction stage.

→ Operating and maintenance services

Revenues from operation and maintenance services to third party facilities are recognized as the service is provided.

→ Financial returns of concessions recorded as financial asset

Companies that recognize their concessions as financial asset according to IFRIC 12, recognize the interest of the receivable charged to income using the effective interest rate method.

→ Revenues from construction contracts

When the outcome of a construction contract can be estimated reliably, the revenues from ordinary activities and their associated costs should be recognized based on the progress of the work at the end of the reporting period. The measurement is

performed on the basis on the proportion that contract costs incurred for work performed to that date represent to total estimated contract costs, except that if this ratio is not representative of the status of completion. Variations in contract works, claims and incentive payments are included to the extent that it can reliably measure the amount and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, the revenues from ordinary activities should be recognized only to the extent that it is probable recovering costs incurred in virtue of the contract. Contract costs should be recognized as expenses in the period incurred. In the case of a possibility that the total contract costs will exceed total revenues, the expected loss is recognized as an expense immediately.

For contracts where billings based on work progress exceeds the contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as amounts due to customers for the work contract. Amounts received before the related work is performed, are included in the consolidated statement of financial position as a liability, as an advance payment received. Amounts billed due to the work performed but not paid yet by the customer, are included in the statement of financial position in commercial accounts receivable and other accounts receivable.

→ Earnings from dividends and interest

Earnings from dividends are recognized once shareholders' rights to receive the payment have been established –if the economic benefits will flow to the Company and ordinary revenues can be measured reliably–.

Earnings from interest are recognized when it is probable that the Group companies will receive economic benefits associated with the transaction. Earnings from interest are recorded on a time basis, by reference to the outstanding principal and the

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effective interest rate applicable, which is the discount rate that exactly matches the cash flow receivable or payable estimated throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

3.17.2 Government grants

Government grants are only recognized when there is reasonable assurance that the entity meets the conditions attached to the grant and the grant will be received.

Other government grants must be recognized as gain or loss on a systematic basis over the periods necessary to match them with the related costs. Government grants whose primary condition is that the Group purchases, constructs or otherwise acquires non-current assets are recognized as deferred revenues in the consolidated statement of financial position and transferred to income on a systematic and rational basis over the useful life of related assets.

In the case of Chilean concessionaire companies –Ruta del Bosque and Ruta de los Ríos–, the grant is recognized as a lower value of accounts receivable, given that concessions classify under the financial assets model. These government grants have the following characteristics:

One month after the fourth year of concession and provided that the Provisional Commissioning has been granted for the entire work under concession, the Ministry of Public Works of Chile –MOP– will pay to the concessionaire an annual amount expressed in UF and calculated on the bases described by them.

In the event that completed the fourth year of concession, Provisional Commissioning has not been granted for the entire work, such payment will be made one month after such approval, at the UF value on the last day of the month before the payment date.

In the remaining years, the payment will be made on the same date each year. For the last year of the concession, if it deems less than 12 months, payment of the grant will be in proportion to the months it operated effectively.

The benefit of a government loan at an interest rate below the market is treated as a government grant, measured as the difference between the benefits received and the fair value of the loan based on the exchange rate in effect on the date.

3.18 Operation segments

The Group has defined the segment of linear infrastructure management, through which it has business lines: management of linear infrastructure investments, energy transmission, connection to grid and construction services. The Company’s corporate strategy is defined by business and management and is performed by company.

The business lines of the Group are described below:

- **Management of investments in linear infrastructure:** consists in the management of investments related to linear infrastructure in Energy Transmission, Telecommunication and Information Technologies, Toll road concessions and Management of Real-Time Systems.
- **Energy transmission service:** consists in energy transmission through transmission systems and the operation, maintenance, and expansion of transmission systems, either national or regional.
- **Connection to grid:** lines, substations and associated equipment that interconnect the regions.
- **Construction service:** construction services for third party-owned projects.

3.19 Earnings per basic and diluted share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent company by the weighted average of common shares outstanding in

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the year, excluding common shares acquired by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the average number of common shares outstanding to simulate the conversion of all dilutive potential common shares. During the 2016 and 2015 period, the Group did not perform any potential dilutive effect operations that entail diluted earnings per share other than the basic benefit per share.

3.20 Distribution of dividends

Distribution of dividends to shareholders is recognized as a liability in the financial position of the Company, in the period in which the Shareholders’ Meeting approves the dividends, or when the corresponding obligation is in place according to the applicable legal provisions or policies established by the Shareholders’ Meeting.

3.21 Capital Stock

Common shares are classified as equity. Expenses from issue and placement of shares or options, to the extent they are incremental expenses directly attributed to the transaction, are disclosed in equity as a deduction of the amount received, net of tax, in the “Issue premiums” item, in the case that the issue premiums account has no balance, or the costs pointed out exceed their amount, then they are recorded in “Other reserves.”

The repurchase of own equity instruments of the Company is recognized and deducted directly in equity at acquisition cost and difference with the par value is recognized as a higher or lower value of the premium for placement of shares. Rights are suspended for repurchased own shares and therefore they do not participate in the distribution of dividends.

The Company is listed primarily in the Colombian Stock Exchange.

3.22 Premium for placement of shares

The premium corresponds to the overprice on placement of shares resulting in capital increase operations.

3.23 Financial statements presentation

For the year ended on December 31, 2016, the Group did a reclassification in the presentation of its annual financial statements (including the comparative period) of the following items:

- It was separated from property, plant, and equipment the amount corresponding to investment property and it was reclassified to intangibles at ISA Bolivia, accumulated depreciation of the transmission lines (Notes 10 and 11):

	Previously reported value	Reclassification	Reclassified Value
Property, plant, and equipment - net	6.707.058	(7.609)	6.699.449
Investment Property	-	7.886	7.886
Intangibles	5.451.014	(277)	5.450.737
Total	12.158.072	-	12.158.072

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→ Expense reclassification due to currency translation at INTERNEXA in Brazil (Note 25)

	Previously reported value	Reclassification	Reclassified Value
Other net revenue/(expenses)	21.365	13.699	35.064
Financial expenses	(1.938.830)	(13.699)	(1.952.529)
Total	1.917.465	-	1.917.465

→ Reclassification of construction revenues to energy transmission services revenues and road revenues to construction revenues.

	Previously reported value	Reclassification	Reclassified Value
Energy transmission services	2.739.308	21.349	2.760.657
Toll road concessions	1.095.223	(97.452)	997.771
Constructions for sale	797.864	76.103	873.967
Total	4.632.395	-	4.632.395

Group believes the former classification allows a better understanding of the annual financial statements.

The change does not impact the annual period (and the comparative one), neither the cash flow in the activities of operation, investment, and financing.

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II. NOTES TO FINANCIAL INFORMATION

4. CASH AND CASH EQUIVALENT

The composition of the item as of December 31, 2016, and 2015 is as follows:

		2016	2015
CASH			
Cash and Banks		294.631	471.423
Cash equivalent			
Fixed income investments	(1)	800.487	548.155
Other variable income investments	(2)	72.235	9.672
Total cash equivalent		872.722	557.827
Total cash and cash equivalent		1.167.353	1.029.250

- (1) It includes CD for COP713.721 (2015: COP3.057), Bonds and Securities for COP86.766 (2015: COP79.632).
They also include purchasing operations with repurchase agreements maturing within 90 days from the date of investment.
- (2) It basically includes deposits in TRANSELCA trusts for COP10.310 (2015: COP4.807) and negotiable securities of easy liquidation within 90 days mainly at Ruta de los Ríos for COP16.828 (2015: COP 0) and Ruta del Maule for COP14.166 (2015: COP 0).

4.1 Resource Management

XM as the manager of the Trade Exchange System of the Energy Whole Sale Market and the charges due to the use of the National Interconnected System, receives money from agents to cover market operation payments with other agents. Company does not own



such moneys. Balance of assets and liabilities of third parties as of December 31, 2016, and 2015 are represented in:

		2016	2015
Assets			
Cash and cash equivalent	(1)	263.106	210.214
Total assets		263.106	210.214
Liabilities			
Collections in favor of agents		263.084	210.208
GMF Reserve	(2)	22	6
Total liabilities		263.106	210.214
Net		-	-

- (1) Balances in bank accounts. The use of these moneys is restricted to stock market transactions in accordance with the regulations in effect.
- (2) This balance is due to an account payable to XM S.A. E.S.P., and established as provision in bank accounts to cover possible bank expenses and GMF for the first days of the following month.

5. RESTRICTED CASH

The composition of the item as of December 31, 2016, and 2015 is as follows:

		2016	2015
Restricted cash			
Total Restricted cash		68.311	46.554

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Restricted cash includes: COP20.298 by ISA for trusts created with resources for execution of delegated management projects FAER, FAZNI and Variante Ipiales, and management trusts and payments for projects from the Energy Mining Planning Unit (Unidad de Planeación Minero Energética –UPME–) and contributions to the Jaguar Connection project COP9.871 of ISA Bolivia, corresponding to reserves for

financing contracts entered into with the Inter-American Development Bank –IDB– and Corporación Andina de Fomento –CAF–, and COP5.977 of PDI corresponding to the drawdowns current account of the General Tax on Sales –IGV–, deposited at the Banco de la Nación (Nation Bank), due to deposits made by the customers product, of the service rendering.

6. CURRENT FINANCIAL ASSETS

6.1 Accounts receivable

		2016			2015		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Customers and con-cessions	(1)	3.019.038	15.251.397	18.270.435	2.021.376	8.884.742	10.906.118
Loans to economic related parties		-	-	-	160	3.090	3.250
Loans to employees	(2)	12.087	36.509	48.596	8.030	30.795	38.825
Accounts receivable Law 4819	(3)	-	1.536.521	1.536.521	-	1.197.258	1.197.258
VAT accounts receivable –MOP–	(4)	103.281	4	103.285	83.574	-	83.574
Other debtors	(5)	177.010	223.117	400.127	128.749	249.067	377.816
Total accounts receivable		3.311.416	17.047.548	20.358.964	2.242.460	10.366.067	12.608.527
Less - impairment	(a)	(56.861)	(477.367)	(534.228)	(12.352)	(418.182)	(430.534)
Total accounts receivable net		3.254.555	16.570.181	19.824.736	2.230.108	9.947.885	12.177.993

(1) This item includes the following balances:

- Financial assets of road concessions in Chile and energy transmission in Brazil 2016: COP17.731.625, (2015: COP10.459.271) (See Note 23).

As part of the balance of the account receivable, COP1.013.565 are included in CTEEP, which correspond to the estimated portion of investments conducted and not amortized up to the end of concession contracts, and from which there is a right to receive cash or another financial asset at the end of contract. On the

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other hand, it includes COP8.452.022, corresponding to the historical cost of assets called “Existing System” –SE– of CTEEP. These assets were valued at New Replacement Value (Valor de Reposición a Nuevo Depreciado –VRN–), pursuant to appraisal conducted on November 14, 2012. CTEEP believes it is entitled to receive such amount for compensation of these assets. However, in 2013, the amount was reduced to the historical cost of these assets taking into consideration the pronouncement from ANEEL N° 155 issued in January 23, 2013.

On August 13, 2014 CTEEP submitted to ANEEL a technical appraisal report for an amount of BRL5.186 million (COP4.711.573 million), equivalent to the assets valued at New Replacement Value and adjusted by the accumulated depreciation up to December 31, 2012.

On December 15, 2015, at the 47th Public Annual Meeting of ANEEL’s Board, a compensation value was approved for BRL3.896 million (COP3.539.871 million), by communication N° 4036/2015 published in Official Journal on December 21, 2015. On December 30, 2015, CTEEP formalized the reconsideration petition against this decision by ANEEL’s Board, which is still pending for respond as of this date.

The State Ministry of Mines and Energy published in Administrative Act N° 120 on April 20, 2016 (“Portaria 120”), which established that “the values approved by –ANEEL– related to assets covered by Article 15, paragraph 2nd, of Law N° 12,783, on January 11, 2013, move to comprise the Regulatory Remuneration Base of the energy transmission concessionaries, as of the rate process of 2017, for an estimated term of eight years.

As a result of this fact, the company, as well as independent auditors, made an analysis to establish whether the elements part of such Administrative Act, allow it accounting registration in the month of June 2016.

On the other hand, CTEEP and ISA considered that as of June 30, it was not possible to accounting register the amount updated to the RBSE value, since there are relevant issues for the establishment of this value which were debated by ANEEL in Public Hearing.

After Technical Note N° 336/2016 was published and clarifying public hearings in Brazil, related to

the issue of recognition of the value of the Basic Network of the existing System –RBSE–, the company stated there are enough conditions to execute in this quarter its recognition in CTEEP, ISA subsidiary.

ISA management, based on what described by ANEEL Technical Note N° 336/2016, and taking into account that the current Technical Note could change during public hearing at ANEEL, prepared its best estimate for recognition on September 30, 2016. As of this date, the compensation amount will be treated as a financial asset with the specific interest term and effective rate, in accordance to its characteristics.

Under the International Financial Reporting Standards –IFRS–, this includes updating the receivables and future cash flows of the financial asset. The accounts that affect the recognition of the RBSE values in the Income Statement are: operating revenues (COP5.5 trillion), costs for taxes (COP1.7 trillion); balance sheet accounts affected are accounts receivable (COP6,4 trillion) and accounts payable related to taxes and contributions (COP2.6 trillion).

This fact is important, since it multiplied by 4.5 the year’s operating revenues and taxes by 15 times at the income statement.

In addition, CTEEP has a recognized account receivable net of provision from the Government of the State of São Paulo associated to the processes under Law 4819/58 for BRL1.669 million (COP1.536.521), and BRL518 million (COP477.367), respectively. For a provision net of COP 1.059.154 million.

- It also includes the market management accounts corresponding to 100% to XM for COP11.743.
- (2) Loans to employees mainly comprise credits granted for acquisition of housing, vehicles, education loans, and update to amortized cost.
- (3) This item mainly comprises accounts receivable of CTEEP to Government of Brazil for labor benefits ruled by Law 4819 of 1958. This increase compared to former year, is due to the decision of complying with the Labor Tribunal N° 49 in which CTEEP transfers funds to Funcesp to proceed with retirees’ payment.

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(4) Account receivable from the Ministry of Public Works of Chile –MOP–, corresponding to VAT associated to costs for construction, maintenance and repair performed by Chilean toll road concessions. The VAT corresponding to the construction works is invoiced every four months to the MOP.

(5) Miscellaneous debtors are mainly in CTEEP COP30.985 due to disposal of fixed and other assets, and in Transmantaro, private contracts for energy transmission signed with third parties, which are seen as finance lease contracts for COP207.488; the disbursements made by Transmantaro for the construction of an asset are recognized as account receivable, as long as the energy transmission lines are under construction, and as an account receivable which is equal to the outstanding lease installments when the construction has been finished.

These lease contracts have renewal clauses, but do not establish purchase options or updating clauses. Contract renewals are up to the lessee.

	2016	2015
Initial balance	(430.534)	(477.711)
Provisions of year charged to profit or loss	(48.062)	(996)
Portfolio write-off	(3.855)	-
Recovery of provisions	217	48.173
Currency translation effect	(51.994)	-
Final Balance	(534.228)	(430.534)

As of December 31, 2016, and 2015, the Company management believes that, except for accounts receivable provisioned as doubtful accounts, it is not necessary to increase this provision because their main customers are renowned in the international market and they do not show any financial issues or have any indication of impairment at the closing of the period.

There are no restrictions on providing such accounts receivable of significant amount.

The Group does not have any customers with whom it records sales representing 10% or more of its ordinary revenues for the year ended December 31, 2016 and 2015.

As of December 31, 2016, and 2015, the analysis of trade receivables, due and unpaid, is as follows:

Customers	2016	2015
Current	18.183.504	10.849.985
Due		
Due between 1 and 90 days	55.526	29.822
Due between 91 and 180 days	6.232	9.335
Due between 181 and 360 days	5.380	5.202
Due between 1 and 3 years	18.623	4.460
Due between 3 and 5 years	220	346
Due above 5 years	950	6.968
Total due	86.931	56.133
Total accounts receivable from customers	18.270.435	10.906.118

The Company charges interest on overdue accounts to its customers at the maximum rate authorized by law. By December 2016 and 2015, the rates were 33,51% and 29%, respectively.

As of December 31, 2016, and 2015, there are no individually impaired portfolio.

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6.2 Other Financial Assets

		2016			2015		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Rights on trusts	(1)	337.275	-	337.275	357.261	-	357.261
CDs over 90 days	(2)	215.570	-	215.270	-	-	-
Total		552.845	-	552.845	357.261	-	357.261

- (1) Mainly includes funds invested by CTEEP, the companies where it holds control and joint control, in investment fund DI Bandeirantes 2016: COP294.607, (2015: COP148.351), managed by Banco Bradesco and investment Fund DI Xavantes 2016: COP33.099, (2015: COP206.984), managed by Banco Itaú Unibanco.
- (2) The balance as of December 31, 2016, comprises TDs higher than 90 days mainly in Ruta del Maule for COP71.968, INTERVIAL CHILE for COP36.966, Ruta del Maipo for COP28.66, and Ruta de la Araucanía for COP30.392.

7. NON-FINANCIAL ASSETS

Balances as of December 31, comprise the following:

		2016			2015		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Non-financial assets							
Pre-paid expenses	(1)	57.370	-	57.370	58.549	-	58.549
Prepayment for purchase of goods and services	(2)	74.011	-	74.011	133.950	-	133.950
Deposits delivered	(3)	325	64.641	64.966	479	53.480	53.959
Other		1.169	2.775	3.944	804	24.220	25.024
Total		132.875	67.416	200.291	193.782	77.700	271.482

- (1) Pre-paid expenses mainly comprise insurance and advance payments for travel expenses and acquisition of goods and services, besides prepayments to suppliers for projects, mainly delegated management.
- (2) Mainly correspond to prepayments to suppliers for purchase of supplies and equipment to be used in the projects of Proyectos de Infraestructuras del Perú and Transmantaro.
- (3) Mainly includes in CTEEP, judicial deposits to cover labor contingencies for COP64.603.

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8. INVENTORIES - NET

ISA and its companies perform actions to secure due preservation and safeguard of their inventories, and they are insured by a combined material damage policy; they also perform periodical physical inventories and have not found any significant differences in the counting. Inventories have no restrictions, liens or pledges limiting their use or realization.

2016				2015			
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Inventories							
Materials for rendering of services	(1)	103.711	74.108	177.819	146.723	82.279	229.002
Inventory in transit		1.178	-	1.178	3.209	-	3.209
Total inventories		104.889	74.108	178.997	149.932	82.279	232.211
Provision	(2)	(3.146)	(1.176)	(4.322)	(1.919)	(553)	(2.472)
Total inventories, net		101.743	72.932	174.675	148.013	81.726	229.739

- (1) They correspond to inventories for the provision of energy services and project construction, to guarantee service continuity and allow compliance with system availability indicators.
- (2) The value of the provision corresponds to excess amounts, obsolete and non-usable for INTERCOLOMBIA, which is calculated in general according to the groups of inventory elements. The increase of current provisions is due provisions at this subsidiary in Colombia, for COP1.048 and provision reversal in CTEEP for COP (48).

As of December 31, 2016, and 2015 there are no liens on inventories.

Movement - provision of inventories

Movement - provision of inventories	
Final Balance 2015	(2.472)
Charge in income	(1.000)
Inventories write-off	426
Currency translation effect	(1.276)
Final Balance 2016	(4.322)

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9. INVESTMENTS IN JOINT VENTURES AND FINANCIAL INSTRUMENTS

The composition of investments in joint ventures and with policy purposes as of December 31, 2016, and December 31, 2015, are detailed below:

Main activity		Place and creation of transactions	Stake (%)		Balances as of 2016	Balances as of 2015
Investments in jointly controlled entities (1)			2016	2015		
Interligação Elétrica Madeira S.A. –IEMADEIRA–	Energy transmission	Brazil	51	51	1.117.541	759.320
Interligação Elétrica Norte Nordeste S. A. –IENNE–	Energy transmission	Brazil	25	25	96.577	78.432
Interligação Elétrica Sul S. A. –IESUL–	Energy transmission	Brazil	50	50	110.174	90.965
Interligação Elétrica Garanhuns S.A. –IE GARANHUNS–	Energy transmission	Brazil	51	51	357.794	266.159
Interconexión Eléctrica Colombia Panamá S. A. –ICP–	Energy transmission	Panama	50	50	8.018	9.307
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	Energy transmission	Colombia	50	50	4	5
Transnexa S.A. E.M.A.	Telecommunications	Ecuador	50	50	-	-
Derivex S.A.	Derivative financial instruments	Colombia	49,95	49,95	510	493
Parques del Río	Roads	Colombia	33,00	0,00	93	-
Total investments in jointly controlled entities					1.690.711	1.204.681
Financial instruments (2)						
Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,481%	0,481%	-	10.108
Company which owns the Grid –EPR–	Energy transmission	Costa Rica	11,110%	11,110%	12.524	12.524
Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,000448	0,000448	3	3
Cámara de Riesgos Central de Contraparte de Colombia	Operations Settlement and Compensation System	Colombia	7,18%	7,18%	2.863	2.177
Red Centro Americana de Telecomunicaciones –REDCA–	Telecommunications	Costa Rica	11,11%	11,11%	925	945
Total Financial instruments					16.315	25.757

(1) ISA holds joint control on these companies, expressly defined in the Bylaws and for which there is arbitration in case of conflict with the counterpart. These investments are updated using the equity method of accounting, the fiscal term of all these companies is December 31.

(2) ISA and its subsidiaries owe these investments as a mobilized strategic business plan in the various countries -Electrificadora del Caribe was received in lieu of payment.

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10. PROPERTY, PLANT, AND EQUIPMENT - NET

Following is the balance of property, plant, and equipment:

		2016	2015
Property, plant, and equipment in operation			
Grids, lines, and cables	(1)	9.411.326	9.347.530
Plants and ducts		5.557.023	5.584.529
Buildings		362.469	357.870
Land		229.322	229.181
Machinery and equipment		220.823	185.512
Communication and computing equipment		173.198	146.617
Transportation, traction and lifting equipment		42.051	34.185
Furniture, chattels, and office equipment		50.863	42.744
Subtotal property, plant, and equipment		16.047.075	15.928.168
Less – cumulative depreciation		(10.354.753)	(10.267.103)
Total property, plant, and equipment in operation		5.692.322	5.661.065
On-going constructions	(2)	716.826	475.079
Machinery, plant, and assembly equipment		1.343.957	561.434
Machinery and equipment in transit		6	1.870
Total net property, plant, and equipment		7.753.111	6.699.448

(1) The most significant item corresponds to lines and grids for energy transmission and telecommunications necessary for provision of these services and plants and ducts for substation equipment. 90% balance corresponds to ISA parent company, purchases were made for COP353.970, and the following projects were activated: Second Circuit Betania Mirolindo Line project for COP39.876, San Marcos Series Compensation for COP19.527, UPME 08-2014 Valledupar Capacitive Compensation 50 Mvar 220 kV for COP16.888, UPME

09-2015 - Cartago 230 kV for COP8.881, Ocaña Substation expansion 230 kV for COP5.427, transfers for COP2.588 and losses were recorded for COP141.904.

(2) Includes on-going constructions, machinery in assembly and machinery in transit of companies INTERCHILE (71%), ISA (24%), TRANSELCA, REP, Transmantaro, ISA Bolivia, INTERNEXA in Argentina and INTERNEXA in Brazil.

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→ Property, plant, and equipment movement

	Balances as of December, 2015	Additions and/or transfers	Sales and/or write-offs	Depreciation	Exchange difference	Balances as of December, 2016
Grids, lines, and cables	2.880.017	162.314	(421)	(108.498)	(34.380)	2.899.032
Plants and ducts	2.145.314	130.937	(4.571)	(143.598)	(144)	2.127.938
Buildings	275.567	6.466	(4)	(5.144)	(238)	276.647
Land	229.181	318	-	-	(177)	229.322
Machinery and equipment	70.615	23.388	(33)	(9.248)	(9.706)	75.016
Communication and computing equipment	26.367	25.607	(3.930)	(6.693)	(162)	41.189
Transportation, traction and lifting equipment	13.401	1.241	(140)	(2.283)	1.214	13.433
Furniture, chattels, and office equipment	20.604	13.019	(779)	(3.030)	(69)	29.745
On-going constructions	475.078	244.441	(2.067)	(651)	25	716.826
Machinery, plant, and assembly equipment	561.435	783.654	(1.417)	-	285	1.343.957
Machinery and equipment in transit	1.870	(1.864)	-	-	-	6
Total	6.699.449	1.391.385	(13.362)	(279.145)	(43.351)	7.753.111

ISA and its companies currently hold insurance policies for combined material damages, terrorism, and consequential losses, intended to ensure the loss and damage of its fixed assets, except transmission lines and towers. There are no restrictions or pledges or mortgaging on assets for any obligations.

As of December 31, 2016, and 2015, the management states there are no operating and/or economic indications identified, revealing that the net carrying value of property, plant and equipment cannot be recovered.

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11. INVESTMENT PROPERTY

	2016	2015
Investment Property		
Land	2.761	1.840
Buildings	9.994	9.994
Subtotal Investment property	12.755	11.834
Less – cumulative depreciation	(4.031)	(3.948)
Subtotal Investment property	8.724	7.886

Investment property corresponds to blocks II and V of ISA’s headquarters, leased to its subsidiaries XM and INTERNEXA S.A., respectively. Revenues, costs, and expenses associated to the investment property are executed by INTERCOLOMBIA, through the rendering of services contract.

Name	Balance 2015	Additions and/or transfers	Sales, write-offs and/or transfers	2015 Depreciation Expenses	2016 Balance
Land	1.839	921	-	-	2.760
Buildings	6.047	-	-	(83)	5.964
Total	7.886	921	-	(83)	8.724

There are no agreements for repair, maintenance, acquisition, construction, or development representing future obligations for the Company as of December 31, 2016, and 2015.

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12. INTANGIBLES

		2016	2015
Intangibles			
Software		91.116	94.161
Licenses		74.035	48.359
Easements	(1)	107.030	101.415
Concessions	(2)	7.244.232	6.362.082
Goodwill and brands		1.575.953	1.602.285
Less – intangible amortization		(2.912.506)	(2.757.565)
Total intangibles		6.179.860	5.450.737

- (1) Easements correspond to rights acquired by the Company for the passage of its operating assets, mainly the transmission lines. These assets are acquired in perpetuity, i.e. no term or deadline agreement has been established and the right remains in time.
- (2) The rights include the concessions in Peru, Bolivia, and Colombia, which are treated as intangibles according to their characteristics (See Note 23 Concessions).

→ Movement of Intangible assets

Name	Balances as of December 2015	Additions		Asset retirement	Amortization	Other	Balances as of December 2016
		Internal development	Acquired separately				
Software	24.079	1.092	11.806	(214)	(4.399)	(10.737)	21.627
Licenses	21.190	-	798	(4.254)	(5.697)	7.945	19.982
Easements	101.415	-	5.369	-	-	246	107.030
Rights	4.897.833	1.019.527	32.537	(448)	(240.160)	(160.227)	5.549.062
Goodwill	406.220	-	21.831	(2.119)	(7.568)	63.795	482.159
Total	5.450.737	1.020.619	72.341	(7.035)	(257.824)	(98.978)	6.179.860

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As of December 31, 2016, and 2015, the Group Management believed that there were no operating and/or economic signs indicating that the registered net value of the intangible assets may not be recovered.

13. FINANCIAL INSTRUMENTS

13.1 Classification of asset financial instruments by nature and category

Fair value of financial assets

The carrying value of financial assets measured at amortized cost is the reasonable approach to its fair value. The fair value is presented in the following table, based on the categories of financial assets, compared with its current and non-current carrying value included in the financial statements:

The detail of financial instruments of asset, classified by nature and category, as of December 31, 2016, and 2015 is as follows:

NOTES		2016		2015	
CURRENT FINANCIAL ASSETS		AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Cash and cash equivalent	4	-	1.167.353	-	1.029.250
Current financial assets	6	3.254.556	-	2.230.108	-
Other Financial Assets	6	552.844	-	357.261	-
Total current		3.807.400	1.167.353	2.587.369	1.029.250
Restricted cash	5	-	68.311	-	46.553
Equity instruments	9	-	16.315	-	25.757
Current financial assets	6	16.570.181	-	9.947.885	-
Other Financial Assets	6	-	-	53.480	-
Total non-current		16.570.181	84.626	10.001.365	72.310
Total		20.377.581	1.251.979	12.588.734	1.101.560

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13.2 Classification of financial instruments of liabilities by nature and category

Fair value of financial liabilities

The carrying value of financial liabilities measured at amortized cost is the approximation of its fair value. The fair value is presented in the following table, based on the categories of liabilities, compared with current and non-current carrying value included in the financial statements:

The detail of liability financial instruments, classified by nature and category, as of December 31, 2016, and 2015 is as follows:

NOTES		2016		2015	
FINANCIAL LIABILITIES		AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Financial liabilities and bonds	14	1.662.344	-	1.540.078	-
Derivative financial instruments	14	-	11.859	-	169
Accounts payable	16	905.226	-	685.079	-
Total current		2.567.570	11.859	2.225.157	169
Financial liabilities and bonds	13	10.455.428	-	9.057.920	-
Derivative financial instruments	14	-	341.793	-	324.112
Accounts payable	16	979.709	-	1.151.775	-
Total non-current		11.435.137	341.793	10.209.695	324.112
Total		14.002.708	353.652	12.434.852	324.281

13.3 Financial instruments at fair value

a. Fair value hierarchies

The financial instruments recognized at fair value in the statement of financial position are classified hierarchically according to the criteria described in Note 3.8.3.

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The following table shows the financial and liabilities assets measured at fair value as of December 31, 2016, and 2015:

2016					
FINANCIAL INSTRUMENTS	2016		FAIR VALUE MEASURED AT THE END OF PERIOD		
AT FAIR VALUE	CURRENT	NON-CURRENT	LEVEL I	LEVEL II	LEVEL III
Current financial assets					
Cash and cash equivalent	1.167.353	-	1.167.353	-	-
Restricted cash	-	68.311	68.311	-	-
Equity instruments	-	16.315	-	16.315	-
Total	1.167.353	84.626	1.235.666	16.315	-
Financial liabilities					
Derivative financial instruments	11.859	341.793	-	353.652	-
Total	11.859	341.793	-	353.652	-

2015					
FINANCIAL INSTRUMENTS	2015		FAIR VALUE MEASURED AT THE END OF PERIOD		
AT FAIR VALUE	CURRENT	NON-CURRENT	LEVEL I	LEVEL II	LEVEL III
Current financial assets					
Cash and cash equivalent	1.029.250	-	1.029.250	-	-
Restricted cash	-	46.554	46.554	-	-
Equity instruments	-	25.757	-	25.757	-
Total	1.029.250	72.311	1.075.804	25.757	-
Financial liabilities					
Derivative financial instruments	169	324.112	-	324.281	-
Total	169	324.112	-	324.281	-

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14. FINANCIAL LIABILITIES

The balance of this item as of December 31, 2016, and 2015 is composed by bonds and financial obligations, as shown below:

14.1 Outstanding Bonds

As of December 2016, the debt represented in bonds amounted to COP7.364.345 million.

Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate	2016 (COP million)		2015 (COP million)			
						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
COLOMBIA						COP \$1.823.000	COP \$1.842.275	COP \$1.623.000	COP \$1.637.682		
ISA											
Program Tranche 2	COP	20/02/2004	20/02/2016	12	IPC + 7,300%	-	-	COP 150.000	COP 152.294		
Program Tranche 4 Lot 1	COP	7/04/2006	7/04/2026	20	IPC + 4,580%	COP 118.500	COP 122.870	COP 118.500	COP 121.869		
Program Tranche 4 Lot 2	COP	7/04/2006	7/04/2026	20	IPC + 4,580%	COP 104.500	COP 99.895	COP 104.500	COP 98.587		
Program Tranche 7 Series A	COP	1/12/2011	1/12/2023	12	IPC + 4,470%	COP 180.000	COP 180.665	COP 180.000	COP 179.817		
Program Tranche 7 Series B	COP	1/12/2011	1/12/2041	30	IPC + 4,840%	COP 120.000	COP 120.348	COP 120.000	COP 119.872		
Program Tranche 8 Series C9	COP	22/05/2013	22/05/2022	9	IPC + 2,840%	COP 120.000	COP 121.575	COP 120.000	COP 121.571		
Program Tranche 8 Series C15	COP	22/05/2013	22/05/2028	15	IPC + 3,250%	COP 100.000	COP 101.415	COP 100.000	COP 101.365		
Program Tranche 9 Series C10	COP	7/05/2015	7/05/2025	10	IPC + 3,800%	COP 100.000	COP 101.495	COP 100.000	COP 101.428		
Program Tranche 9 Series C15	COP	7/05/2015	7/05/2030	15	IPC + 4,140%	COP 120.000	COP 121.860	COP 120.000	COP 121.769		
Program Tranche 9 Series C20	COP	7/05/2015	7/05/2035	20	IPC + 4,340%	COP 280.000	COP 284.432	COP 280.000	COP 284.209		
Program Tranche 10 Series C8	COP	16/02/2016	16/02/2024	8	IPC + 4,730%	COP 115.000	COP 116.306	-	-		
Program Tranche 10 Series C12	COP	16/02/2016	16/02/2028	12	IPC + 5,050%	COP 152.000	COP 153.791	-	-		
Program Tranche 10 Series C25	COP	16/02/2016	16/02/2041	25	IPC + 5,380%	COP 133.000	COP 134.432	-	-		
TOTAL						COP 1.643.000	COP 1.659.083	COP 1.393.000	COP 1.402.781		

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Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate	2016 (COP million)		2015 (COP million)			
						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
COLOMBIA											
TRANSELCA											
Second issue	COP	19/10/2004	19/10/2016	12	IPC +	6,950%	-	-	COP 50.000	COP 51.303	
Third issue Series A10	COP	11/10/2011	11/10/2021	10	IPC +	4,200%	COP 80.000	COP 81.421	COP 80.000	COP 81.576	
Third issue Series A15	COP	11/10/2011	11/10/2026	15	IPC +	4,480%	COP 100.000	COP 101.771	COP 100.000	COP 102.022	
TOTAL							COP 180.000	COP 183.192	COP 230.000	COP 234.901	
PERU							COP 1.985.397	COP 1.986.757	COP 2.190.216	COP 2.190.362	
REP											
2P 4th Issue (Series A)	USD	14/02/2007	14/02/2019	12	Libor (3M) +	0,750%	COP 13.196	COP 13.224	COP 20.006	COP 20.028	
2P 15th Issue (Series A)	USD	14/05/2009	14/05/2016	7	Fixed Rate	6,500%	-	-	COP 62.989	COP 63.506	
2P 17th Issue (Series A)	USD	19/01/2011	19/01/2018	7	Fixed Rate	5,750%	COP 60.014	COP 60.676	COP 62.989	COP 63.669	
2P 20th Issue (Series A)	USD	19/01/2011	19/01/2026	15	Fixed Rate	6,500%	COP 114.027	COP 115.403	COP 119.680	COP 121.111	
3P 4th Issue (Series A)	USD	18/10/2012	19/04/2031	19	Fixed Rate	5,875%	COP 120.028	COP 121.421	COP 125.979	COP 127.432	
3P 1st Issue (Series A) *	PEN	07/11/2012	07/11/2022	10	Fixed Rate	5,375%	COP 93.226	COP 93.911	COP 96.240	COP 96.981	
Fair Value Swap	USD						COP 46.760	COP 46.760	COP 65.883	COP 65.883	
3P 3rd Issue (Series A)	USD	06/02/2013	06/02/2018	5	Fixed Rate	4.625%	COP 30.007	COP 30.559	COP 31.495	COP 32.067	
3P 1st Issue (Series B) *	PEN	06/02/2013	06/02/2023	10	Fixed Rate	5,125%	COP 69.203	COP 70.602	COP 71.441	COP 72.889	
Fair Value Swap	USD						COP 38.604	COP 38.603	COP 53.263	COP 53.263	
3P 7th Issue (Series A)	USD	11/07/2014	11/07/2021	7	Fixed Rate	3,750%	COP 50.013	COP 50.876	COP 62.989	COP 64.072	
TOTAL							COP 635.078	COP 642.035	COP 772.954	COP 780.901	

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						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
PERU											
Consorcio Transmantaro											
Transmantaro International Bonds	USD	07/05/2013	07/05/2023	10	Fixed Rate	4,375%	COP 1.350.319	COP 1.344.722	COP 1.417.262	COP 1.409.460	
TOTAL							COP 1.350.319	COP 1.344.722	COP 1.417.262	COP 1.409.460	
BRAZIL							COP 573.742	COP 576.081	COP 537.351	COP 539.170	
CTEEP											
Debentures 2nd Series	BRL	15/12/2009	15/12/2017	8	IPCA	+ 8,10%	COP 20.998	COP 20.537	COP 34.386	COP 33.559	
Debentures Single Series	BRL	26/12/2013	26/12/2018	5	116%	CDI	COP 308.440	COP 308.023	COP 403.282	COP 402.271	
Debentures Single Series	BRL	15/07/2016	15/07/2021	5	IPCA	+ 6,04%	COP 137.864	COP 137.599	-	-	
TOTAL							COP 467.302	COP 466.159	COP 437.668	COP 435.831	
ISA Capital do Brasil											
Tranche 1	USD	29/01/2007	30/01/2017	10	Fixed Rate	8,800%	COP 94.976	COP 98.458	COP 99.683	COP 103.340	
Term operation	USD	09/06/2016	30/01/2017	1			COP 11.464	COP 11.464	-	-	
TOTAL							COP 106.440	COP 109.922	COP 99.683	COP 103.340	

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						Nominal value	Amortized cost value	Nominal value	Amortized cost value	
CHILE						COP 3.267.209	COP 2.959.232	COP 3.321.205	COP 2.981.710	
Ruta del Maipo										
Bond 144A **	USD	15/12/2005	15/06/2022	17	Fixed Rate	7,373%	COP 753.438	COP 731.848	COP 912.751	COP 881.631
Fair Value Swap	USD						COP 281.993	COP 281.993	COP 659.295	COP 205.136
Bond Series A1 and A2	UF	27/09/2004	15/06/2025	21	Fixed Rate	4,850%	COP 685.024	COP 585.948	COP 904.087	COP 553.294
Bond Series B1 and B2	UF	28/11/2006	15/12/2030	24	Fixed Rate	3,200%	COP 971.013	COP 809.313	COP 205.136	COP 740.967
TOTAL							COP 2.691.468	COP 2.409.102	COP 2.681.269	COP 2.381.028
Ruta del Bosque										
Bond Series A	UF	26/02/2001	15/09/2020	20	Fixed Rate	6,300%	COP 400.036	COP 389.164	COP 472.692	COP 453.848
Bond Series B	UF	11/10/2006	15/09/2020	14	Fixed Rate	3,400%	COP 175.705	COP 160.966	COP 167.244	COP 146.834
TOTAL							COP 575.741	COP 550.130	COP 639.936	COP 600.682
TOTAL BONDS										
							COP 7.649.348	COP 7.364.345	COP 7.671.772	COP 7.348.923

* Bond issued in PEN and one SWAP was made to USD.

**Bond issued in USD and one SWAP was made to UF.

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The following relevant events took place in 2016, which explain the variation in balance for the outstanding bonds:

ISA
On February 16, 2016, the Company conducted the Tenth Tranche of the Securities Program in the amount of COP400.000 million, from which COP115.000 million were placed in Series C8 with maturity on February 2024; COP152.000 in Series C12 with maturity on February 2028 and COP133.000 in Series C25 with maturity on February 2041. The funds from this placement were used to finance cash flow and investments.

In February 2016, it paid the Second Tranche of the Program on Issuance and Placement of Securities of ISA’s Internal Public Debt in the amount of COP150.000 million, by maturity of the issue.

TRANSELCA
In October, the Second Issuance of Bonds for COP50.000 million was paid by maturity of the issue.

RED DE ENERGÍA DEL PERÚ –REP–
In January and July, repayments for USD3,3 million were made to the Seventh Issue (Series A) of the Third Corporate Bonds Program.

In February, May, August, and November, it made repayments for a total of USD1,9 million to the Fourth Issue (Series A) of the Second Corporate Bond Program.

In May, the Fifteenth Issue of the Second Corporate Bond Program was repaid for USD20 million, by maturity of the issue.

CTEEP
In August, an infrastructure debentures were issued for BRL148 million, with maturity in

July 2021. The resources from this issue were allocated to paid back contributions and investments made by the IEMADEIRA and IEGARANHUNS subsidiaries.

In December, repayments for BRL22,8 million and BRL165 million were made to the Second Debentures Issue series of 2009 and Single Series of 2014.

ISA Capital do Brasil
In June, a contract for the purchase and sale of dollars was signed with Banco Santander for an amount of USD31,6 million, which financial liquidation, through physical delivery, will be on January 23, 2017 (Forward contract “trava cambial”). This transaction aims at eliminating the exchange risk of the financial commitment the company has, in regards to the international bonds debt which will be also paid in January 2017.

RUTA DEL MAIPO
In June and December, it made payment to holders of Bonds 144A for a total of USD38.7 million.

RUTA DEL BOSQUE
In March and September, it may payments to holders of Series A for a total of UF805.067.

The following is the detail of maturities for outstanding bonds: Pending to update.

Short-term		COP	632.367
Long-term		COP	6.731.978
2018	COP	659.651	
2019	COP	556.093	
2020	COP	1.710.337	
2021 and after	COP	3.805.897	
			COP 7.364.345

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14.2 Financial obligations

The debt represented in financial obligations amounted to COP5.107.079 million. Financial obligations are below presented:

Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate	2016 (COP million)		2015 (COP million)			
						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
COLOMBIA						COP 815.265	COP 840.323	COP 488.930	COP 499.717		
ISA											
Banco de Bogotá	USD	04/07/2012	04/04/2017	5	Libor(6M)	+	2,600%	COP 72.017	COP 73.345	COP 75.587	COP 76.767
Banco de Bogotá	COP	26/02/2015	26/02/2022	7	IPC	+	3,600%	COP 222.432	COP 233.410	COP 222.432	COP 229.974
BNP PARIBAS	USD	17/05/2006	15/05/2017	11	Libor(6M)	+	0,345%	COP 5.688	COP 5.709	COP 17.911	COP 17.946
BBVA	COP	23/02/2016	23/02/2023	7	IPC	+	2,990%	COP 250.000	COP 259.728	-	-
TOTAL								COP 550.137	COP 572.192	COP 315.930	COP 324.687
INTERNEXA											
Banco Itaú BBA Colombia S.A.	COP	11/02/2014	11/02/2019	5	DTF	+	3,300%	COP 24.000	COP 24.324	COP 32.000	COP 32.417
Helm Bank	COP	11/04/2014	11/04/2021	7	DTF	+	3,500%	COP 7.200	COP 7.364	COP 8.000	COP 8.156
Banco de Bogotá	COP	21/12/2016	21/12/2021	5	IBR	+	3,750%	COP 30.000	COP 30.087	-	-
TOTAL								COP 61.200	COP 61.775	COP 40.000	COP 40.573

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Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate	2016 (COP million)		2015 (COP million)			
						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
COLOMBIA						COP 815.265	COP 840.323	COP 498.930	COP 499.717		
TRANSELCA											
Banco de Bogotá	COP	12/11/2015	12/11/2020	5	IPC	+	2,870%	COP 82.500	COP 83.369	COP 82.500	COP 83.489
BBVA	COP	25/08/2015	25/08/2020	5	IPC	+	2,450%	COP 45.000	COP 45.532	COP 45.000	COP 45.464
Banco de Bogotá	COP	28/12/2015	28/12/2020	5	IPC	+	2,870%	COP 5.500	COP 5.496	COP 5.500	COP 5.504
Banco GNB Sudameris	COP	29/07/2016	29/07/2017	1	DTF	+	2,700%	COP 16.000	COP 16.258	-	-
Banco GNB Sudameris	COP	14/10/2016	14/10/2017	1	DTF	+	2,700%	COP 9.928	COP 10.132	-	-
Banco de Occidente	COP	18/10/2016	18/10/2023	7	IPC	+	5,250%	COP 24.000	COP 24.551	-	-
Banco Davivienda	COP	30/11/2016	30/11/2023	7	IPC	+	4,990%	COP 21.000	COP 21.019	-	-
TOTAL								COP 203.928	COP 206.357	COP 133.000	COP 134.457
PERU						COP 1.117.514	COP 1.105.549	COP 577.496	COP 562.321		
REP											
Scotiabank	USD	07/09/2016	07/09/2017	1	Fixed Rate		1,240%	COP 120.028	COP 120.502	-	-
TOTAL								COP 120.028	COP 120.502	-	-

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Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate	2016 (COP million)		2015 (COP million)		
						Nominal value	Amortized cost value	Nominal value	Amortized cost value	
PERU										
Consorcio Transmantaro										
Banco Nova Scotia	USD	17/07/2015	11/07/2016	1	Fixed Rate	1,200%	-	-	COP 62.989	COP 63.354
Banco de Crédito del Perú	USD	04/05/2015	18/03/2027	12	Fixed Rate	5,550%	COP 234.055	COP 219.475	COP 157.474	COP 144.154
Interbank	USD	21/12/2015	03/11/2024	9	Fixed Rate	4,640%	COP 300.071	COP 298.903	COP 314.947	COP 313.140
Banco de Crédito del Perú	USD	08/03/2016	08/03/2017	1	Fixed Rate	2,050%	COP 75.018	COP 76.289	-	-
Banco de Crédito del Perú	USD	02/05/2016	16/03/2017	1	Fixed Rate	1,450%	COP 84.020	COP 84.840	-	-
Scotiabank	USD	16/06/2016	16/03/2017	1	Fixed Rate	1,280%	COP 43.510	COP 43.816	-	-
Banco de Crédito del Perú	USD	06/07/2016	16/03/2017	1	Fixed Rate	1,280%	COP 108.026	COP 108.707	-	-
BBVA Continental	USD	21/11/2016	16/03/2017	0	Fixed Rate	0,990%	COP 30.007	COP 30.040	-	-
BBVA Continental	USD	15/12/2016	16/03/2017	0	Fixed Rate	0,990%	COP 16.504	COP 16.511	-	-
TOTAL							COP 891.211	COP 878.581	COP 535.410	COP 520.648

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Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate			2016 (COP million)		2015 (COP million)	
								Nominal value	Amortized cost value	Nominal value	Amortized cost value
PERU											
ISA Perú											
Bancolombia	USD	19/12/2013	19/12/2018	5	Libor (3M)	+	3,900%	-	-	COP 12.639	COP 12.657
Nova Scotia	USD	18/06/2015	12/06/2016	1	Fixed Rate		1,200%	-	-	COP 15.747	COP 15.757
Interbank	USD	16/10/2015	09/09/2022	7	Fixed Rate		5,020%	COP 75.018	COP 74.792	COP 5.354	COP 4.780
Banco de Crédito del Perú	USD	01/07/2016	02/01/2019	3	Fixed Rate		2,850%	COP 12.003	COP 12.087	-	-
TOTAL								COP 87.021	COP 86.879	COP 33.740	COP 33.194

INTERNEXA en Perú									
Helm Bank Panamá	USD	08/08/2011	08/08/2016	5	Libor(6M) + 3,790%	-	-	COP 1.260	COP 1.278
Helm Bank Panamá	USD	27/03/2012	27/03/2017	5	Libor(6M) + 3,510%	COP 1.250	COP 1.265	COP 3.937	COP 3.977
BBVA	USD	17/02/2015	17/02/2016	1	Fixed Rate 2,690%	-	-	COP 3.149	COP 3.224
Bancolombia Panamá	USD	19/01/2016	12/01/2017	1	Libor(6M) + 2,450%	-	-	-	-
Bancolombia Panamá	USD	19/01/2016	12/01/2017	1	Libor(6M) + 2,450%	-	-	-	-
Bancolombia Panamá	USD	05/02/2016	09/01/2021	5	Libor(6M) + 3,300%	COP 18.004	COP 18.322	-	-
TOTAL						COP 19.254	COP 19.587	COP 8.346	COP 8.479

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								Nominal value	Amortized cost value	Nominal value	Amortized cost value
BRAZIL								COP 1.199.127	COP 1.212.380	COP 1.158.150	COP 1.168.936
CTEEP											
ELETROBRAS	BRL	08/01/1990	15/11/2021	32	Fixed Rate		8,000%	COP 140	COP 142	COP 156	COP 158
BNDES III (FINEM)	BRL	29/01/2014	15/03/2029	15	TJLP	+	1,800%	COP 212.213	COP 212.695	COP 198.230	COP 198.670
BNDES III (PSI)	BRL	29/01/2014	15/01/2024	10	Fixed Rate		3,500%	COP 66.594	COP 66.560	COP 66.573	COP 66.572
BNDES III (Social)	BRL	15/07/2016	15/03/2029	13	TJLP	+	0,000%	COP 1.765	COP 1.766	-	-
BNDES PSI Santander	BRL	13/01/2014	15/08/2018	5	Fixed Rate		4,000%	COP 117	COP 117	COP 164	COP 165
BNDES PSI Santander II	BRL	30/12/2014	18/11/2019	5	Fixed Rate		6,000%	COP 6.174	COP 6.190	COP 7.263	COP 7.282
TOTAL								COP 287.003	COP 287.470	COP 272.386	COP 272.847
IEMG											
BNDES (FINEM)	BRL	27/03/2009	15/04/2023	14	TJLP	+	2,390%	COP 29.546	COP 30.187	COP 29.970	COP 30.186
TOTAL								COP 29.546	COP 30.187	COP 29.970	COP 30.186
IE PINHEIROS											
BNDES (PSI)	BRL	28/01/2011	15/01/2021	10	Fixed Rate		5,500%	COP 34.235	COP 37.789	COP 37.336	COP 41.209
BNDES (FINEM)	BRL	28/01/2011	15/05/2026	15	TJLP	+	2,620%	COP 28.350	COP 31.272	COP 27.545	COP 29.950
BNDES (PSI)	BRL	12/09/2013	17/04/2023	10	Fixed Rate		3,500%	COP 10.398	COP 10.562	COP 10.547	COP 10.713
BNDES (FINEM)	BRL	12/09/2013	15/02/2028	14	TJLP	+	2,100%	COP 5.253	COP 5.529	COP 5.013	COP 5.202
TOTAL								COP 78.236	COP 85.152	COP 80.441	COP 87.074
IE Serra do Japi											
BNDES (FINEM)	BRL	28/10/2013	15/05/2026	13	TJLP	+	1,950%	COP 30.995	COP 32.756	COP 30.035	COP 31.291
BNDES (FINEM)	BRL	28/10/2013	15/05/2026	13	TJLP	+	1,550%	COP 26.830	COP 28.306	COP 26.000	COP 27.040
TOTAL								COP 57.825	COP 61.062	COP 56.035	COP 58.331

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						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
BRAZIL											
ISA Capital do Brasil											
Preferential Shareholders	BRL	09/03/2010	28/12/2020	11	CDI	+	1,500%	COP 656.032	COP 656.032	COP 638.550	COP 638.550
TOTAL								COP 656.032	COP 656.032	COP 638.550	COP 638.550
INTERNEXA en Brazil											
Helm Bank	USD	13/12/2013	13/12/2020	7	Libor(6M)	+	3,500%	COP 30.007	COP 30.127	COP 31.495	COP 31.694
Itaú	BRL	16/04/2014	16/04/2019	5	CDI	+	2,600%	COP 35.625	COP 37.015	COP 44.155	COP 45.136
BNDES	BRL	15/10/2014	15/10/2019	5	Fixed Rate		6,000%	COP 1.835	COP 1.841	COP 1.555	COP 1.555
BICBANCO	BRL	10/07/2015	11/07/2016	1	CDI	+	4,910%	-	-	COP 2.353	COP 2.353
Itaú	BRL	23/12/2015	22/01/2016	0,1	CDI	+	3,500%	-	-	COP 1.210	COP 1.210
Banco Santander	BRL	21/11/2016	18/11/2019	3,0	CDI	+	5,400%	COP 23.018	COP 23.494	-	-
TOTAL								COP 90.485	COP 92.477	COP 80.768	COP 81.948
BOLIVIA								COP 36.197	COP 37.299	COP 53.187	COP 54.739
ISA Bolivia											
BID	USD	15/08/2005	15/02/2019	14	Fixed Rate		9,713%	COP 17.889	COP 18.555	COP 26.286	COP 27.250
CAF	USD	15/08/2005	15/02/2019	14	Libor(6M)	+	5,000%	COP 13.272	COP 13.570	COP 19.502	COP 19.896
BID	USD	07/05/2009	15/02/2019	10	Fixed Rate		8,155%	COP 2.845	COP 2.934	COP 4.180	COP 4.309
CAF	USD	07/05/2009	15/02/2019	10	Libor(6M)	+	5,000%	COP 2.191	COP 2.240	COP 3.219	COP 3.284
TOTAL								COP 36.197	COP 37.299	COP 53.187	COP 54.739

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Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate	2016 (COP million)		2015 (COP million)			
						Nominal value	Amortized cost value	Nominal value	Amortized cost value		
CHILE						COP 2.008.622	COP 1.908.857	COP 1.299.707	COP 1.283.746		
INTERNEXA en Chile											
BBVA	CLP	28/01/2015	28/01/2020	5	TAB (180)	+	1,700%	COP 13.970	COP 13.970	COP 14.137	COP 14.137
BCI	CLP	11/02/2011	05/02/2016	5	TAB	+	2,000%	-	-	COP 76	COP 76
BCI	CLP	23/03/2011	05/05/2016	5	TAB	+	2,000%	-	-	COP 167	COP 167
BCI	CLP	06/04/2011	05/02/2016	5	TAB	+	3,000%	-	-	COP 130	COP 130
BCI	CLP	27/04/2011	05/02/2016	5	TAB	+	3,000%	-	-	COP 83	COP 83
BCI	CLP	25/05/2011	05/05/2016	5	TAB	+	3,000%	-	-	COP 121	COP 121
BCI	CLP	04/07/2011	05/05/2016	5	TAB	+	3,000%	-	-	COP 499	COP 499
BCI	CLP	25/08/2011	05/08/2016	5	TAB	+	3,000%	-	-	COP 397	COP 397
BCI	CLP	11/10/2011	05/08/2016	5	TAB	+	3,000%	-	-	COP 340	COP 340
BCI	CLP	28/11/2011	05/08/2016	5	TAB	+	3,000%	-	-	COP 529	COP 529
BCI	CLP	03/05/2012	08/02/2016	4	TAB	+	3,000%	-	-	COP 151	COP 151
Helm Bank Panamá	USD	13/09/2012	13/09/2019	7	Libor(6M)	+	3,500%	COP 3.601	COP 3.601	COP 5.154	COP 5.154
Helm Bank Panamá	USD	06/11/2012	06/11/2019	7	Libor(6M)	+	3,500%	COP 1.800	COP 1.800	COP 2.577	COP 2.577
Helm Bank Panamá	USD	18/01/2013	18/01/2020	7	Libor(6M)	+	3,500%	COP 6.301	COP 6.301	COP 8.697	COP 8.697
Helm Bank Panamá	USD	02/05/2013	02/05/2020	7	Libor(6M)	+	3,500%	COP 2.100	COP 2.100	COP 2.899	COP 2.899
Helm Bank Panamá	USD	25/06/2013	25/06/2020	7	Libor(6M)	+	3,500%	COP 1.052	COP 1.052	COP 1.450	COP 1.450
TOTAL								COP 28.824	COP 28.824	COP 37.407	COP 37.407

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								Nominal value	Amortized cost value	Nominal value	Amortized cost value
CHILE											
Ruta de la Araucanía											
Banco de Chile	UF	05/08/2010	15/09/2022	12	Fixed Rate		4,040%	COP 47.754	-	COP 58.671	-
Banco de Chile	UF	05/08/2010	15/09/2022	12	Fixed Rate		4,530%	COP 72.944	-	COP 85.478	-
Banco de Chile	UF	05/08/2010	15/09/2022	12	TAB (360)	+	0,950%	COP 65.715	COP 352.018	\$ 68.807	COP 380.787
Banco de Chile	UF	31/07/2013	15/09/2022	9	TAB (360)	+	0,950%	COP 111.497	-	COP 117.557	-
Banco de Chile	UF	01/08/2013	15/09/2022	9	TAB (360)	+	0,950%	COP 60.248	-	COP 57.985	-
Corpbanca	UF	05/08/2010	15/09/2022	12	Fixed Rate		4,040%	COP 22.941	-	COP 28.185	-
Corpbanca	UF	05/08/2010	15/09/2022	12	Fixed Rate		4,530%	COP 11.708	-	COP 13.720	-
Corpbanca	UF	05/08/2010	15/09/2022	12	TAB (360)	+	0,950%	COP 31.569	COP 144.948	COP 33.054	COP 156.795
Corpbanca	UF	31/07/2013	15/09/2022	9	TAB (360)	+	0,950%	COP 54.966	-	COP 58.632	-
Corpbanca	UF	01/08/2013	15/09/2022	9	TAB (360)	+	0,950%	COP 26.625	-	COP 26.847	-
Banco del Estado	UF	05/08/2010	15/09/2022	12	Fixed Rate		4,040%	COP 22.941	-	COP 28.185	-
Banco del Estado	UF	05/08/2010	15/09/2022	12	Fixed Rate		4,530%	COP 35.042	-	COP 41.063	-
Banco del Estado	UF	05/08/2010	15/09/2022	12	TAB (360)	+	0,950%	COP 31.569	COP 193.265	COP 33.054	COP 209.060
Banco del Estado	UF	31/07/2013	15/09/2022	9	TAB (360)	+	0,950%	COP 67.115	-	COP 71.154	-
Banco del Estado	UF	01/08/2013	15/09/2022	9	TAB (360)	+	0,950%	COP 39.636	-	COP 39.369	-
TOTAL								COP 702.270	COP 690.231	COP 761.761	COP 746.642

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							Nominal value	Amortized cost value	Nominal value	Amortized cost value
CHILE										
Ruta de los Ríos										
Banco Security	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	-	-	COP 574	COP 25.183
Banco Secutity	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	-	-	COP 574	-
Banco Secutity	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	-	-	COP 5.389	-
Banco Secutity	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,560%	-	-	COP 6.679	-
Banco Secutity	UF	13/09/2012	15/09/2021	9	Fixed Rate	3,270%	-	-	COP 12.067	-
BICE	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	COP 3.195	-	COP 3.105	-
BICE	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	COP 3.195	-	COP 3.105	-
BICE	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	COP 29.975	COP 138.595	COP 29.132	COP 136.163
BICE	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,560%	COP 37.150	-	COP 36.106	-
BICE	UF	13/09/2012	15/09/2021	9	Fixed Rate	3,270%	COP 67.125	-	COP 65.238	-
BCI	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	COP 3.731	-	COP 4.297	-
BCI	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	COP 3.731	-	COP 4.297	-
BCI	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,550%	COP 35.003	COP 161.842	COP 40.311	COP 188.418
BCI	UF	13/09/2012	15/09/2021	9	Fixed Rate	4,560%	COP 43.381	-	COP 49.960	-
BCI	UF	13/09/2012	15/09/2021	9	Fixed Rate	3,270%	COP 78.385	-	COP 90.272	-
TOTAL							COP 304.871	COP 300.437	COP 351.106	COP 349.764

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Financing source	Original currency	Date of issue	Date of maturity	Term years	Interest rate		2016 (COP million)		2015 (COP million)		
							Nominal value	Amortized cost value	Nominal value	Amortized cost value	
CHILE											
Ruta del Maule											
BBVA	CLP	10/11/2015	10/05/2016	0	TAB (90)		-	-	-	COP 149.433	COP 149.933
BCI	UF	24/03/2016	30/06/2018	2	Fixed Rate		2,690%	COP 198.829	COP 198.291	-	-
BCI	UF	25/07/2016	30/06/2018	2	Fixed Rate		2,710%	COP 29.607	COP 30.563	-	-
TOTAL								COP 228.436	COP 228.854	COP 149.433	COP 149.933
INTERCHILE											
Banco Estado	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 52.792	-	-
BBVA CHILE	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 52.792	-	-
BOMU	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 72.481	COP 63.412	-	-
CA-CIB	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 52.792	-	-
NATIXIS	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 52.792	-	-
SMB	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 72.481	COP 52.792	-	-
KFW	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 52.792	-	-
LA CAXIAS	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 37.177	-	-
SIEMENS	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 60.342	COP 52.792	-	-
SABADELL	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 42.494	COP 63.412	-	-
SUMITRUST	USD	24/05/2016	31/03/2031	15	Libor (3M)	+	2,000%	COP 16.998	COP 14.871	-	-

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								Nominal value	Amortized cost value	Nominal value	Amortized cost value
Fair Value Swap	USD							(COP 25.169)	(COP 25.169)	-	-
Banco Estado	CLP	24/05/2016	31/03/2020	4	TAB (90)	+	1,100%	COP 47.514	COP 45.755	-	-
BBVA	CLP	24/05/2016	31/03/2020	4	TAB (90)	+	1,100%	COP 47.514	COP 45.755	-	-
BICE	CLP	24/05/2016	31/03/2020	4	TAB (90)	+	1,100%	COP 47.514	COP 45.754	-	-
TOTAL								COP 744.223	COP 660.511	-	-
ARGENTINA								COP 2.671	COP 2.671	COP 3.895	COP 3.895
Transamerican Telecommunication											
BBVA Francés	ARS	25/11/2016	08/05/2017	0	Fixed Rate		27,000%	COP 2.671	COP 2.671	COP 3.895	COP 3.896
TOTAL								COP 2.671	COP 2.671	COP 3.895	COP 3.896
TOTAL FINANCIAL OBLIGATIONS								COP 5.179.396	COP 5.107.079	COP 3.581.365	COP 3.573.355

The following relevant events took place in 2016, which explain debt change:

ISA

On February 23, 2016, Interconexión Eléctrica S.A. E.S.P., entered into an internal debt with BBVA Colombia for the amount of COP250.000 million, to finance its 2016 investment plans.

In May and November repayment was made for USD3,8 million to loan with BNP-PARIBAS.

INTERNEXA

In April, it received a disbursement for a loan from Banco Popular treasury for COP13.000 million, for cash flow.

In May, August, and November, it made payments for a total amount of COP8.000 million to loan with Banco Itaú.

In June, it received a disbursement for a loan from Banco Popular treasury for COP4.400 million, for cash flow.

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In October, it made a payment for COP800 million to a loan with Helm Bank.

In December, payments were made for COP17.400 million to loans with Banco Popular and it received a disbursement of a loan form Banco de Bogotá for COP30.000 million, to finance its investment plan.

TRANSELCA

In June, it received a disbursement for a loan from Banco GNB Sudameris treasury for COP16.000 million, for cash flow.

In October, it received disbursement from Banco GNB Sudameris treasury for COP9.928 million for cash flow and a long-term loan with Banco de Occidente for COP24.000 million, to finance 2016 investment plan.

In December, it received a long-term loan from Banco Davivienda for COP21.000 million, to finance the TRELCA Connection Project - El Bosque Substation expansion for 2016.

ISA PERÚ

In March and June, it made repayments to Bancolombia for a total of USD4 million.

In April, May, June, July, and December, it received disbursements from Interbank for USD2 million, USD4,5 million, USD8 million, USD1,5 million, and USD7,3 million respectively; completing in this way the loan limit for USD25 million, to finance projects.

In June, it received disbursement from Citibank for USD5 million, which was used to pay debt with Banco Nova Scotia and received a disbursement from Banco de Crédito del Perú for USD4 million for prepayment of middle-term debt with Bancolombia.

In July, a debt management operation was held in the amount of USD4 million, with Banco de Crédito, where the credit profile was improved in regards to terms and financing rate.

In December, a short-term loan with Citibank was paid for USD5 million, due to debt due date.

REP

In September, it received disbursement for USD40 million from Banco Scotiabank, for cash flow.

CONSORCIO TRANSMANTARO

In January and February Consorcio Transmantaro received disbursements for USD15 million and USD13 million respectively, which are part of the middle term loan agreement with Banco de Crédito del Perú entered into in March 2015 for USD250 million.

In March, it received a short-term disbursement for USD25 million from Banco de Crédito de Perú, to finance construction projects.

In April, it received a short-term disbursement for USD12 million from Banco Scotiabank, to finance construction projects.

In May, it received a short-term disbursement for USD28 million from Banco de Crédito de Perú, to finance construction projects.

In June, it received a short-term disbursement for USD14,5 million from Banco Scotiabank, to finance construction projects.

In July, it paid loan with Banco Nova Scotia for USD20 million and received a short-term disbursement for USD36 million from Banco de Crédito del Perú, to finance construction projects.

In November, it paid loan with Banco Nova Scotia for USD12 million and received a short-term disbursement for USD10 million from Banco BBVA Continental, to finance construction projects.

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In December, it received a short-term disbursement for USD5,5 million from Banco BBVA Continental, to finance construction projects.

INTERNEXA IN PERU

In January, it received disbursements for a total of USD2,8 million from Bancolombia Panamá.

In February and August, it made payments to Helm Bank Panamá for a total amount of USD400.000.

In February, it made payment to BBVA Continental for USD1million. In addition, it received a disbursement for USD6 million from Bancolombia Panamá, which was used to prepay bridge loan for USD2,8 million for the company investment plan.

In March and September, it made payments to Helm Bank for USD833.333.

CTEEP

From January until December, it made payments to BNDES for BRL27.9 million.

In June and December, it received a disbursement from BNDES for BRL660.232 and BRL1,3 million, respectively, to finance investment projects.

IE Minas Gerais –IEMG–

From January until December, it made payments to BNDES for BRL5 million.

IE Pinheiros –IE PINHEIROS–

From January until December, it made payments to BNDES for BRL14,8 million.

SERRA DO JAPI

From January until December, it has made payments to BNDES for BRL6,7 million.

INTERNEXA IN BRAZIL

In January, it received disbursement from Banco Santander for BRL6 million to finance its cash flow and it paid loan with Banco Itaú for BRL3,9 million.

From January until December, it has made payments to BNDES for BRL371.541, to Banco Itaú for BRL15,7 million and BICBANCO for BRL2,9 million.

In July, it received a bridge loan disbursement from Banco Santander for BRL10 million to finance cash flow.

In November, it received a disbursement form Banco Santander for BRL25 million, collecting the bridge loan with the same bank for BRL10 million and making advance payment of treasury loan for BRL6 million.

ISA CAPITAL DO BRASIL

In June, it made payments to preferential shareholders for BRL79,2 million.

ISA BOLIVIA

In February and August, it made payments to IDB for a total of USD2,7 million and to Corporación Andina de Fomento –CAF– for USD2 million.

INTERNEXA IN CHILE

In January, it paid loans with Helm Bank for USD300,000.

In February, it paid loans with BCI for CLP267 million.

In March, it made payment to a loan with Helm Bank for USD200,000.

In May, it paid loans with BCI for CLP170 million. In addition, it made payments to loans with Helm Bank for USD200,000.

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In June, July, September, November, and December, it made payments to loans with Helm Bank for USD50,000, USD300,000, and USD200,000, USD200,000, and USD50,000, respectively.

In August, it paid loan with BCI for CLP83,3 million.

In October, it made payments to loan with BCI for CLP29,1 million.

RUTA DEL MAULE

In March, debt refinancing was signed with Banco BCI for UF2,3 million, with it, a bridge loan with Banco BBVA was paid for CLP30.953 million, where the loan profile was improved in regards to terms and financing rate.

In July, it received a disbursement from Banco BCI for UF298.100 which is part of the refinancing of debt with Banco BCI for UF2,3 million, through which an allowed principal reduction was made for the loan contract.

In September, it made payments to Banco BCI for UF365.700.

RUTA DE LA ARAUCANÍA

In March and September, it made payments to syndicated loan for UF755.472, complying with the established in the concession loan contract, where debt amortization is accelerated as traffic increase.

RUTA DE LOS RÍOS

In March and September, it made payments to syndicated loan (Banco Security, BICE and BCI) for UF507.523.

In September, the loan was refinanced, thanks to which the credit profile was improve in regards to terms and interest rate was set. In addition, Banco Security transferred its part of the syndicated loan to Banco BICE.

INTERCHILE

In February, a bond indenture was signed for USD738 million for its investment plan, CLP67.992 million for VAT financing and an additional line of USD33 million for collaterals.

In May, September, and November, it received disbursement which are part of senior loan for USD113,9 million, USD36 million, and USD59 million, respectively; where each disbursement has a hedging operation for its interest rate for USD113,9 million, USD40 million, and USD55 million, respectively.

In May, July, August, September, October, November, and December, it received disbursements part of the VAT line, for CLP2.151 million, CLP1.696,3 million, CLP964,5 million, CLP2.682 million, CLP1.678,7 million, CLP1.259,7 million and CLP21.369,3 million, respectively.

TRANSAMERICAN TELECOMMUNICATION

In February and May, agreement with BBVA Francés was renewed, keeping the amount in ARS21 million. For the month of August, the company made the decision of decreasing the operating amount to ARS18 million.

The following chart shows financial obligations due dates per years:

Due Date in COP		
Short-term		COP 1.041.836
Long-term		COP 4.065.243
2018	COP	857.141
2019	COP	1.198.525
2020	COP	809.648
2021 and after	COP	1.199.929
Total		\$ 5.107.079

Some obligations are secured, see Note 31.

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14.3 Financial Instruments SWAP Derivatives

Within the Group, two subsidiaries and ISA have hedging derivative instruments, as detailed below:

14.3.1 REP:

To mitigate the cash flows generated by the debt coupons from the debt in soles resulting from the volatility of the exchange rate. Since the functional currency of this company is the USD, cross currency swap hedging contracts have been signed, which were classified as cash flow hedging derivatives, since they have the purpose of eliminating the uncertainty in the interest payment in Soles made by the company, as a result of currency translation.

On November 8th, 2012 and February 7, 2013, REP entered into cross currency swap agreements with BBVA Banco Continental for an amount of S/.104.140.000 and S/.77.305.000, with due date November 2022 and February, 2023, at an annual nominal rate of 5,375% and 5,1250%, respectively, thereby hedging the cash flows in soles resulting from the volatility of the exchange rate associated with the First Issue “A” Series and First Issue “B” Series of the Third Corporate Bond Program, for which it pays USD39.998.464 and USD29.999.224 at an annual nominal rate of 4,760% and 4,990%, respectively, which flows are liquidated on a semiannual basis. Critical deadlines of the hedging agreements have been negotiated to match with the deadlines of their obligations.

As of December 31, 2016, REP has recognized the fair value of the swap currency cross agreements in liabilities for USD28.447.779 (December 31, 2015 for USD37.830.441); the effectiveness of these agreements has not been observed as no significant element of ineffectiveness has arisen.

14.3.2 Ruta del Maipo:

This Company owns a cross currency swap as hedging instrument, which purpose is to reduce exposure to the variation in the future cash flows caused by the variation in the

exchange rate that affects the bond denominated in dollars and the UF variation due to the future flows coming from toll collection.

For these hedging operations, the gain or loss of the hedging instrument determined as effective hedging will be recognized in the net equity via other comprehensive income, while the ineffective portion of the gain or loss of the hedging instrument must be recognized in the income of the period.

In August 2001, the Company issued a bond insured in the United States of America, for an amount of USD421 million. This instrument pays interest semiannually, in June and December, and it started to pay capital on June 15, 2009 and it will end on June 15, 2022. The bond has an annual interest rate of 7,373%, at a nominal value of USD389,966,356. In May 2005, the company entered into this hedging agreement instrument with the Official Credit Institute of Spain (Instituto de Crédito Oficial de España –ICO–, in order to exchange the flows in dollars, originated by the bond, with certain flows in development units (Unidades de Fomento –UF–).

Accordingly, during the hedging period, ICO undertakes to deliver the flow in dollars and the company undertakes to pay a fixed amount of UF for such dollars. The fair value of the hedging instrument corresponds to the difference in the present value of the flow in UF and the flow in dollars of the future semiannual payments. Present values are calculated using a projection of future interest rates, Unidades de Fomento (Development Units) and dollars, respectively.

The risk in variation of the Unidad de Fomento (Development Units) affects 100% of the financial debt, since 30.52% corresponding to the USD debt is translated into Development Units through the cross-currency swap mentioned, which generates an effect on the valuation of this liabilities on COP. To evaluate the effect of the Development Unit variation in the income, before taxes, a sensitization of this readjusting unit was made, establishing in 1% the value of the Developing Unit as of December 31, 2016.

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This swap is registered for an amount of USD93,975,501 as of December 31, 2016, and (USD65,133,347 as of December 31, 2015).

14.3.3 INTERCHILE:

This company in February 2016 signed a debt contract in dollars from the United States of North America to finance works for the construction project and operation of 917 kilometers of lines in Chile. This project has an initial construction period for three years and then an operation stage.

Given the above, INTERCHILE made three swaps from floating interest rate to fixed rate in USD, based on the market risks due to debt operation future commitments, focusing on the indexation interest rate, which is three-month Libor. Such risk is directly materialized due to the positive variation of such rate.

This instrument pays interest quarterly, and began paying capital on May 24, September 23 and November 23, 2016 and it will end in 2031. The nominal value is USD113,900,000, USD40,000,000, and USD 55,000,000, at a fixed rate of 2,042%, 1,698% and 1,707%, respectively. Swap operations were made with the following financial institutions: Banco de Sabadell, Banco Estado, Bank of Tokyo, BBVA, Caixabank, Credit Agricole, Natixis and SMBC.

14.3.4 ISA Capital do Brasil S.A.:

This company has as hedging instrument a forward contract, which purpose is the purchase of dollars by the bank to keep them until a due date and then give them to ISA Capital do Brasil. In turn, the bank charges ISA Capital market interest for the term of the operation, in this case 180 days. No contract is made, only one invoice is received with the collection of interests.

The nominal value is BRL31.600.000.

15. RISK MANAGEMENT POLICY

Given the nature of its various businesses and companies, the geographic position where each of them is located and their various rights (revenues) and obligations (financial debt, acquisition of goods and services), ISA and its companies are exposed to different financial risks.

Accordingly, ISA and its companies seek to permanently monitor the financial markets in order to minimize the potential adverse effects of such risks on the financial information, both individual and consolidated.

Risk management structure

ISA has in place a policy for comprehensive risk management, which provides the concept and action framework for the objective, systemic and approved implementation of actions aimed at proper management of risks in order to preserve the integrity of the corporate resources. Under this policy, ISA declares the strategic purpose of the Comprehensive Risk Management and assigns express responsibilities to all managers and their teams (all collaborators). Below, the financial risks to which the Company is exposed are:

15.1 Market risk

Market risk corresponds to unfavorable variations from expected fair value or future cash flows of a financial instrument caused by adverse changes in variables such as exchange rates, domestic and international interest rates, Price of indicators (macroeconomic variables), raw materials (*commodities*), among others.

15.1.1 Interest rate risk and macroeconomic variables

This risk corresponds to unfavorable changes in the fair value or future cash flows of financial instruments with respect to expectations, and it is caused by the variation (volatility) of domestic and international interest rates and macroeconomic variables that are indexed to these flows thus affecting their value. The objective of the interest rate

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and macroeconomic variable risk management is to reach a balance in the structure of revenues and expenditures that would minimize volatility in the financial statement of the Company.

→ Financial obligations

As of December 31, 2016, ISA and its companies keep indexation at interest rates and macroeconomic variables in their financial obligations and in most cases, indexation of these operations is offset with the structure of revenues of each Group company. Below, the interest rate composition for financial obligations:

Debt participation per rates		
Rate	Balance in COP million	% Participation
UF	3.868.336	30
Fixed Rate	3.319.799	26
IPC	2.473.432	19
CDI	1.023.115	8
TAB	790.964	6
Libor	772.159	6
TJLP	334.951	3
DTF	57.128	-
IPCA	158.861	1
IBR	30.000	-
Total	12.828.747	100%

For February 2016, INTERCHILE signed a bond indenture for an amount of USD738 million, for its investment plan. From this loan, it received disbursements in May, September, and November 2016, for USD113,9 million, USD36 million, and USD59 million, respectively. To mitigate the risk of variability in the 3M Libor rate and stabilize the project future cash flows, swap operations were contracted for the cash flow, to translate variable flows into fixed rate flows for the same amounts disbursed. It is expected that at the end of total disbursements, the hedging of the interest rated keeps a minimum of 70% of the obligation total value.

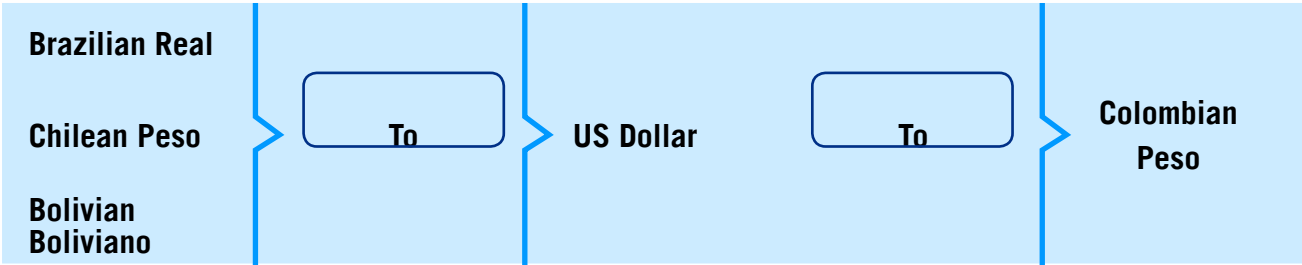
→ Financial instruments - liquidity excess

ISA and its companies make investments in financial instruments with their liquidity excesses and particularly they are acquired in order to keep them until their due date; therefore, they are not exposed to the interest rate risk.

15.2 Exchange rate risk

This risk corresponds to unfavorable changes with respect to what is expected in the fair value or future cash flows of a financial instrument due to price variations in the foreign currency in which they are expressed.

ISA, in a consolidated basis, features an exposure to the exchange rate risk, to a larger extent, due to the effect of conversion into colombian pesos of the investments in companies abroad, which are expressed in the following currencies:



Given that the functional currency of the Peruvian companies is the American Dollar, the consolidated effect will be associated to such currency.

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On the other hand, and in a lower proportion, some companies keep an exposure to the Exchange Rate mainly in the category of expenses associated to the service of debt entered into in currencies other than the functional currency of each company.

In cases where no hedging of a natural type exists against the exchange rate risk, ISA and its companies may carry out financial hedging operations that are available in each country where it is present.

Mitigation measures

Financial risk hedging operations are considered as market risk mitigation tools, which aim to stabilize for a time horizon, the financial statements, and cash flow in case of fluctuations in the risk factors mentioned above.

As part of the Market Risk Hedging (Exchange Rate, Interest Rate, Price), ISA and its companies can carry out standardized derivative operations (e.g. Exchange Rate, Commodity Future Agreements, among others) as well as non-standardized such as forwards, swaps, and options operations at terms in agreement with the best conditions of each market, which qualify as financial hedging instruments to be registered in the financial statements.

The exchange rate hedging operations that ISA and its companies keep in effect are described in section Derivative financial instruments.

It should be noted, that currently two companies have performed hedging operations to mitigate the exchange rate effect in their financial statements, which are described below:

REP

On November 08, 2012 and February 07, 2013, to mitigate the Nuevos Soles exchange rate risk effect, due to the volatility of this type of exchange and since the functional currency of the Company is the American dollar, it entered into “Cross Currency Swap” hedging agreements with BBVA Banco Continental for an amount of S/.104,140,000 and S/.77,305,000, with due date in November 2022 and February 2023, thereby hedging the cash flows in soles related with the First Issue “A” Series and First Issue “B” Series of the Third Corporate Bond Program.

Ruta del Maipo

In August, 2001, the Company issued a Bond (144A) in US Dollars, in the amount of USD421 million where the company holds a “Cross Currency Swap” as hedging instrument, which purpose is to mitigate the exposure to variation of future cash flows, caused by the exchange rate variation affecting the bond denominated in US Dollars and the UF variation due to future flows from toll collection.

In May 2005, this ISA subsidiary entered into this hedging agreement instrument with the Official Credit Institute of Spain (Instituto de Crédito Oficial de España –ICO–, in order to exchange the flows in dollars, originated by the bond, with certain flows in development units (Unidades de Fomento –UF–). Accordingly, during the hedging period, ICO undertakes to deliver the flow in dollars and the company undertakes to pay a fixed amount of UF for such dollars.

ISA Capital do Brasil

On June 09, 2016, this subsidiary signed an agreement for the purchase and sale of dollars from the United States of America with Banco Santander for USD31,65 million, maturing on January 23, 2017. This transaction aims at eliminating the company exchange rate risk associated with the issuance of international bonds, which also will mature in January 2017.

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15.3 Credit and counterparty risk

15.3.1 Credit risk -customers-:

For ISA and its companies, this risk refers to the late payment, doubtful collection or not recovery of the portfolio from services rendered by the companies. In this regard, such risk is deemed lower given that businesses and concessions in which companies take part are highly regulated and, in some cases, contractual measures are maintained that mitigate this risk.

It stands as a noticeable event for 2016, the seizure of Electricaribe’s property and business, which was ordered by the Superintendence of Household Utilities, through Resolution N° SSDP - 20161000062785 on the 14th day of November 2016, which ordered the suspension of payments of all obligations generated up to the moment of such seizure. In consideration of this situation and following internal management guidelines from ISA and its subsidiaries, INTERCOLOMBIA and TRANSELCA proceeded to make provisions totaling COP13.848 and COP17.500 million, respectively.

15.3.2 Credit risk - liquidity excess:

This risk is mainly mitigated through the selection of financial institutions of renowned strength and with a risk grading given by locally or internationally authorized agencies.

On the other hand, a counterparty quota is to be evaluated through allocation models that revise both quantitative (financial indicators) and qualitative (risk grading) variables.

As of December 2016, in credit rating, 80% of the liquidity excess investment, has a local rating equivalent to AAA and 20% corresponding to other ratings (AA+ and AA).

15.4 Liquidity risk

Liquidity risk is defined as the incapacity to obtain sufficient funds for the fulfillment of obligations when due, without incurring in unacceptably high costs. ISA and its companies carry out the constant monitoring of the short-term cash flow, which permits liquidity needs to be identified during the periods analyzed.

On the other hand, each company maintains tools to achieve additional liquidity, such as the issuing of commercial papers and credit facilities with local and foreign entities that enable the fulfillment of temporary requirements for funds when so required.

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16. ACCOUNTS PAYABLE

The breakdown of this item as of December 31, 2016, and 2015 is as follows:

2016					2015		
ACCOUNTS PAYABLE		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Suppliers	(1)	421.336	-	421.336	374.625	-	374.625
Creditors	(2)	124.792	56.424	181.216	65.295	54.303	119.598
Dividends	(3)	128.851	-	128.851	1.732	-	1.732
Retention on agreements		7.948	-	7.948	5.741	-	5.741
Other accounts payable		222.299	923.285	1.145.584	237.686	1.097.472	1.335.158
Total accounts payable		905.226	979.709	1.884.935	685.079	1.151.775	1.836.854

- (1) Accounts payable to suppliers and contractors originate mainly from the purchase of goods and services for the development of operations of the Company. As of December 31, 2016, accounts payable to suppliers amounted to COP46.711 compared to former year. This is mainly to increases in ISA for COP21.827, INTERNEXA in Brazil for COP14.008, Ruta del Maipo for COP10.933 and CTEEP for COP9.266; and reductions in INTERCHILE for (COP21.801) and PDI for (COP25.184).
- (2) This increase is mainly the result of premiums ceded to reinsurers in Linear System for COP15.975.
- (3) It corresponds to dividends from CTEEP payable to non-controlling shareholders.

17. PROVISIONS

Provisions as of December 31, 2016, and 2015, are the following:

2016					2015		
ESTIMATED LIABILITIES AND PROVISIONS		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Provision for contingencies	(1)	42.289	145.825	188.114	48.393	263.432	311.825
Other estimated liabilities and provisions	(2)	494.994	122.068	617.062	424.387	611	424.998
Other estimated liabilities and provisions		537.283	267.893	805.176	472.780	264.043	736.823

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(1) It corresponds to provisions for against and probable litigations. (See Note 30).

(2) The main increase takes place in the provision recorded at ISA Capital do Brasil associated to Law 4819/58. Such provision is part of the obligations undertaken in the acquisition of CTEEP, and in accordance with the stock purchase agreement, ISA Capital do Brasil agrees to complement the stock purchase price in case that CTEEP is released from the payments of supplementary retirement plan benefits, ruled by Law 4819/58. The amounts of these provisions are:

	2016		2015	
	MILLIONS OF BRL	MILLIONS OF COP	MILLIONS OF BRL	MILLIONS OF COP
Amounts to pay Law 4.819/58 - Treasury Secretary	269,62	248.243	269,62	217.466
Amounts to pay Law 4.819/58 - OPA	169,06	155.653	169,06	136.354
	438,68	403.896	438,68	353.820

It also includes estimated liabilities for the acquisition of goods and services which merchandise is in transit, provision for non-invoiced expenses and provision of bonuses, fringe benefits and variable compensation.

18. INCOME TAX

The income tax recorded in the income statement for the year comprises current and deferred income tax. The expense for income tax is recognized in income, except in the case related to items recognized directly in equity, in which case it is recognized in equity.

Current tax: Current income tax assets and liabilities for the period are measured by the values expected to be recovered from or paid to the tax authority. The income tax expense is recognized in the current tax in accordance with the calculation made between taxable income and accounting profit or loss affected by the income tax rate for the current year and in accordance with the provisions of each country’s tax regulations.

Deferred tax: Deferred taxes correspond to the amount of income tax that the Company will have to pay (liabilities) or recover (assets) in future periods, related to temporary differences between the tax base and the accounting carrying number of certain assets and liabilities.

RELEVANT ASPECTS OF INCOME TAX APPLICABLE TO ISA AND ITS COMPANIES.

a) In Colombia, current tax regulations for the 2016 taxable year statute:

- The nominal income tax rate is 25%
- The nominal income tax for equity –CREE– rate, is 9%
- In addition, CREE surtax applicable on the same CREE tax base, when it is greater than COP800 million. The rate is 6% (2016) and 5% (2015).

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- For both, income tax and CREE, the basis for determining the income tax cannot be less than 3% of liquid assets on the last day of the immediately preceding taxable period, calculated by deducting such items duly authorized in the tax laws.
- On December 30, 2016, the Law 1819 Tax Reform 2016 was published, this reform includes the following modifications:
- The use of international accounting standards was established as the foundation to set limits on the taxable basis for the income tax, and tax different treatments were explicit.
 - The income tax for Equity CREE and the CREE surtax was repealed which was scheduled for the taxable years 2017 to 8% and for 2018 to 9%.
 - The rate on the income tax changed from 25% to 34% for 2017, and to 33% for the taxable years 2018 and following.
 - A surtax on income tax was created for 6% for the 2017 taxable year and 4% for the 2018 taxable year.
 - Tax on dividends was created on a rate of 5% when dividends are paid to non-resident taxpayers in Colombia or to natural persons residing in Colombia, when the amount of such dividends is higher than COP19 million, and with 10% rate, when dividends are obtained by natural persons residing in Colombia and such dividends are higher than COP29 million.
 - Presumptive income tax increased to 3,5%.
 - It was established that tax losses could only be offset against taxable income of the next 12 periods.
 - An anti-deferral regime for passive income obtained abroad by Colombian residents was created and it was called Empresas Controladas del Exterior (Foreign Controlled Corporations) –ECE–, through which passive income obtained by corporations or other foreign corporations controlled by colombian residents has to be immediately declared in Colombia once ECE is enforced.

b) **In Chile**, to establish the income tax two fiscal regimes remain: the income attributed regime and the partially integrated regime, two which taxpayers have the right to select. The first-class tax rates vary depending of the regime selected.

Integrated or attributed income system: Business owners must pay taxes in the same year for all income generated by the company and not only on profits withdrawn. The income will be attributed in the way the partners or shareholders agreed to distribute, and if not stated, the distribution percentage agreed in the corporate charter, bylaws or public deed reported to the Tax Service will apply.

Under this system, the First Category Tax rate will have a gradual increase to 25%. Taxpayers will have the right to use 100% of the amount paid for the First Category Tax as credit against final taxes.

Partially integrated or earned income system: Final taxpayers will be levied with the Supplementary or Additional Comprehensive Taxes as appropriate, on the distributions carried out in the companies where they hold interests. If no company profits are withdrawn, there will be no tax levied for final taxpayers.

Under this system, the First Category Tax rate is gradually increased to 27%. Taxpayers are entitled to use only 65% of the amount paid for the First Category Tax as credit against final taxes, except for taxpayers of the Additional Tax, residents in countries with which Chile has signed a double taxation agreement in force, which may use 100%. For these taxpayers, the effective burden will remain at 35%, while for other foreign investors, it will be 44.45%.

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First Category Tax Rates:

System	2014	2015	2016	2017	2018
Attributed income system	21%	22,50%	24%	25%	25%
Partially integrated system	21%	22,50%	24%	25,50%	27%

Companies from Chile decided to apply the regime assigned in the Law, this is how the concessionaires and INTERCHILE chose the partially integrated regime and ISA Inversiones Chile and ISA Inversiones Maule chose the integrated system.

c) **In Peru:** the income tax rate in force until 2016 was 28% on taxable income, after deducting the participation of workers, which is calculated at a rate of 5% or 10%, on the taxable income. The Legislative Decree 1261 of December 09, 2016, modified the third category tax income rate to 29,5% as of January 01, 2017.

Corporate entities not domiciled in Peru and individuals must pay an additional tax on any amount that can be considered an indirect disposal of profits, including amounts charged to expenses and revenues undeclared; that is, expenses likely to have benefited the shareholders, participants, among others; private non-business expenses; expenses charged to shareholders, participants, among others, which are borne by the corporate entity.

Since 2015, dividend is understood as any credit to the limit of profits and unrestricted reserves that are granted on behalf of the partners, associates, or owners, regardless of the time limit set for their return.

Legislative Law also amended the rates applicable to dividends and other forms of profit distribution, moving from 6,8% in 2016 to 5% as of January 01, 2017.

d) **In Brazil:** The Income Tax for Corporate Entities –IRPJ– and the Social Contribution on net profit are taxes under federal jurisdiction that affect the income of the corporate entity in its actual or presumed profit.

Actual profit: The tax is determined on the basis of actual income for each period, setting the tax base according to the accounting profit and making the calculations set forth in tax law. The calculation base is composed by all income and capital gains, whichever denomination they have. The net profit of the calculation period is the amount of operating profit, operating results, and the shares at a 34% rate.

Presumed profit: it is a form of simplified taxation for determining the calculation basis. It applies to corporate entities with gross revenues up to BRL78 million in the previous year. Under this system, the profit of each taxpayer is determined by applying rates of 1.6%, 8%, 16% and 32% to gross revenues, the application of rate depends on the activity carried out by the taxpayer.

e) **In Bolivia,** according to current laws, the Company is subject to the Business Profit Tax (Impuesto a las Utilidades de Empresas –IUE–) at a 25% rate on taxable income for each year, which is the result of adjusting the accounting profit according with the criteria defined in the tax provisions. This tax that is settled and paid in annual periods is offset with the Transactions Tax –IT– generated in the following year, until exhausted or until the next due date of the IUE.

The distribution of company profits or payments of interest for the benefit of its shareholders or foreign related companies is subject to a withholding tax of 12,% on the total amount accredited, paid, or remitted.

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LEGAL STABILITY AGREEMENTS SIGNED BY ISA AND ITS COMPANIES

In Colombia: On June 27, 2008, ISA, and the Nation –Ministry of Mines and Energy–, signed the legal stability agreement for the activity of energy transmission for a period of 20 years, whereby ISA paid a premium and agreed to make investment. This agreement basically provided for stabilization of income tax regulations, including an income tax rate, deduction of the inflationary component of financial expenses, special deduction of 40% for new investments in productive fixed assets, tax discount by VAT paid in the import of machinery for the energy transmission and presumptive income as 3% of liquid assets, as well as the time limit of the equity tax.

This agreement ensures that in the event of adverse changes to the rules stabilized in the agreement those rules will continue to apply during the term thereof.

In Peru: The agreement mainly provides investors and the investment recipient with stability in the income tax regime and stability in hiring workers.

The following are the Group companies located in Peru who signed legal stability agreements:

REP: On July 26, 2002, the company entered into a Legal Stability Agreement with the Peruvian State, which term is extended throughout the term of the concession. This agreement is related to the investment that the Shareholders of the Company must perform with capital contributions in the amount of USD20,000,000, an amount which was completed by December 31, 2002. The agreement mainly provides investors and the investment recipient with stability in the income tax regime in regards to the income tax and stability in hiring workers regimes. The income tax rate in force until 2016 is 27% on taxable income, after deducting the participation of workers, which is calculated at a rate of 5% on the taxable income.

TRANSMANTARO: On February 24, 1998, the company entered into a Legal Stability Agreement with the Peruvian State, which term is extended throughout the term of the concession. The agreement mainly provides investors and the investment recipient with stability in the income tax regime in regards to the income tax and stability in hiring workers regimes. On October 27, 2006, the company signed an addendum to the tax stability agreement with the Peruvian State, which clarifies that the amount at that time of capital contributions amounted to USD43,005,250. The income tax rate is 30% on taxable income.

ISA PERÚ: On March 29, 2001, the company entered into a Legal Stability Agreement with the Peruvian State under the framework of Legislative Decrees N° 662 and N° 757 and Law N° 27342. The term of the Agreement begins with the term of the Concession Contract and extends throughout the term of the Concession. While this Agreement is in force, the Peruvian State agrees to ensure legal stability for the Company in stability for the income tax regime, thus, the regulations in effect at the time of signing the Agreement will remain in effect. According to this agreement, the income tax rate is 20% plus an additional 2%.

In Chile: Until 2015, foreign investors can hold foreign investment agreements with the State under Decree Law 600 –DL600–, if the amount of the investment exceeds USD5,000,000. The DL600 allows:

- **Access to Formal Exchange Market:** The foreign investor may remit capital or profits abroad without restrictions or limitations on the amount of capital or profits.
- **Tax Cost of Shares and Corporate Rights:** An option granted to foreign investor so that in case of sale or liquidation of its investment in Chile, it has the opportunity to enhance its shares or rights in the recipient company in various ways, depending on the most convenient at “acquisition cost” or “tax cost”.

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- Tax Invariability: It provides a rate of 42% as total effective income tax burden for a period of 10 years counted from the start operation date of the respective company, which acts as a protection against possible future tax rate increases above 42%.
- Non-discrimination: It provides foreign investors with the right to claim on such rules issued that it considers discriminatory.

ISA Inversiones Chile, ISA Inversiones Maule, INTERCHILE and INTERNEXA in Chile, signed foreign investment agreements under DL600.

INCOME TAX RECOGNIZED IN INCOME OF YEAR

The result for income tax recorded in the statement of comprehensive income corresponding to years 2016 and 2015, is as follows:

	2016	2015
Expense (income) from income tax		
Expense from current tax	338.201	368.440
Expense (income) from Deferred tax	2.077.093	66.485
Previous years	26.119	(25)
Tax other jurisdictions	10.745	5.885
Total Expense (income) from income tax	2.452.158	440.785

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The reconciliation of the expense from income tax and the product of accounting profit multiplied by the nominal tax rate of each Group company in years 2016 and 2015, is as follows:

	2016	2015
Reconciliation between income tax expense and accounting profit by the nominal tax rate of each Company		
Net earnings before income tax	7.469.893	1.480.332
Income tax expense at nominal rate for each company	4.069.590	881.289
Increase (decrease) in the provision of tax as a result of:		
Lower/Higher tax paid other jurisdictions	(2.375)	985
Non-deductible expenses	104.980	49.689
Taxable dividends and CAN dividends	3.248	30.413
Application of fixed asset benefit	(33.023)	(21.153)
Equity method	(1.553.391)	(339.572)
Exempted income	(7.044)	(32.543)
Current and deferred rate difference	(40.829)	(3.740)
Non-taxable revenues	(1.950)	(94.750)
Effect of choosing presumed and presumptive income	(87.048)	(29.833)
Income tax expense at effective rate	2.452.158	440.785

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DEFERRED TAX ASSETS AND LIABILITIES

The balances of deferred taxes are disclosed in the consolidated statement of financial position as a sum of deferred taxes recognized in each company, considering that the amounts of current and deferred assets and liabilities derive from income tax corresponding to different tax administrations and different taxpayers.

The deferred tax assets and liabilities as of December 31, 2016, December 31, 2015, is as follows:

	2016	2015	2016	2015
	BEGINNING OF THE PERIOD	END OF THE PERIOD	BEGINNING OF THE PERIOD	END OF THE PERIOD
Deferred tax asset				
Other financial and tax credits	158.532	105.045	146.896	158.532
Estimated liabilities and accounts payable	161.360	310.405	179.740	161.360
Total deferred tax asset	319.892	415.450	326.636	319.892
Deferred tax liability				
Property, plant, and equipment	(746.405)	(697.020)	(748.698)	(746.405)
Goodwill and intangible assets	(350.816)	(129.837)	(245.694)	(350.816)
Other liabilities	(639.970)	(3.159.638)	(546.724)	(639.970)
Total deferred tax liability	(1.737.191)	(3.986.495)	(1.541.116)	(1.737.191)
Net deferred tax	(1.417.299)	(3.571.045)	(1.214.480)	(1.417.299)

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Balance annual variations in the deferred tax were acknowledged as showed below:

	2016	2015
Deferred tax variation		
Beginning of the period (net)	(1.417.299)	(1.214.480)
End of the period (net)	(3.571.045)	(1.417.299)
Variation of the fiscal year	(2.153.746)	(202.819)
Detail of the deferred tax variation		
Recognized variation in income	(2.077.093)	(66.485)
Recognized variation in other comprehensive income	(13.601)	868
Rate conversion effect	(63.052)	(137.202)
Total deferred tax variations	(2.153.746)	(202.819)

The following companies have tax losses that can be offset in the future and resulted in the recognition of deferred tax assets.

2016		
Tax Losses		
Ruta de Araucanía	Chile	1.009.450
Ruta del Maipo	Chile	2.850.258
Ruta del Bosque	Chile	585.896
Ruta del Maule	Chile	257.485
Ruta de los Ríos	Chile	67.542
INTERCHILE	Chile	93.511
INTERNEXA	Chile	69.686
Total Tax Losses		4.933.828

According to IAS 12, a deferred tax asset is recognized for tax losses when a company has determined that it is likely to have future taxable income, on which these losses can be attributed.

The management of ISA and its companies consider that projections of future profits of the various companies cover the necessary to recover the balance due to accumulated tax losses for COP4.933.827, recognizing the deferred tax. Additionally, there is a tax losses balance for COP858.310 on which deferred tax was not caused since there is not a reasonable expectation that the companies ISA Capital do Brasil, Ruta del Bosque and Ruta del Maule obtain enough net income to compensate such losses.

ISA and its companies are potentially subject to tax audits on the income tax by the tax authorities in each country. These audits are limited to a number of annual tax periods, which usually give rise to expiration of the term of such inspections. Tax audits, by their nature, are often complex and may require several years. Due to the varying interpretations that can be given to tax rules, the inspection results that could be held in the future by tax authorities for years, subject to verification could lead to tax liabilities which amounts cannot be quantified today in an objective manner.

Income tax effective rate

The effective income tax rate in 2016 was 29,03% and 34,16% for 2015. This rate resulted from the ratio between the income tax and the Income before tax applicable to ISA in the consolidated statement, considering the participation in each of the companies.

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Expected nominal income tax rate

The expected nominal income tax rate for energy transmission companies of the business Group is the result of multiplying the weight of the participation of each country in the consolidated income before taxes of ISA and the nominal income tax rate provided by the tax regulations of each country.

Tariffs used to calculate the nominal tax rate are:

Country	2016	2015
Colombia	40%	39%
Brazil	34%	34%
Peru	28%	28%
Bolivia	25%	25%
Chile	24%	22,5%
Argentina	0%	0%

Given the above, the expected income tax rate for 2016 was 33,19% and 33,93% in 2015.

2016					2015			
COUNTRY	PROFIT BEFORE TAX (WITHOUT NON- CONTROLLING)	% CONSOLIDATED	COUNTRY NOMINAL RATE	PARTICIPATION IN RATE BY COUNTRY	PROFIT BEFORE TAX (WITHOUT NON- CONTROLLING)	% CONSOLIDATED	COUNTRY NOMINAL RATE	PARTICIPATION IN RATE BY COUNTRY
Colombia	442.839	14,71	40,00%	5,88%	647.265	60,75	39,00%	23,69%
Brazil	1.966.279	65,31	34,00%	22,21%	36.615	3,44	34,00%	1,17%
Peru	236.530	7,86	28,00%	2,20%	187.510	17,60	28,00%	4,93%
Chile	321.429	10,68	24,00%	2,56%	157.959	14,83	22,50%	3,34%
Bolivia	40.946	1,36	25,00%	0,34%	35.052	3,29	25,00%	0,82%
Bermuda	2.382	0,08	0,00%	0,00%	1.418	0,13	0,00%	0,00%
Argentina	62	0,00	35,00%	0,00%	(341)	(0,03)	35,00%	0
Total	3.010.467	Expected nominal rate		33,19%	1.065.478	Expected nominal rate		33,93%

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Effective rate regarding nominal income tax rate

The effective rate in 2016 was 29,03% compared to an expected nominal rate of 33,19%, and in 2015 it was 34,16% against an expected nominal rate of 33,93%, due to the following reasons:

2016					2015			
COUNTRY	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	TAX PROVISION 2016 (WITHOUT NON-CONTROLLING)	2016 EFFECTIVE RATE	COUNTRY NOMINAL RATE	PROFIT BEFORE TAX (WITHOUT NON-CONTROLLING)	TAX PROVISION 2015 (WITHOUT NON-CONTROLLING)	2015 EFFECTIVE RATE	COUNTRY NOMINAL RATE
Colombia	442.839	168.699	38,09%	40,00%	647.265	258.926	40,00%	39,00%
Brazil	1.966.279	538.658	27,39%	34,00%	36.615	26.356	71,98%	34,00%
Peru	236.530	67.996	28,75%	28,00%	187.510	51.315	27,37%	28,00%
Chile	321.429	87.731	27,29%	24,00%	157.959	18.325	11,60%	22,50%
Bolivia	40.946	10.153	24,80%	25,00%	35.052	8.310	23,71%	25,00%
Bermuda	2.382	-	0,00%	0,00%	1.418	-	0,00%	0,00%
Argentina	62	602	970,00%	35,00%	(341)	697	204,81%	35,00%
Total	3.010.467	873.839	29,03%	33,19%	1.065.478	363.929	34,16%	33,93%

- In Colombia, in 2016 the effective rate is lower for the application of special deduction due to fixed assets investment and in 2015 the increase is due to the non-deductibility of certain expenses.
- In Brazil, in 2016 there is a lower rate in regards to the nominal rate since CTEEP subsidiaries establish their tax, based on the application of presumed profit and in 2015 the increase is due to ISA Capital do Brasil, individually seen, generated accounting loss and in tax matters a net income, which means a less participation of this country in the consolidated income, without this leading to a reduction of the expense due to tax.

- In Peru, the nominal rate for the two years was 28%, despite this, REP and ISA Perú companies determine their tax at a lower rate under signed tax stability agreements, with income rates of 27% and 22% respectively and Consorcio Transmantaro with a rate of 30%.
- In Chile, the effective rate increase corresponds to the deferred tax due to tax losses and its corresponding monetary correction, both recognized at a 27% rate.

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18.1 Other taxes and contributions receivable

		2016			2015		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Pre-payment and advance payments for taxes and contributions	(1)	463.818	-	463.818	292.190	-	292.190

(1) This item includes pre-payments from tax withholding and balances in favor from private income tax settlement.

18.2 Other taxes and contributions payable

		2016			2015		
		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contribution payable	(1)	-	911.000	911.000	-	120.195	20.195
Other taxes	(2)	194.936	130.742	325.678	142.918	110.657	253.575
Income and supplementary tax provision	(3)	50.129	-	50.129	93.060	-	93.060
		245.065	1.041.742	1.286.807	235.978	230.852	466.830

(1) It corresponds to contribution payable, PIS and COFINS in CTEEP and controlled entities.

(2) This item comprises other taxes payable, including tax withholding, VAT, etc.

(3) Decrease takes place mainly at ISA given that the 2016 provision is affected by the payment of pre-payments made during the year.

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19. EMPLOYEE BENEFITS

19.1 Post-employment benefits

These benefits are valued annually; following is the reconciliation of movements:

	Pension	Medical assistant plan	Education support	Energy support	Total
Balance as of January 1, 2015	208.727	172.135	15.783	5.423	402.068
Current period service costs	-	2.177	794	-	2.971
Interest expense/revenue	14.212	11.957	1.116	373	27.658
Actuarial (profit)/Loss from experience	4.878	(1.198)	94	(180)	3.594
Actuarial (Profit)/Loss from financial assumptions	721	1.155	262	-	2.138
Benefits directly paid by the Company	(16.154)	(8.383)	(340)	(330)	(25.207)
Benefits paid by the Fund	(1.189)	(171)	(45)	-	(1.405)
Balance as of December 31, 2015	211.195	177.672	17.664	5.286	411.817
Current period service costs	-	2.430	887	-	3.317
Interest expense/revenue	15.111	12.941	1.329	371	29.752
Actuarial (profit)/Loss from experience	6.962	(21)	83	1.148	8.172
Actuarial (Profit)/Loss from change in demographic assumptions	4.135	9.183	315	-	13.633
Actuarial (Profit)/Loss from financial assumptions	265	4.110	589	-	4.964
Benefits directly paid by the Company	(18.986)	(9.068)	(339)	(401)	(28.794)
Balance as of December 31, 2016	218.682	197.247	20.528	6.404	442.861

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The quantitative sensitivity analysis against a change in a key assumption will generated the following effect on the net obligation due to benefits as follows:

Assumptions	Pension	Contributions to social security medical	Medical	Educational
Change in discount rate				
Discount rate increase in +1%	127.631	113	106.033	17.571
Discount rate decrease in -1%	157.986	114	142.047	23.884
Change in benefit increase				
Increase in benefit increase in +1%	-	-	-	14.891
Decrease in benefit increase in -1%	-	-	-	10.532
Change in medical trend				
Increase in medical trend in +1%	-	-	139.181	-
Decrease in medical trend in -1%	-	-	108.221	-
Obligation Base	141.427	114	56.530	79.657
Term of the Plan	23	14	50	51

19.1.1 Retirement pensions

ISA, TRANSELCA and XM, according to the collective and individual employment contracts, must pay retirement pensions to those workers who meet certain requirements of age and length of service. The Social Security Institute –ISS– today Colpensiones, and pension management companies assume the major portion of this obligation, according to the compliance with legal requirements.

The present value of the pension obligation, as of December 31, 2016, and December 31, 2015 was determined based on actuarial studies in accordance with IAS 19 using the actuarial valuation method. Projected Unit Credit –PUC– is used to determine the present value of the Defined Benefit Obligation –DBO–, and where appropriate, the cost for services and the cost of past services.

Under this method, the benefits are attributed to periods in which the obligation to provide benefits is created by directly applying the formula of the benefit of the service-based plan on the valuation date. When the benefit is based on compensation or salary or salary increases, they are applied until the date on which the participant is expected to end the service. However, if the service in the last years leads to significant additional benefits more than in previous years, the benefits are linearly attributed from the date when service by the employee entitles to benefits under the plan, until such date when subsequent services lead to no additional material amount of benefits under the plan.

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The main actuarial assumptions used in the valuation are:

DECEMBER 2016			
VARIABLES	ISA	TRANSELCA	XM
Discount rate	7,30%	7,40%	7,30%
Future salary increase	4,00%	3,50%	4,00%
Future increase in pensions	3,50%	3,50%	3,50%
Inflation rate	3,50%	3,50%	3,50%
Minimum wage increase	4,00%	4,00%	4,00%
Rate of return on assets	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier
Number of people covered by pension plan	412	195	19
Number of people covered by contributions plan	30	195	8

19.1.2 Prepaid medical assistance plans

ISA, INTERCOLOMBIA, TRANSELCA and XM, will pay the following percentages on premiums for health plans corresponding to prepaid medical assistance and hospitalization policy:

For salaries and pensions up to four point three (4.3) legal monthly minimum wages (SMLMV), ninety percent (90%) of the value of the premium.

For salaries and pensions above four point three (4.3) and up to five point five (5.5) legal monthly minimum wages (SMLMV), eighty percent (80%) of the value of the premium.

For salaries and pensions above five point five (5.5) legal monthly minimum wages (SMLMV), seventy percent (70%) of the value of the premium.

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The main actuarial assumptions used in the valuation are:

DECEMBER 2016				
VARIABLES	ISA	INTERCOLOMBIA	TRANSELCA	XM
Discount rate	7,30%	7,30%	7,40%	7,30%
Minimum wage increase	4,00%	4,00%	4,00%	4,00%
Initial increase rate for benefit cost	5,80%	7,00%	4,50%	7,00%
Final increase rate for benefit cost	4,50%	4,50%	4,50%	4,50%
Rate of return on assets	N/A	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover table	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	"2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by medical plan	1.068	476	442	207

19.1.3 Education support

Employees of ISA, INTERCOLOMBIA, TRANSELCA and XM, are entitled to a recognition for education support, for each child of active workers and pensioned personnel, up to 25 years old, provided they are single and are not working.

The values to recognize will be provided in the collective agreements in effect:

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ISA and INTERCOLOMBIA

Educational level	Amount to be recognized for each period	
	BENEFICIARIES OF THE COLLECTIVE LABOR CONVENTION	BENEFICIARIES OF THE LABOR COLLECTIVE PACT
Preschool, kindergarten, primary and secondary, for each child.	2.7 SMLMV (annual)	4.5 SMLMV (annual)
Technology, technical, professional and specialization in technology, per each child	1.5 SMLMV (by semester)	2.25 SMLMV (by semester)
Children with learning disabilities, whatever age.	3.0 SMLMV (annual)	4.5 SMLMV (annual)

TRANSELCA

Educational level	Amount to be recognized for each period	
	BENEFICIARIES OF THE COLLECTIVE LABOR CONVENTION	
Maternity aid, kinder garden and/or primary	N/A	
Financial aid for secondary studies and/or technical courses	375.660 (2016) + IPC (annual)	
University and/or intermediate degrees aid	531.343 (2016) + IPC (semester)	
Physical and mental rehabilitation	531.343 (2016) + IPC (semester)	

XM

Educational level	Amount to be recognized for each period	
	BENEFICIARIES OF THE LABOR COLLECTIVE PACT	
Worker	3 SMLMV (semiannual)	
Daycare / Preschool Primary / Secondary (children)	3.2 SMLMV (annual)	
Technology / Professional Technician / Specialization studies (Children)	4 SMLMV (annually, payable semi-annually)	
Specially	3.2 SMLMV (annual)	

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The support will be paid per year or early school semester, and must be made in education centers duly approved by the competent entity.

The main actuarial assumptions used in the valuation are:

DECEMBER 2016				
VARIABLES	ISA	INTERCOLOMBIA	TRANSELCA	XM
Discount rate	7,30%	7,30%	7,30%	7,30%
Minimum wage increase	4,00%	4,00%	4,00%	4,00%
Rate of return on assets	0,00%	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover table	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by the education plan	236	448	54	182

19.1.4 Energy support

In TRANSELCA, the energy support is up to 80% of the residential consumption of the worker permanent housing.

The main actuarial assumptions used in the valuation are:

Variables	DECEMBER 2016
Discount rate	7,40%
Inflation rate	3,50%
Rate of return on assets	N/A
Mortality chart	2008 valid rentier
Turnover table	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by the education plan	164

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19.2 Non-current benefits

19.2.1 Quinquennium

The benefit consists in the quinquennium payment of a fixed amount when the employee has been working for five years with the company, and thereafter each five years of service.

19.2.2 Seniority premium

The benefit consists in the annual payment of one day’s salary per each year of service with the Company, in the month of completion of each year of service. The benefit begins when participant completes five years of service with the company.

The main actuarial assumptions used in the valuation are:

DECEMBER 2016			
VARIABLES	ISA	INTERCOLOMBIA	XM
Discount rate	7,20%	7,10%	7,20%
Minimum wage increase	4,00%	4,00%	4,00%
Rate of return on assets	N/A	N/A	N/A
Mortality chart	2008 valid rentier	2008 valid rentier	2008 valid rentier
Turnover table	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study" with adjustment factor at 50%
Number of people covered by seniority premium and quinquennium	113	455	142

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These benefits are valued annually; following is the reconciliation of movements:

	Severance	Seniority and quinquennium premium	Total
Balance as of January 1, 2015	2.282	13.617	15.899
Current period service costs	74	1.043	1.117
Interest expense/revenue	161	907	1.068
Actuarial (profit)/Loss from experience	225	610	835
Actuarial (Profit)/Loss from change in demographic assumptions	-	-	-
Actuarial (Profit)/Loss from financial assumptions	49	118	167
Benefits directly paid by the Company	(101)	(1.994)	(2.095)
Balance as of December 31, 2015	2.690	14.301	16.991
Current period service costs	91	1.120	1.211
Interest expense/revenue	198	1.000	1.198
Actuarial (profit)/Loss from experience	1.881	1.126	3.007
Actuarial (Profit)/Loss from change in demographic assumptions	-	44	44
Actuarial (Profit)/Loss from financial assumptions	134	354	488
Benefits directly paid by the Company	(165)	(2.299)	(2.464)
Balance as of December 31, 2016	4.829	15.646	20.475

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The quantitative analysis of sensitivity in regards to a change in a key assumption will generate the following effect on the net obligation due to benefits:

Assumptions	Severance	Seniority/Quinquennium
Change in discount rate		
Discount rate increase in +1%	4.640	14.796
Discount rate decrease in -1%	5.031	16.600
Change in salary raise		
Increase in salary raise +1%	5.102	14.793
Decrease in salary raise -1%	4.568	13.100
Change in benefit increase		
Increase in benefit increase in +1%	-	1.867
Decrease in benefit increase in -1%	-	1.629
Obligation Base	4.829	21.801
Term of the Plan	5	20

19.3 Termination benefits

Benefits due to termination of the labor link in TRANSELCA was COP1.806 million.

19.4 Asset for pension liabilities backup

Company XM holds restricted cash corresponding to the balances in the Trust (Patrimonio Autónomo) in Protección S.A. to support actuarial liabilities. This amount is disclosed in the Statement of Financial Position netted with pension liabilities.

	2016	2015
Asset for pension liabilities backup	7.816	8.664

20. OTHER NON-FINANCIAL LIABILITIES

2016				2015			
OTHER LIABILITIES		CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Deferred revenues and credits	(1)	149.246	286.388	435.634	163.236	303.238	466.474
Collections in favor of third parties		41.509	1.472	42.981	48.629	1.289	49.918
Revenues received in advance from sales	(2)	38.958	113.917	152.875	14.417	-	14.417
Total other liabilities		229.713	401.777	631.490	226.282	304.527	530.809

- (1) The deferred revenues and credits mainly correspond to:
- In ISA, the deferred revenues from the National Transmission System –STN–: COP201.276 (2015: COP216.435) from call for bids assets –UPME– and infrastructure use rights for COP8.328, (2015: COP10.978);
 - In INTERNEXA in Peru for COP145.791 (2015: COP120.025), corresponding to: COP112.339 due to payments in advance for the construction of the fiber optic network from the first usufruct contract signed with Telefónica, which was called: “Proyecto Sur” and “Proyecto Norte”, COP 44.393 due to recognition of revenues generated by the delivery of portions N° 1 to N° 7 from the first usufruct contract signed with Telefónica, COP5.524 to the payment in advance received in December 2011 as a result of the second usufruct contract signed with Telefónica “Proyecto Norte”, COP531 to the payment in advance received between December 2014 and January 2015, for the third usufruct contract signed with Telefónica, COP37.809 for the payment in advance received during 2011 for the Contract for the transport capacity rights in the Lima Desaguadero

section, signed with Latin American Nautilus Perú, which was delivered in February 2013. As of that date, the company recognizes revenues due to services, COP5.932 for the payment in advance received in 2011, for the contract for the transport capacity rights through which the company grants Telefónica the right to use the maximum capacity of the 40 Gbps of transport capacity on the company’s network between the San Juan (Lima) Substation to Zorritos (Tumbes) and COP184 for payment in advance for the procurement of equipment for the contract signed with CD Network for the two-year leasing service, which was effective through minutes signed in October 2013 and May 2014. Likewise, revenues are being recognized as of this date.

- (2) It mainly includes revenues received due to payment in advance in INTERNEXA in Colombia for COP139.578 in contracts for the right of use and network from the following customers: Comunicación Celular -Telmex Colombia S.A., Transnexa, Colombia Móvil Contrato Agreement IRU NORTE, Colombia Telecomunicaciones, TV Azteca and LEVEL 3 (Contract for the use of dark optical fiber threads in the SE Chipichape- Las Vegas linear route, with a total distance of 125.6 Km).

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21. EQUITY

21.1 Subscribed and paid-in capital and number of shares

ISA's subscribed and paid-in capital, as of December 31, 2016, and 2015, is COP36.916, represented in 1.125.498.016 shares, distributed as follows:

2016			
SHAREHOLDER	Number of shares	Millions	% Interest (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
INVESTORS WITH PUBLIC AND PRIVATE CAPITAL			
Empresa de Energía de Bogotá S.A. E.S.P	18.448.050	605	1,3849
Subtotal	18.448.050	605	1,3849
Subtotal	700.526.158	22.977	63,2428
PRIVATE CAPITAL INVESTORS			
Mandatory Pension Fund Porvenir Moderate	89.737.599	2.943	8,1014
Mandatory Pension Fund Protección Moderate	69.647.327	2.284	6,2877
Mandatory Pension Fund Colfondos Moderate	28.609.043	938	2,5828
Fondo Bursátil Ishares Colcap	12.909.662	423	1,1655
Norges Bank-Cb New York	10.872.969	357	0,9816
Old Mutual Mandatory Pension Fund Moderate	10.527.754	345	0,9504
Vanguard Emerging Markets Stock Index Fund	5.864.459	192	0,5294
Vanguard Total International Stock Index Fund	3.929.807	129	0,3548
Abu Dhabi Investment Authority J.P. Morgan	3.185.525	104	0,2876
Caxdac - Old-age	3.006.347	99	0,2714
Other shareholders	169.861.244	5.539	15,2446
Subtotal	407.151.736	13.354	36,7571
Total outstanding subscribed capital	1.107.677.894	36.331	100
Own shares reacquired (2)	17.820.122	585	
Total subscribed and paid-in capital	1.125.498.016	36.916	

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SHAREHOLDER	2015		
	Number of shares	Millions	% Interest (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
INVESTORS WITH PUBLIC AND PRIVATE CAPITAL			
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			
Mandatory Pension Fund Porvenir	75.634.056	2.481	6,828
Mandatory Pension Fund Protección	53.190.181	1.745	4,802
Mandatory Pension Fund Colfondos	20.210.009	663	1,825
Old Mutual Mandatory Pension Fund	7.845.820	257	0,708
Fondo Bursátil Ishares Colcap	7.668.997	252	0,692
Norges Bank-CB New York	7.305.536	240	0,660
Vanguard Emerging Markets Stock Index Fund	5.775.289	189	0,521
Fondo de Pensiones Protección-RF Alta Liquidez	3.895.164	128	0,352
Vanguard Total International Stock Index Fund	3.238.486	106	0,292
Abu Dhabi Investment Authority J.P. Morgan	3.160.570	104	0,285
Other shareholders	160.302.148	5.256	14,472
Subtotal	348.226.256	11.421	31.438
Total outstanding subscribed capital	1.107.677.894	36.331	100
Own shares reacquired (2)	17.820.122	585	
Total subscribed and paid-in capital	1.125.498.016	36.916	

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(1) Percentage of interest on outstanding shares, which are common, registered and dematerialized.

(2) Shares belonged to CORELCA, and were reacquired by ISA in August, 1998. To this date, all rights inherent thereto have been suspended, and consequently, they do neither participate in the distribution of dividends nor are part of the quorum to deliberate and decide.

The Colombian Centralized Deposit of Securities (El Depósito Centralizado de Valores de Colombia –DECEVAL–), is an entity that receives securities in deposit, for their administration and custody, thereby contributing to facilitate and speed up the market agents’ operations.

21.2 Authorized shares and nominal value

As of December 31, 2016, and 2015, the authorized capital stock included 1.371.951.219 common shares, with a par value of COP32,800000005352. All issued shares are fully paid.

21.3 Rights and restrictions of shareholders

Shareholders with common shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at the Company Shareholders’ Meetings. The Company is listed primarily in the Colombian Stock Exchange.

21.4 Premium for placement of shares

This item amounts to COP1.428.128 in 2016 and 2015.

21.5 Dividends

Dividends declared in 2015, on income from the previous year, are as detailed below:

	2016	2015
Net income of previous period	706.321	593.065
Outstanding shares:	1.107.677.894	1.107.677.894
Ordinary dividend per share (in COP)	228	208
Extraordinary dividend per share (in COP)	60	60
Total decreed dividends per share	288	268
Decreed dividends	319.011	296.858
Form of payment	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2016.	Ordinary and extraordinary dividends to be paid in April-July-October-December, 2015.

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The detail of paid dividend in the last years is as follows:

Attributed to the period	Type of dividend	Date of payment	Pesos per share
2009	Ordinary	19-Apr-10	40
2009	Ordinary	19-Jul-10	40
2009	Ordinary	19-Oct-10	40
2009	Ordinary	27-Jan-11	40
2010	Ordinary	18-Apr-11	43
2010	Ordinary	18-Jul-11	43
2010	Ordinary	18-Oct-11	43
2010	Ordinary	27-Jan-12	43
2011	Ordinary	26-Jun-12	179
2012	Ordinary	01-May-13	188
2013	Ordinary	21-Jul-14	196
2013	Extraordinary	22-Sep-14	18
2014	Ordinary	28-Apr-15	52
2014	Extraordinary	28-Apr-15	15
2014	Ordinary	28-Jul-15	52
2014	Extraordinary	28-Jul-15	15
2014	Ordinary	27-Oct-15	52
2014	Extraordinary	27-Oct-15	15
2014	Ordinary	10-Dec-15	52
2014	Extraordinary	10-Dec-15	15
2015	Ordinary	26-Jul-16	114
2015	Extraordinary	26-Jul-16	30
2015	Ordinary	15-Dec-16	114

21.6 Reserves

		2016	2015
Legal	(1)	18.458	18.458
Legal under tax provisions	(2)	811.959	716.143
Reserve for reacquisition of own shares	(3)	38.100	38.100
For equity strengthening	(4)	972.758	681.264
For rehabilitation and replacement of STN assets	(5)	37.434	37.434
TOTAL		1.878.709	1.491.399

- (1) According to the law, the Parent Company is required to set aside 10% of its net annual profits as legal reserve until the balance of this reserve equals 50% of the subscribed capital. The mandatory legal reserve may not be distributed before the liquidation of the Company, but may be used to absorb or reduce net annual losses. Reserve balances are of free availability for shareholders, as to the amount exceeding 50% of the subscribed capital.
- (2) The Regular Shareholders' Meeting approves the appropriation of this reserve from the net profits, in compliance with Article 130 of the Tax Code, with the purpose of obtaining tax deductions due to depreciation that exceeds the accounting depreciation. According to legal provisions, this reserve may be released to the extent that accounting depreciation exceeds those annually requested for tax purposes, or if assets are sold that gave rise to the larger amount deducted.
- (3) It includes a special reserve for the acquisition of own shares of the Company owned by EPM for COP38.100.
- (4) In compliance with Article 47 of the Bylaws, the Shareholders General Meeting has established occasional reserves, for the Company to preserve its financial soundness, maintain the level of financial indicators required by the credit risk rating agencies to grant the degree of investment and comply with the contractual commitments acquired with the financial institutions.

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(5) On March 30, 2000, the General Shareholders’ Meeting approved an appropriation of COP24.933 for the rehabilitation and replacement of the National Transmission System assets, and on March 18th, 2002 an addition to this reserve was approved for COP12.501, for a total of COP37.434.

22. REVENUES FROM ORDINARY ACTIVITIES AND OTHER REVENUES

They are revenues for services provided by ISA companies, for concept of: energy transmission (use of National Transmission System –STN–), connection to the STN; services related to energy transmission services, management, operation and maintenance; specialized technical services, design, construction, maintenance, exploitation and operation of road concessions, the financial returns of concessions classified as financial assets, special studies, availability of infrastructure and project management, organization, administration, marketing and provision of telecommunication services, performing all kinds of activities with the construction of transmission lines, power projects of all kinds, management of real-time systems and in general, any activity in the construction sector.

Concept of Revenues		2016	2015
Energy transmission services	(1)	8.983.465	2.739.308
Connection charges	(2)	211.553	202.701
Services CND – MEM		114.737	99.900
Telecommunications	(3)	337.167	283.785
Related activities		61.110	51.868
Road concessions	(4)	1.126.331	1.095.223
Constructions for sale	(5)	1.303.189	797.864
Total operating revenues		12.137.552	5.270.649

(1) Services provided by ISA and TRANSELCA in Colombia which are regulated by the Energy and Gas Regulation Commission –CREG– and for the provision of services covered by concession contracts in Brazil, Peru and Bolivia paid under the tariff regime of each country and with annual adjustments during the term of the concession fee as agreed in each concession contract.

In ISA and TRANSELCA, the unavailability of assets for the provision of service of use and connection to STN causes decreases in revenues reflected in the billing of services of the immediately following month through compensation. ISA has been carrying out legal actions and administrative procedures to incorporate the STN assets of Betania Substation into the asset base of the system and to have the corresponding remuneration recognized.

For ISA and INTERCOLOMBIA, rates to use the STN for the existing network are regulated and subject to adjustment by the Producer Price Index –PPI–. Revenues from UPME biddings related to new projects in the STN are fixed in dollars and converted to pesos each month with the Representative Market Rate –RMR– and Producer Price Index –PPI– (United States).

The increase is mainly represented in CTEEP due to the recognition of compensation in COP5.527.016 (See Note 6.1) and in INTERCOLOMBIA for COP191.733, mainly due to the increase in contributions from FAER and PRONE and by the creation of new contribution for the Social Energy Fund (Fondo de Energía Social – FOES–).

- (2) Connection fees generally are updated by the Producer Price Index –PPI–.
- (3) Services from the business unit of Information and Telecommunication Technologies increased thanks to more IP services sales, storage of information and videoconferences in Colombia, new customers in Chile and Brazil.
- (4) In Road Concessions business in Chile, there were higher revenues due to the execution of operation services in maintenance and routine works with their corresponding cost.
- (5) Higher revenues due to new projects from the ConsorcioTransmantaro, for COP444.473.

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23. CONCESSIONS

ISA through its companies, promotes the development in Brazil, Peru and Bolivia through concessions acquired for the provision of energy transmission services; for the provision of management of real-time systems in Colombia and for road transport service through concessionaires in Chile.

23.1.1 Concessions in Peru

Due to the terms and conditions contained in the concession contracts in Peru for the provision of utilities regarding energy transmission, similar in legal terms and rights and obligations to the State, the model that applies to concession contracts to provide the utility of energy transmission at REP, ISA Perú and ConsorcioTransmantaro is the intangible asset model, which applies when the services provided by the operator are paid by users or when the grantor does not unconditionally warrant the collection of accounts receivable.

The intangible asset represents the right granted by the Peruvian State to charge users for the energy transmission service.

23.1.2 Concessions in Bolivia

Similar to the type of contracts in Peru, concession contracts for the provision of energy utilities in Bolivia, unconditional cash receipt is not guaranteed for the operator, thus the latter must assume the credit risk associated with the collection of invoiced amounts, which could mean that the company cannot recover all the investment. Additionally, the Bolivian State is not required to ensure the remaining either by the absence of demand or lack of payment of any of the market players; therefore, the grantor has no obligation to pay for the construction services received; in this sense, the model that is consistent with the contract terms and framed by IFRIC 12 is the intangible asset model.

23.1.3 Concessions in Colombia

At present, SISTEMAS INTELIGENTES EN RED S.A.S., by means of Business Cooperation Agreement signed with UNE EPM Telecomunicaciones S.A. and Consorcio ITS, is in charge of the performance of Inter-Administrative Agreement N° 5400000C003 of 2006 with the Municipality of Medellin “under concession, and therefore at its account, by contributing with the required technological infrastructure, to provide modernization and optimization for the management of the administrative services of the Department of Transport and Traffic of Medellin, through a comprehensive solution of information, communications and technology operation of ICTs”; in consideration of the above, it is entitled to participate of the revenues from fines captured by the photo-detection system.

- This agreement is within the scope of IFRIC 12 due to the following reasons:
- The grantor, in this case the Municipality of Medellin, controls which services should be provided by the operator with the infrastructure, whom should be charged and at what price.
 - The grantor controls, through ownership of the right to use, any significant residual interest in the infrastructure at the end of its useful life, as set out in Addendum N° 5 of the agreement: “upon termination of this agreement, all goods, equipment, technology, software licenses shall be reversed in favor of the Municipality... “.

23.1.4 Concessions in Brazil

According to the concession contracts in Brazil, the operator holds the unconditional and contractual right to receive cash or another financial asset from grantor ANEEL, as it provides that at the end of the concession, the reversion of assets linked to the concession will be established by determination and calculation of the compensation to be recognized by the operator.

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The company believes that the amount of compensation to which operators are entitled corresponds to the NRV (New Replacement Value), adjusted for accumulated depreciation of each asset, which is part of the remuneration for the services of construction that is recognized at the time that the work is completed; management believes, therefore, that this value corresponds to the guaranteed minimum value regulated by the State.

According to the above, all energy transmission concessions in Brazil were classified under the financial asset model, with the recognition of revenues and costs of the works related to the formation of the asset.

Financial assets include amounts receivable relating to construction services, financial yields and operations and maintenance services, as well as the amount of compensation received by the concession from the reversal of assets linked to the concession at the end of the contract.

23.1.5 Concessions in Chile

The Chilean concession contracts for the provision of road transport service included guaranteed revenues under the Income Distribution Mechanism (Mecanismo de Distribución de Ingresos –MDI–), which sets total income to present value, also providing the concept of guaranteed minimum income (Ingreso Mínimo Garantizado –IMG–) and grants in some concessionaires.

These contracts also include income guarantees representing an unconditional contractual right to be received or other financial assets for construction services. The contractually guaranteed payment is a specific and determinable amount.

Based on the above, the model applied to concessions in Chile, is the financial asset model. This asset is extinguished by the payments received from road users through tolls or directly by payments from the Ministry of Public Works (Ministerio de Obras Públicas –MOP–).

Some of these concession contracts include the construction of infrastructure required for provision of these services, with high quality standards.

Business	Concessionaire	Country	Asset classification	Concession asset value		Operating revenues	
				2016	2015	2016	2015
INTANGIBLE ASSET:							
Energy transmission	Transmantaro	Peru	Intangible	3.394.040	2.745.408	1.236.152	717.646
Energy transmission	REP	Peru	Intangible	1.380.501	1.442.089	480.564	444.959
Energy transmission	ISA Perú	Peru	Intangible	168.162	121.890	102.020	45.693
Subtotal concessions in Peru:				4.942.703	4.309.387	1.818.736	1.208.298

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Business	Concessionaire	Country	Asset classification	Concession asset value		Operating revenues	
				2016	2015	2016	2015
INTANGIBLE ASSET:							
Energy transmission	ISA Bolivia	Bolivia	Intangible	90.598	110.430	72.193	61.688
Management of Real-Time Systems	SISTEMAS INTELIGENTES EN RED	Colombia	Intangible	6.117	6.669	17.198	13.448
Total concessions recognized as intangible assets:				5.039.418	4.426.486	1.908.127	1.283.434
FINANCIAL ASSET:							
Energy transmission	CTEEP	Brazil	Financial	9.496.136	2.250.287	6.643.844	892.569
Energy transmission	IE Pinheiros	Brazil	Financial	559.148	459.497	76.198	87.932
Energy transmission	Serra do Japi	Brazil	Financial	310.063	250.233	69.489	48.813
Energy transmission	Minas Gerais	Brazil	Financial	126.384	132.406	20.551	15.821
Energy transmission	Evrecy Participações	Brazil	Financial	47.559	38.806	14.582	11.979
Subtotal concessions in Brazil:				10.539.290	3.131.229	6.824.664	1.057.114
Road concessions	Ruta del Maipo	Chile	Financial	4.802.802	4.605.622	765.074	667.973
Road concessions	Ruta del Maule	Chile	Financial	391.515	567.726	96.286	88.075
Road concessions	Ruta de la Araucanía	Chile	Financial	1.037.235	1.066.264	150.366	132.598
Road Concessions	Ruta del Bosque	Chile	Financial	512.155	588.848	119.191	115.017
Road Concessions	Ruta de los Ríos	Chile	Financial	448.628	499.582	112.285	91.560
Subtotal concessions in Chile:				7.192.335	7.328.042	1.243.202	1.095.223
Total concessions recognized as financial assets:				17.731.625	10.459.271	8.067.866	2.152.337

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24. OPERATING COSTS AND EXPENSES

24.1 Operating costs

Operating costs for years ending December 31 are detailed below:

		2016	2015
Concession contracts construction costs	(1)	1.259.856	848.566
Personnel expenses		373.603	368.880
Contributions and taxes	(2)	347.141	187.403
Materials and maintenance	(3)	266.249	219.534
Services	(4)	158.290	130.994
Miscellaneous	(5)	122.336	86.558
Insurances		28.797	27.369
Leases		26.121	23.469
Fees		23.091	20.200
Studies and projects		17.224	16.771
Advertising and prints		3.359	1.760
Total operating costs before depreciation, amortization, and transfers		2.626.067	1.931.504
Depreciations		250.888	246.573
Amortization	(6)	25.107	19.941
Total depreciation and amortization		275.995	266.514
Total operating costs		2.902.062	2.198.018

- (1) It corresponds to contracts for the construction, management, administration and construction supervision, commissioning, and operation of energy transmission lines in Peru for the projects: Mantaro-Montalvo, Machu Picchu-Cotaruse and expansion of the 14, 15 and 16 networks; and in Colombia, the enlargement of Termocol and El Bosque substations, and La Reforma, Copey and Statcom call for proposals.
- (2) Within contributions and taxes, the most significant variation is in INTERCOLOMBIA, due to the increase of FAER and PRONE contributions and the inclusion as of January 2016, of a new contribution on FOES revenues as described: FAER, PRONE and FOES COP74.627, COP67.443, COP74.577, respectively (2015: COP60.752, COP36.376 and \$0).
- (3) Includes costs associated with construction and building of assets for operation and maintenance of road network and grid, including those incurred in the recovery of infrastructure. It also includes costs associated to scheduled maintenance for the transmission grid and to constructions and buildings of its operation.
- (4) Increase related to the sale cost of metal structure for COP10.591 in INTERCOLOMBIA; in Ruta del Maipo COP4.557 and Ruta del Maule COP1.775 due to services to third parties and in CTEEP COP4.532 due to contracts and substations maintenance and preservation.
- (5) The increase is mainly generated by the right on the premiums ceded with re-insurers in Linear System for COP24.732 and higher costs in INTERNEXA in Colombia for COP11.975 in opportunities allied services and regional capacities.
- (6) Increase in amortization of rights, mainly in INTERNEXA in Colombia for COP1.920 and INTERNEXA in Brazil for COP1.658.

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24.2 Administrative expenses

Administrative expenses for years ending December 31, are detailed below:

		2016	2015
Personnel costs	(1)	305.802	234.190
Contributions and taxes		78.230	72.078
Miscellaneous		51.962	56.271
Fees	(2)	46.973	36.375
Materials and maintenance	(3)	37.878	21.492
Services	(4)	22.979	16.736
Leases		17.006	14.939
Insurances		14.243	11.686
Studies and projects		9.697	8.270
Advertising and prints		7.874	6.205
Total administrative expenses before depreciations, amortizations, and provisions		592.644	478.242
Amortizations		232.716	213.183
Provisions	(5)	126.893	96.280
Depreciations		28.257	25.162
Total depreciations, amortizations, and provisions		387.866	334.625
Total administrative expenses		980.510	812.867

- (1) Personnel expenses include all short-term, long-term, and post-employment benefits.
- (2) Increase in professional fees due to technical, administrative, and financial consultancy in ISA COP 858, Transmantaro COP1.904, CTEEP COP1.153, INTERNEXA in Colombia COP1.175, REP COP1.726 and INTERVIAL CHILE COP3.673.
- (3) Includes costs associated with construction and building of assets for operation and maintenance of road network and grid, including those incurred in the recovery of infrastructure. Increases mainly occurred in REP.
- (4) Increase in services mainly in REP due to housekeeping services, utilities, and security.
- (5) The increase in provisions is due to the recognition in the ISA investment impairment in Electricaribe for COP10.042; portfolio provision in TRANSELCA and INTERCOLOMBIA in Electricaribe for COP17.485 and COP13.965, respectively and inventory provision in INTERCOLOMBIA for COP1.048.

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25. OTHER REVENUES AND EXPENSES

25.1 Other revenues

Other revenues for years ending December 31, are detailed below:

		2016	2015
Extraordinary revenues			
Indemnities	(1)	2.917	9.973
Leases		993	1.093
Recoveries		6.145	20.286
Proceeds from sale property, plant equipment		449	-
Other		23.764	28.034
Total extraordinary revenues		34.268	59.386
Equity method	(2)	242.061	127.628
Total other revenues		276.329	187.014

(1) The balance as of December 31, 2015, included in ISA COP8.600 for compensation for loss of Virginia transformer COP5.995 and S/E Cerromatoso for COP2,604.

(2) Increase in investments from CTEEP in its companies with joint control mainly due to higher income in IEMADEIRA for COP285.737 on which it collects 51%, corresponding to COP145.726.

25.2 Other expenses

Other expenses for years ending December 31, are detailed below:

		2016	2015
Other expenses			
Losses from events of loss		1.143	1.362
Loss from write-off of assets		8.751	9.088
Other	(1)	9.810	13.872
Total extraordinary expenses		19.704	24.324
Equity method		8.371	3.788
Total other expenses		28.075	28.112

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26. FINANCIAL RESULT

The detail of financial income and expense as of December 31, 2016, and 2015, is as follows:

		2016	2015
Financial revenues			
Valuation of investments	(1)	435.259	100.216
Commercial discounts, conditioned and agreements	(2)	59.631	53.161
On due accounts, receivable and other loans	(3)	53.996	71.762
Monetary variation	(4)	21.483	48.523
Dividends	(5)	2.349	1.780
Total financial income		572.718	275.442
Exchange difference			
Cash		199.236	539.118
Debtors		128.588	95.610
Financial obligations		108.752	70.516
Accounts payable		43.825	33.073
Investments abroad		599	275
Other assets		456	159
Total exchange difference		(6) 481.456	738.751
Total financial income		1.054.174	1.014.193

- (1) It corresponds to the negotiation income and sale of fixed and variable income investments, which presented higher revenues in CTEEP for COP331.640 and there were less returns compared to former year in ISA for COP16.400.
- (2) The change relates mainly to Consorcio Transmantaro for COP13.033, which are related to the interest from accounts receivable for financial lease agreements with third parties.
- (3) It corresponds to financial returns from placement of securities, returns on deposits and agreements.
- (4) Variation mainly corresponds in CTEEP to the recognition of interests and financial update on compensation for COP4.655 (2015: COP41.366).
- (5) Revenues mainly from dividends received from Empresa Propietaria de la Red –EPR– in June, a panamanian company incorporated in the city of San Jose de Costa Rica. ISA holds a stake of 11.11% in mentioned company. This company has already started operations in some sections of the line.
- (6) The translation effect generated by the revaluation of the colombian peso against other countries currencies where ISA has presence, resulted in a revenue decrease due to the exchange difference.

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		2016	2015
Financial expenses			
Interest and commissions			
Interest on bonds	(1)	587.667	504.790
Commissions and management of securities	(2)	380.864	43.144
On financial obligations	(3)	303.761	233.959
Other interest		133.278	115.670
Miscellaneous		45.108	40.672
Loss in valuation and sale of investments		21.406	14.587
Total interest and commissions		1.472.084	952.822
Exchange difference			
Financial obligations		271.753	701.302
Accounts payable		187.230	285.927
Of assets		149.429	5.757
Of investments		7.019	6.721
Total exchange difference		615.431	999.707
Total financial expenses		2.087.515	1.952.529

(1) Bond obligation interest increase in ISA for COP68.930 due to bonds’ issues and cancellations during the year.

Likewise, there is an increase of bond obligation interest in Ruta del Maipo and Ruta del Bosque in COP40.165.

(2) Increase in commissions and management of securities mainly in CTEEP for COP335.394, which is offset by financial revenues due to investment valuation.

(3) Loan financial obligations interest increase in ISA in COP31.006 with BNP Paribas and Banco de Bogotá with closing rates higher than disbursement rates and increases in the CPI, which generated higher interest payment compared to former year.

Likewise, there was an increase in obligations interest of ISA in Brazil in COP8.756, due to increase of reference rates for transactions between banks.

(4) Lower expense due to difference in exchange rate due to the translation effect generated by the revaluation of the colombian peso against other countries currencies where ISA has presence.

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27. NET EARNINGS PER SHARE

Net earnings per share has been calculated based on the annual weighted average of the outstanding shares at the date of the statement of financial position.

As of December 31, 2016, and 2015, the number of outstanding shares was 1.107.677.894. Following is the determination of earnings per share:

	2016	2015
Net income of the period	2.136.629	701.548
Average of outstanding shares in the period	1.107.677.894	1.107.677.894
Net earnings per share (expressed in COP)	1.928,92	633,35

28. RELATED PARTIES' INFORMATION

Subsidiaries, associates, and joint ventures, including subsidiaries of associates and joint ventures are ISA's related parties.

Balances and transactions among companies from the Group have been eliminated in the consolidation process and are not disclosed in this note.

During 2016, business transactions did not take place with companies where there is joint control.

Board of Directors and key Senior Management staff

ISA is managed by a Board of Directors composed of nine (9) main members. During Ordinary General Assembly Shareholders meeting held on March 31, 2016 the Board of Directors for the April 2016 - March 2017 period was appointed. The Board of Directors' report holds the information in regards to its election and creation.

The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO. As of December 31, 2016, the amount compensated to direction and trust employees was COP274.864 million.

There are no outstanding receivables and payables between the Company and members of Board of Directors.

There are no other transactions other than remuneration between the Company and members of ISA Board of Directors and Senior Management.

As of December 31, 2016, and 2015 the Group has not acknowledged impairment of value and expense due to value impairment of accounts receivable with related parties.

29. INFORMATION ON BUSINESS UNITS

An analysis of revenues, costs and expenses from the different business unites is reported as follows:

29.1 Information on business units

Revenues include the recognition of the RBSE values in CTEEP, which explains the big increases when comparing for the same periods in former year. Operating revenues amounted to COP12.137.552 million with an increase of COP6.866.903 million, equivalent to 130% more, compared to the same period of the former year.

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		2016	2015
Operating revenues			
Energy transmission	(1)	10.424.200	3.775.527
Road concessions	(2)	1.243.215	1.095.266
Telecommunications and Information Technologies	(3)	337.168	283.785
Management of Real-Time Systems	(4)	132.969	116.071
Total operating revenues		12.137.552	5.270.649

- (1) Participated with 86% of the total operating revenues, equivalent to COP10.424.200 million. The increase is due to the higher construction revenues associated to the Mantaro-Montalvo project, operation start of Machu Picchu - Abancay - Cotaruse project and the performance from Brazil concession. Higher revenues from managed funds of FAER, PRONE and FOES are also included.
- (2) It contributed with COP1.243.215 million, representing 10% of the total revenues. This variation has the net effect of an increase in revenues from operation and maintenance services and a reduction in financial assets yields, since the highest traffic on road concessions decreased the account receivable.
- (3) It presented an increase mainly to the growth in IP services sales, storage of information and video-conferences in Colombia, as well as new customers in Chile and Brazil.
- (4) Variation is due to higher revenues (regulated and non-regulated), from new projects being carried out with Superintendence of Ports and Transport.

		2016	2015
Operating costs and expenses			
Energy transmission	(1)	3.218.711	2.327.725
Road concessions	(2)	279.145	323.541
Telecommunications and Information Technologies	(3)	257.824	259.973
Management of Real-Time Systems	(4)	126.892	99.647
Total costs and expenses		3.882.572	3.010.886

- (1) It participated with 83% of the total operating costs and expenses, equivalent to COP3.218.711 million. The business costs increased 38,27%, due to higher construction costs in Peru, higher operating expenses associated to new projects and non-recurring maintenance expenses and tower reparations in Colombia.
- (2) It contributed with COP279.145 million, representing 7% of the total costs and a variation of -14%, compared same period former year. During the period, there were more construction works for third lanes (Terceras Pistas) and higher operating and maintenance expenses. An important part of such variation is explained by the expenses advance for maintenance in concessions, especially in Autopistas del Sur.
- (3) This variation is explained due to a higher depreciation expense due to the entering into operations of assets in Brazil.
- (4) During the period, there were specific professional fees expenses in technology and personal services.

30. DISPUTES AND CLAIMS

ISA and its companies are currently procedural party, acting as defendant, plaintiff or intervening third party in administrative, civil and labor judicial proceedings. None of the proceedings in which it has been sued or has been summoned as intervening party may undermine the stability of the Group. Also, on its own behalf, it has instituted legal actions required for the defense of its interests.

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The following information shows the major judicial proceedings conducted by the Company with their estimated value in millions:

PROCEEDINGS AS DEFENDANT:

Company	Type and instance	Plaintiff	Description of litigation	Estimated value
ISA	Labor. First Instance. Case Number 68001310500220120032300	Jorge Eliécer Reyes Plata	Plaintiff seeks to declare that there was an employment relationship between him and ISA between February 1, 1999 and January 28, 2011, terminated by unfair cause, using intermediary INTERSERVICIOS; also, declaring that plaintiff is beneficiary of the Collective Bargaining Agreement; that plaintiff is entitled to recognition and payment of readjustment of salaries, extralegal premiums, extralegal benefits, social security, default penalty and costs of proceedings.	986
ISA	Administrative. First Instance. Case Number 05001310300320060325200	Empresas Públicas de Medellín –EPM–	Plaintiff seeks to declare Interconexión Eléctrica S.A. E.S.P., ISA, civilly liable for not recognizing to Empresas Públicas de Medellín E.S.P., amount corresponding to revenues ISA perceived between 1995 and 1999, from the lines modules which are assets in use of the STN in the Playas and Guatapé substations, represented by Empresas Públicas de Medellín –EPM–, where there is shared property, amount which has not been paid, generating enrichment without cause by increasing the equity of the defendant on the plaintiff’s impairment.	2.169
ISA	Labor. First Instance Case Number. 05001310502020150118500	Geisson Aguilar Ávila, Ivonne Lisseth Aguilar Ávila, Yaned Patricia Ávila Carreño	A full responsibility declaration due to evidentiary guilt of INTERCONEXIÓN ELÉCTRICA S.A. E.S.P., is sought in deceased work accident and as a result of this, to be ordered the payment of material and non-material damages to the surviving spouse, children, and siblings; plus, costs of proceedings.	778

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Company	Type and instance	Plaintiff	Description of litigation	Estimated value
ISA	Labor. Cassation Case Number 05001310500620140118800	Armando Gómez Arenas, Carlos Alberto Jaramillo Mesa, Ciro León Cantor Castellanos, Enrique Aristóbulo Hernández López, Gerardo Antonio Arango Lalinde, Henry Correa Bechara, Jansen Mejía González	To declare that ISA must recognize extralegal pension subscribed with SINTRAISA and to pay the plaintiffs extralegal retirement pension, to pay retroactive duly indexed allowances, to pay for interest as of the date the claim was presented, to pay for damages due to recognition refusal and timely payment of pension and proceedings costs.	12.639
ISA	Labor. Second Instance Case Number. 05001310500620140113500	Alonso de Jesús Buriticá, Álvaro Fabra Celis, Henry Betancur Ríos, Jaime Ospitia Obregón, José Aníbal Albarracín Ardila	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA. And to be ordered to pay the plaintiffs extralegal retirement pension, to pay retroactive duly indexed allowances, to pay for interest as of the date the claim was presented and proceedings costs. - To be sentenced.	8.496
ISA	Labor. Second Instance. Case Number 05001310501220140113800	Héctor Miguel Altuve Santos, Javier Emilio Franco Roldán, Libardo Antonio López Loaiza, Luis Alberto Bastidas Uribe, Néstor José Chica Castaño, Orlando de Jesús Hernández Toro, Oscar Grajales Sarria	To be INTERCONEXIÓN ELÉCTRICA S.A. E.S.P., –ISA–, obliged to acknowledge plaintiffs’ retirement pension subscribed during collective labor agreement with SINTRAISA, since they are beneficiaries if it as members of such union and since they have complied with the requirements of age and time of service demanded by such labor agreement. Therefore, to be the defendant ordered to: a. Acknowledge and pay the plaintiffs retirement pension pursuant to labor collective agreement, as of the date on which each of the plaintiffs complied with requirements. b. Acknowledge and pay the corresponding amounts for retroactive duly indexed allowances. c. Acknowledge and pay interest as of the date on which the claim was made to the company. d. Compensate for damages generated with its negative to acknowledge and timely pay such collective pension. 3. To pay for proceedings costs.	9.644

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Company	Type and instance	Plaintiff	Description of litigation	Estimated value
ISA	Administrative. First Instance. Case Number 05001233100020020163600	BETANIA S.A. E.S.P.	Plaintiff claims: 1. To declare nullity of the Administrative Acts issued by Interconexión Eléctrica S.A. ESP, and by Gas and Energy Regulation Commission as of the CRT application, calculated based on CREG resolutions 077 and 111 from 2000, part of: (i) Sale invoice N° SIC 8363 on January 16, 2001, (ii) Resolution N° 897 on March 26, 2001. 2. To order the Nation - Ministry of Mines and Energy - Gas and Energy Regulation Commission and Interconexión Eléctrica S.A. ESP., to restore violated right to CENTRAL HIDROELÉCTRICA DE BETANIA S.A. ESP.	2.702
ISA	Administrative. First Instance. Case Number 20001333100320090017200	Lino Rojas Estrada	To stop the legal effects of agreement call “Mesa de Trabajo” (worktable) line 220, subscribed on the 15th day of May 2007, and to oblige ISA to pay for the damages generated to the inhabitants of the Limonar, Maruamaque, Nueve de Abril and José Antonio Galán neighborhoods.	1.674
TRANSELCA	Sentence in 1st instance convicted TRANSELCA by solidarity - Unfavorable sentence in 2nd instance.	Torcuato Elías García Chiquillo / Luis de Orta Pertu	Work accident compensation and payment of social benefits and unpaid wages.	200
TRANSELCA	Acquittal sentence in first instance on December 16, 2014, pending court decision - appeal is granted, it is sent to the legal office to be distributed to upper court 07-07-2015.	Sintraelecol	Application of conventional agreements. There is a lot of legal debate in regards to the labor claim, and the judge might accept one of them and punish the Company.	200



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Company	Type and instance	Plaintiff	Description of litigation	Estimated value
TRANSELCA	Appeal against the writ of approval was presented, 27/09/2016 transfer was given to the counterpart of this process.	Víctor Prieto	Compensation for occupation of property.	2.438
XM	Process suspended Antioquia Administrative Tribunal.	Emgesa	Failure to comply with invoice legal requirements.	320.937
XM	Claim reply. Antioquia Administrative Tribunal.	Emgesa	Unlawfulness of administrative act settling a contract.	184.191
XM	Process mandating guarantee.	Emgesa	Unlawfulness of administrative act irregularly issued.	21.258
XM	Process suspended	Emgesa	Failure to comply with invoice legal requirements.	21.746
XM	To court	Grupo Poliobras S.A. E.S.P.	Unlawfulness of administrative act imposing fine due to breach of contract.	416.756
TELE	Former process, N° 2015-0600, was early ended due to formal error. Therefore, the plaintiff started process corresponding to these data again. On December 07, claim was answered and conciliation hearing is expected.	ICT Ministry	Violation to the Statute to prevent and counteract the exploitation, pornography, and sexual tourism with minors by not blocking the child pornography websites reported.	280

The Company management and its legal advisers believe the possibility of material losses as of result of such claims is remote.

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31. GUARANTEES

At the end of 2016, the following guarantees were in effect:

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a) At the end of 2016, the following bank guarantees were in effect:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENC OF ORIGIN	BALANCE IN MM COP	DUE DATE	
BANK GUARANTEES	UPME	Secure compliance with the obligations assumed under the award of the following Public Biddings	UPME 09-2015 CARTAGO	COP	1.247	01/03/2017
			UPME 08-2014 VALLEDUPAR	COP	5.319	01/03/2017
			UPME 07-2013 MONTERÍA	COP	29.389	01/02/2018
			UPME 03-2014 ITUANGO	COP	153.996	25/02/2017
			UPME 05-2014 CECO-COSTA CARIBE	COP	77.803	17/06/2017
			UPME 06-2013 CARACOLÍ	COP	9.212	15/05/2017
			UPME 03-2016 SAN ANTONIO	COP	13.753	01/10/2018
			CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 1 - Execution of Project and payment of fines from new projects: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azúcar 2x500 kV new line 3. Pan de Azúcar-Polpaico 2x500kV new line	USD
	PLEX 1 - Relevant Milestone N° 3 - Construction of the foundations for the exploitation and execution of new works: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azúcar 2x500 kV new line 3. Pan de Azúcar-Polpaico 2x500kV new line	USD			29.373	20/04/2017
	PLEX 1 - Relevant Milestone N° 4 - Equipment testing for the exploitation and execution of new works: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azúcar 2x500 kV new line 3. Pan de Azúcar-Polpaico 2x500kV new line	USD			29.373	29/01/2017

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TYPE OF GUARANTEE	BENEFICIARY		PURPOSE	CURRENC OF ORIGIN	BALANCE IN MM COP	DUE DATE
BANK GUARANTEES	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 2 - Execution of Project and payment of fines, for the exploitation and execution of the new work “2x220 kV Encuentro - Lagunas, first circuit”.	USD	9.290	13/10/2017
			PLEX 2 - Relevant Milestone N° 5, Entry into operation of the new project “New line 2x220 kV Encuentro - Lagunas, first circuit”.	USD	2.323	11/06/2017
	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chilean-PLEX expansion plan.	PLEX 4 - Effective execution of the project and fine payment, for the exploitation and execution of new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA / 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA / 3. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA (Bis).	USD	18.199	01/08/2018
			PLEX 4 - Relevant Milestone N° 4 - Testing of equipment for the exploitation and execution of new projects: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA / 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA / 3. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA (SIC).	USD	4.550	20/03/2017
	SOME MUNICIPALITIES FROM ANTIOQUIA, COLOMBIA	To guarantee compliance with payment of public lighting tax as settled.	LOS PALMITOS MUNICIPALITY	COP	1.063	16/12/2017
			SUCRE MUNICIPALITY	COP	390	01/07/2017
			ALBANIA MUNICIPALITY	COP	349	20/10/2017
			SAN ROQUE MUNICIPALITY	COP	143	29/12/2017
Total					503.263	

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b) Previous internal authorization and from the Ministry of Finance and Public Credit, ISA granted the following guarantees to the following companies of the Group:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN MM COP	DUE DATE
STOCK PLEDGE	BID - CAF	ISA BOLIVIA. Granting of 100% collateral of ISA shares in the subsidiary, as guarantee of compliance with loans payments in favor of lending institutions.	USD	19.022	15/02/2019
STOCK PLEDGE	BOND HOLDERS	RED DE ENERGÍA DEL PERÚ –REP–. Granting of 100% collateral of ISA shares in this subsidiary, to guarantee the indebtedness of this ISA company.	USD	141.532	08/11/2031
JOINT AND SEVERAL GUARANTEE BOND	BCIE	COMPANY OWNER OF THE GRID –EPR–. To secure loan agreement between EPR and BCIE up to USD44,500,000, related with the financing of SIEPAC Project. Collateral must be kept until total payment.	USD	95.956	29/06/2027
STOCK PLEDGE	CREDIT SENIOR CREDITORS	INTERCHILE. Granting of 100% collateral of ISA shares in the subsidiary, as guarantee of compliance with loans payments in favor of lending institutions.	USD	626.901	31/03/2031
	CREDIT VAT CREDITORS		USD	142.564	31/03/2020
Subtotal				1.025.975	
TOTAL				1.529.238	

The increase at the end of the year is due to the issuance of new collaterals needed to support ISA obligation compliance and the financing contract for INTERCHILE, for the execution of the projects labeled as PLEX 1, PLEX 2, and PLEX 4, perfected in June 2016, supported by ISA with ISA Shares Pledge in such subsidiary.

The balance of the collaterals granted in USD were translated into COP, with the RMR on December 31, 2016, (COP3.000,71).

- IDB: Inter-American Development Bank
- CABEI: Central American Bank of Economic Integration.
- CAF: Corporación Andina de Fomento (Andean Development Corporation)
- EPR: Company which owns the Grid.
- SIEPAC: Sistema de Interconexión Eléctrica de los Países de América Central (Electric Interconnection System for Central American Countries).
- UPME: Unidad de Planeación Minero Energética (Energy Mining Planning Unit)

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TRANSELCA

The following guarantees ordered by TRANSELCA were in effect at the end of the year:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN MM COP	DUE DATE
Bank	Municipality of Pivijay	To guarantee compliance with payment of public lighting tax as settled.1	COP	981	31/01/2017
	Municipality of Distracción		COP	27	20/03/2017
Stock pledge	IDB and CAF	Granting of 100% pledge of TRANSELCA ISA shares in Bolivia, as guarantee of loans payments in favor of lenders.	USD	18.273	15/02/2019
Total				19.281	

¹Bank guarantees mainly correspond to payment of public lighting taxes settlements, which the parent company believes do not comply with the legal requirements for its collection. Consequently, TRANSELCA has filed a law complaint.

XM

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN MM COP	DUE DATE
Bank	Municipality of Guachené	To guarantee payment compliance due to administrative act notification issued by the Municipality to XM.	COP	800	08/11/2017

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INTERNEXA

In Colombia at the end of 2016, the following guarantees were in effect:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN MM COP	DUE DATE
Joint and several bond	HELM BANK PANAMÁ	INTERNEXA in Chile. Joint and several bond on the loan obligations entered into with HELM BANK PANAMÁ.	USD	14.854	24/06/2020
Joint and several co-debtor		INTERNEXA en Peru. Joint and several co-debtor on loan obligations of INTERNEXA PERÚ S.A. with HELM BANK PANAMÁ.	USD	1.250	27/03/2017
Letter of credit Stand-By	BBVA CHILE	INTERNEXA in Chile. To guarantee the loan obligations entered into with BBVA Chile.	USD	14.893	28/02/2020
Stock pledge	IDB-CAF	Secure payment obligations, to lenders for the following subsidiaries	USD	4	27/03/2017
Letter of credit Stand-By	BBVA ARGENTINA		USD	4.051	23/05/2017
Signature guarantee	Itaú Unibanco S.A.		BRL	21.884	17/04/2019
Letter of credit Stand-By	Banco Santander	INTERNEXA in BRAZIL. To secure payment obligations entered into with Banco Santander.	USD	19.205	31/05/2017
Total				76.141	

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INTERNEXA en PERU

TYPE OF GUARANTEE		BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN MM COP	DUE DATE
Letters of guarantee	Entel Perú S.A.	To support the faithful compliance of the obligations entered into with the following contracts	Capacity lease contract on the North of Peru (18 MBPS).	USD	112	22/01/2017
	Telefónica del Perú S.A.		Usufruct contract with Telefónica del Perú.	USD	2.701	01/09/2017
	Superintendencia Nacional de Administración Tributaria (National Superintendence of Tax Administration)		Service contract for communication links for data transfer and to Internet.	PEN	204	07/04/2017
	Electro Perú S.A.		Bandwidth service contract for telecommunications with Mantaro Production Center.	USD	108	18/12/2018
Total					3.125	

INTERNEXA in BRAZIL

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN MM COP	DUE DATE
Letters of guarantee	Gilvan Pereira	Offices lease contract	BRL	285	15/09/2017

RED DE ENERGÍA DEL PERÚ –REP–

Corporate bonds are secured with first and preferential mortgage on energy transmission lines concession, as follows:

TYPE OF GUARANTEE	BONDS ISSUANCE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN THOUSANDS OF USD	DUE DATE
Concessions mortgage, Pledge of Shares, and Guarantee of Flows	2P 4th Issue (Series A)	Bond holders	To secure the compliance with obligations entered into by REP with bond holders.	USD	4.398	16/02/2019
	2P 17th Issue (Series A)	Bond holders		USD	20.000	20/01/2018
	2P 20th Issue (Series A)	Bond holders		USD	38.000	20/01/2026
	3P 4th Issue (Series A)	Bond holders		USD	40.000	19/04/2031
	3P 1st Issue (Series A)	Bond holders		USD	39.998	08/11/2022
	3P 3rd Issue (Series A)	Bond holders		USD	10.000	07/02/2018
	3P 1st Issue (Series B)	Bond holders		USD	29.999	07/02/2023
	3P 7th Issue (Series A)	Bond holders		USD	16.667	14/07/2021
Total					199.062	

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In addition, the following guarantees were ordered to support other obligations:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN USD	DUE DATE
Bonds	Alpina Inversiones Inmobiliarias S.A.	To secure compliance with Sublease Contract for Future Goods between Red de Energía del Perú and Alpina Inversiones Inmobiliarias S.A.	USD	149.265	11/01/2018
	Sociedad Eléctrica del Sur Oeste S.A.	To secure compliance with "Service Operation Contract for the equipment installed in the Substations of Marcona, Socabaya, Callalli, Repartición and Mollendo", service awarded to REP through exoneration process N° 074-2015-Seal.	PEN	7.607	15/02/2018
	Ministry of Education	To secure compliance with investment agreement for the project: "Equipment Infrastructure Substitution and Construction at the i.e. Teresa de la Cruz San Juan Bautista ICA - ICA".	PEN	58.158	08/03/2017
	Tesam Perú S.A.	To secure compliance with satellite equipment lease for field maintenance.	USD	6.000	15/07/2017
	Lima specialized court	To guarantee eventual damages, from precautionary measurement execution orders in favor of our secured parties, it could directly cause to the Ministry of Energy and Mines.	USD	4.368.509	10/08/2017
	SUNAT	To cover the tax judicial proceeding in regards to 2011 Income Tax. Claim file N° 0150340013466 and appeal file N° 0150350008429.	PEN	63.764	09/09/2017



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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN USD	DUE DATE
Bonds	Third Court of the Superior Court of Lima	To cover any damage which might be generated to OSINERGMIN, as consequence of effects suspension of Osinerg Resolution N°458-2005-OS/CD, ordered by the Third Court of Lima.	PEN	9.124	24/11/2017
	Lima Civil Court	To guarantee eventual damages, from precautionary measurement execution orders in favor of our secured parties, it could directly cause to the Ministry of Energy and Mines.	USD	7.660.225	10/08/2017
	Volcán Compañía Minera S.A.	To guarantee advance payment granted by Volcán due to "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca REP and TL Pomacocha - Carhuamayo from Consorcio Transmantaro.	USD	252.044	17/08/2017
	Volcán Compañía Minera S.A.	To guarantee compliance with obligations from "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca REP and TL Pomacocha - Carhuamayo from ConsorcioTransmantaro.	USD	261.516	17/08/2017
	Ministry of Mines and Energy	To secure compliance with Concession Contract for the Energy Transmission Systems Etecen-Etesur.	USD	5.000.000	05/09/2017
	Executing Unit from the National Program of Innovation for Competitiveness and Productivity - INNOVATE Perú -	To secure compliance with Innovation project PITEI-4-P-205-184-16.	PEN	3.077	14/02/2018
Total				17.839.289	

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Consortio Transmantaro

At the end of 2016, on this subsidiary the following guarantees were in effect:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN USD	DUE DATE
Letters Bonds	ATN2 S.A	To guarantee compliance with timely payment of penalties due to the noncompliance of obligations, pursuant to energy transmission contract for installations of the complementary system of transmission between Transmantaro and ATN2.	USD	705.000	18/02/2017
	ABY Transmisión SUR S.A.	To guarantee compliance with obtaining of final concession TL 500 kV Mantaro - Marcona - Socabaya - Montalvo and associated substations (Connection agreement due to extension N° 01 in Poroma Substation 500 kV).	USD	250.000	26/02/2017
	ABY Transmisión SUR S.A.	To guarantee compliance with obtaining of final concession TL 500 kV Mantaro - Marcona - Socabaya - Montalvo and associated substations (Connection agreement due to extension N° 02 in Montalvo Substation 500 kV).	USD	250.000	26/02/2017
	Ministry of Mines and Energy	To guarantee compliance with the obligations entered into in SGT Concession Contract for the TL 500 kV Trujillo-Chiclayo.	USD	2.000.000	23/03/2017
	Ministry of Mines and Energy	To guarantee compliance with execution of works for the TL 500 kV Mantaro - Marcona - Socabaya - Montalvo and associated substations.	PEN	585.462	01/04/2017
	Ministry of Mines and Energy	To guarantee compliance with the obligations entered into in SGT Concession Contract for the TL Chilca-la Planicie-Zapallal.	USD	3.000.000	12/04/2017
	Ministry of Mines and Energy	To guarantee SGT Concession Contract for the TL Trujillo-Chiclayo in 500 kV.	USD	460.000	26/04/2017

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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN USD	DUE DATE
Letters Bonds	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Contract for "Strengthening of North System with a second transmission circuit 220 kV between Talara and Piura".	USD	2.000.000	01/06/2017
	Volcán Compañía Minera S.A.	To guarantee advance payment granted by Volcán due to "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca REP and TL Pomacocha - Carhuamayo from Consorcio Transmantaro".	USD	101.956	17/08/2017
	Volcán Compañía Minera S.A.	To guarantee compliance with obligations from "Contract for the relocation of the TL 220 kV Pomacocha - Pachachaca REP and TL Pomacocha - Carhuamayo from Consorcio Transmantaro".	USD	113.285	17/08/2017
	Ministry of Mines and Energy	To guarantee that Transmantaro complies with its corresponding obligations, pursuant to SGT Concession Contract for the TL Machupicchu-Abancay-Cotaruse in 220 kV.	USD	2.000.000	18/08/2017
	Ministry of Mines and Energy	To guarantee that Transmantaro complies with its corresponding obligations, pursuant to SGT Concession Contract "TL 220 kV Planicie-Industriales and associated substations", and penalties payment established in such contract.	USD	6.000.000	11/09/2017
	Ministry of Mines and Energy	To guarantee compliance with the obligations entered into at the Concession Contract of International Public Bidding for the TL Project Pomacocha -Carhuamayo and associated substations.	USD	2.000.000	27/09/2017



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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN USD	DUE DATE
Letters Bonds	Ministry of Mines and Energy	To guarantee compliance with obligations from Consorcio Transmantaro, pursuant to Agreement to Concession Contract for the concession term. (TL ICA Independencia).	USD	1.000.000	28/09/2017
	Ministry of Mines and Energy	SGT Concession contract "TL 500 kV Mantaro-Marcona-Socabaya-Montalvo and associated substations".	USD	40.700.000	29/09/2017
	Ministry of Mines and Energy	To guarantee compliance with execution of works for Orcotuna Substation Concession 220/60 kV.	USD	173.010	30/09/2017
	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Contract "Carapongo Substation First Stage and connections to associated lines".	USD	3.600.000	11/11/2017
	Ministry of Mines and Energy	To guarantee compliance with Transmantaro obligations, pursuant to SCT Concession Contract "TL 220 kV Friaspata-Mollepata".	USD	3.150.000	19/11/2017
	Ministry of Mines and Energy	To guarantee compliance with Transmantaro obligations, pursuant to SCT Concession Contract "Orcotuna Substation 220/60 kV".	USD	1.350.000	19/11/2017
	Ministry of Mines and Energy	To guarantee compliance with the execution of works for the Transmission Line Planicie-Industriales and associated substations.	PEN	600.669	26/11/2017
	Ministry of Mines and Energy	To guarantee compliance with SGT Concession Contract for the TL Zapallal Trujillo - MEM.	USD	3.000.000	29/12/2017
Total				73.039.382	

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CTEEP

The existing guarantees granted by this ISA subsidiary to support the financing of some of its companies, are the following ones:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN USD	DUE DATE	
Bank Security (Fiança Bancária)	BNDES	Secure payment obligations, to lenders for the following subsidiaries	IESUL	BRL	831	24/09/2018
Bank Security (Fiança Bancária)	BNDES		IESUL	BRL	1.261	31/07/2017
Bank Security (Fiança Bancária)	Banco do Nordeste		IENNE	BRL	3.681	01/06/2017
Bank Security (Fiança Bancária)	Bando da Amazonia		IEMADEIRA	BRL	24.812	30/06/2017
Bank Security (Fiança Bancária)	BNDES		IEMADEIRA	BRL	120.510	30/06/2017
Signature Guarantee	Itaú/BES		IEMADEIRA	BRL	39.666	30/06/2017
Bank Security (Fiança Bancária)	BNDES		IEGARANHUNS	BRL	25.042	20/09/2018
Total				215.803		

Financing contracts with BNDES demand the creation and maintenance of a reserve account as backup for the debt service, besides some restrictive agreements which demand compliance with financial indicators. As of the end of 2016, there is no default related to these commitments.

CONCESSIONARIES COMPANIES IN CHILE

RUTA DE LA ARAUCANÍA

I. Guarantees granted to the MOP in connection with Concession Contract:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE IN UF	DUE DATE
Bank Guarantee	Public Works General Director	Full compliance with Concession Contract awarded by Decree MOP N° 443 of April 20, 1998, published in Official Journal N° 36108 of July 08, 1998, during the exploitation stage.	UF	200.000	23/08/2018
		Full compliance with all and each of the obligations due to the execution of safety works on the road.	UF	8.623	31/08/2017
Total				208.623	

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II. Guarantees granted in connection with the financing of the concession:

By means of public deed dated July 29, 2010, Banco de Chile, Banco del Estado de Chile and Corpbanca granted to Ruta de la Araucanía a credit line for UF8.100.000 to finance liabilities and work capital.

Pledge to insurer XL Insurance (Bermuda) LTD, terminated as the result of the discharge thereof by debtor XL Insurance (Bermuda) LTD., by means of public deed of August 05, 2010, granted in Notary of Santiago of Mr. Humberto Santelices Narducci. In virtue of this deed, all guarantees granted by Ruta de la Araucanía Sociedad Concesionaria until then in favor of the insurance Company as result of refinancing, restituting the insurer with the insure policies issued.

In addition, the pledges granted to Banco de Chile, as representative of the bond holders and as Collateral Agent under the corresponding Series A bond issue agreement, were raised due to the early recovery of all certificates. Such raising of bond guarantees was further extensive, as it fully and irrevocably cancelled all guarantees that Ruta de la Araucanía would have granted in favor of the bond holders under the bond issue agreement, making express reference, without limitation, to an industrial pledge granted by Ruta de la Araucanía in favor of the bond holders dated July 20, 2000.

On August 5, 2010 Ruta de la Araucanía granted first-degree public work special concession pledge in favor of Banco de Chile, Banco del Estado, Corpbanca and Banco Security, on the concession on which Ruta de la Araucanía is holder. Such pledge will extend its effective term until the extinction of obligations secured under the 2010 Credit Line.

By public deed granted on July 31, 2013, Ruta de la Araucanía refinanced its obligations with outstanding creditors Banco de Chile, Banco del Estado and Corpbanca, ratifying and keeping the guarantees granted on August 5, 2010 from preceding paragraph.

On July 31, 2013, the company granted non-possessionary pledge on first-degree public work special concession on which the Concessionaire is the holder, in favor of Banco de Chile, Corpbanca and Banco del Estado of Chile.

On July 31, 2013, the company agreed to grant, from time to time, commercial pledges on money deposited in certain special accounts in favor of Creditor Banks, pursuant to money pledge form.

1) Collection Mandate:

On July 29, 2010, Ruta de la Araucanía granted collection mandate, empowering Banco de Chile, as Security Agent under 2010 financing, to represent the same before the MOP in order to collect, receive and retain payments committed by the Fiscal Authority to Ruta de la Araucanía due to concession.

2) Guarantee Bonds Credit Line Opening Agreement:

By private instrument signed between Ruta de la Araucanía and Banco de Chile dated July 29, 2010, Ruta de la Araucanía agreed to grant one or more guarantee bonds (boletas de garantía) in favor of the Ministry of Public Works, to secure full compliance with the obligations under the Concession Contracts for up to M\$7.005.

3) Commercial Pledge:

The following are the pledges granted:

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Commercial Pledges	31/12/2016	31/12/2015
	M\$	M\$
Banco de Chile	7.890.845	6.658.550
Corpbanca	1.937.659	2.300.117
Banco Estado	3.940.000	1.815.759
Banco Santander	5.752.962	7.539.429
BBVA	3.278.812	-
Total	22.800.278	18.313.855

RUTA DEL MAIPO

I. Guarantees granted to MOP in connection with the Concession Contract:

1) Exploitation Guarantees:

TYPE OF GUARANTEE		BENEFICIARY	PURPOSE	AMOUNT: (UF)	DATE OF MATURITY
Bank Guarantee		Public Works General Direction	To guarantee contract during exploitation stage - International Concession Ruta 5, Tramo Santiago - Talca and Acceso Sur to Santiago. (Five Bank Guarantees, each one for UF107.000)	535.000	02/05/2019

Figures in units

2) Third Lane Works Guarantees:

TYPE OF GUARANTEE		BENEFICIARY	CONCEPT	AMOUNT: (UF)	DATE OF MATURITY
Bank Guarantee		Public Works General Direction	To guarantee full compliance of Ruta del Maipo obligations established in Supreme Decree MOP N° 257 of August 30, 2013, from the Contract Works of “Third Lane Works Tramo II and New Toll Facilities Angostura” and technological equipment contract. (Five Bank Guarantees, each one for UF16.000).	80.000	30/05/2017

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II. Guarantees granted in connection with the financing of the concession:

The concessionaire obtained with MBIA Insurance Corporation (the “Insurer” or “MBIA”), insurance policies for capital and interest that guarantee, irrevocably and unconditionally, the payments corresponding to Holders of Bonds 144-A in USD, Bonds Series A and Series B, according to the corresponding Bond issues in UF made by the company in virtue of the respective bond issue agreements and their addenda, and to RBS entities, formerly called ABN entities (The Royal Bank of Scotland N.V, formerly ABN Amro Bank N.V., The Royal Bank of Scotland (Chile), formerly ABN Amro Bank (Chile), RBS Inversiones Chile, formerly ABN Amro Inversiones (Chile) S.A., RBS Finance Chile S.A., formerly ABN Amro Finance (Chile) S.A. and RBS Holding Negocios S.A. formerly ABN Amro Holding de Negocios S.A.), as per Credit Line Opening Agreement.

By means of public deed dated November 29, 2010, the company, the RBS Entities, the Itaú Entities, and the Insurer, entered into an agreement whereby the RBS Entities assigned the security agreements granted in virtue of the Credit Opening Agreement mentioned above to the Itaú Entities.

In addition, dated June 09, 2016, the Insurer endorsed the aforementioned insurance policy in favor of Banco Estado, as Agent Bank. As a result of the above, Banco Estado became beneficiary of the insurance policy.

1) Special Pledge of Concession:

a) By public deed dated August 22, 2001, a public work concession pledge was granted, for the creation of a special first-degree pledge for public work concession in favor of MBIA Insurance Corporation, and special second-degree pledge for public work concession in favor of the holders of bonds denominated in US Dollars, issued by Ruta del Maipo dated August 22, 2001 (the “US Bond Holders”), the holders of bonds in UF Series A issued by Ruta del Maipo dated October 14, 2004, Itaú Entities and the Holders of Bonds in UF Series B issued by Ruta del Maipo, dated December 20, 2006.

- b) Such pledge was granted on: (i) the public work concession right which holder is Ruta del Maipo; (ii) any payment undertaken by the Tax Authority to Ruta del Maipo under any title, in virtue of the concession contract; and (iii) all revenues from Ruta del Maipo.
- c) Also, Ruta del Maipo agreed to abstain from encumbering, conveying, disposing of, or entering into any act or contract that could affect the goods provided under pledge while such pledge is in effect, unless MBIA grants authorization; or that such act or contract is performed pursuant to clauses nine and ten of the Bond Issue by Certificate Line Agreement.

2) Commercial Pledge:

- a) Pursuant to the agreement called Second Amended and Restated Common Agreement, signed by private instrument dated December 18, 2006, Ruta del Maipo agreed to grant money pledging in favor of MBIA, the US Bond Holders, the Series A Bond Holders A, the Itaú Entities, and the Series B Bond Holders, on moneys deposited into certain accounts of the project.

The following are the pledges granted:

Commercial Pledges	31/12/2016	31/12/2015
	M\$	M\$
Banco de Chile	7.233.328	5.640.901
Banco Corpbanca	6.500.000	2.284.849
Banco Estado	1.356.765	5.868.961
Banco Santander	7.687.234	-
BBVA	5.000.000	-
Total	27.777.327	13.794.711

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- (b) Ruta del Maipo granted commercial pledge on the rights it holds from Construction Contract for the execution of works for Road Route 5 South, Section Santiago-Talca, and South Access to Santiago, entered into by private instrument dated August 22, 2001 between Ruta del Maipo and Ferrovial Agromán Chile S.A. Such pledge was granted in favor of MBIA and Banco Estado. Also, Ruta del Maipo agreed to abstain from encumbering, conveying, disposing of, or entering into any act or contract that might affect the credits under pledge while the subject pledge is in effect.
- (c) Ruta del Maipo granted commercial pledge on the rights granted from the Construction Guarantee in favor of Ruta del Maipo and Citibank, N.A., Agency in Chile, as Representative of Common Guarantees. Such pledge was granted in favor of MBIA and Banco Estado. Also, Ruta del Maipo agreed to abstain from encumbering, conveying, disposing of, or entering into any act or contract that might affect the credits under pledge while the subject pledge is in effect.
- (d) Ruta del Maipo granted commercial pledge on the rights it holds on “Contrato de Construcción a Suma Alzada de Colector Interceptor de Aguas Lluvias Puente Alto” and “Contrato de Construcción a Suma Alzada de Colector Interceptor de Aguas Lluvias Avenida La Serena-Las Industrias”, entered into between Ruta del Maipo and Ferrovial Agromán Chile S.A. Such pledge was granted in favor of MBIA, the US Bond Holders and the Banco Estado. Also, Ruta del Maipo agreed to abstain from encumbering, conveying, disposing of, or entering into any act or contract that might affect the credits under pledge while the subject pledge is in effect.

- (e) Ruta del Maipo granted commercial pledge on the rights it holds on agreement called “Second Amended and Restated Investor Support and Guarantee Agreement”, perfected by public document, in English, and dated September 28, 2005. Such pledge was granted in favor of MBIA, the US Bond Holders and Banco Estado. Also, Ruta del Maipo agreed to abstain from encumbering, conveying, disposing of, or entering into any act or contract that might affect the credits under pledge while the subject pledge is in effect.
- (f) Ruta del Maipo granted commercial pledge in favor of MBIA on the rights concerning the swap agreement.
- (g) Ruta del Maipo granted commercial pledge in favor of MBIA, the US Bond Holders and Banco Estado, on the rights of the Contrato de Construcción a suma alzada for Additional Works, Supplementary Work N° 4 between the Company and Ferrovial Agromán Chile S.A. dated June 23, 2006.
- (i) On November 04, 2013 Ruta del Maipo granted in favor of MBIA, the US Bond Holders, the Holders of Bonds in UF Series A, the Itaú Creditors and the Holders of Bonds in UF Series B, Commercial Pledge of Rights on all personal rights and credits in its favor from agreement entered into with INTERVIAL CHILE S.A., called “Contribution Agreement” related with the “Third Lane” Project (Ad Referendum Agreement N° 5, CAR 5), whereby INTERVIAL CHILE S.A. agreed to hold the Concessionaire Company harmless from any damage it might suffer as a result of delays in the procurement of new works for “Third Lanes” required under the subject agreement CAR 5.

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RUTA DEL BOSQUE

I. Guarantees granted to the MOP in connection with Concession Contract:

TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE	DUE DATE
Bank Guarantee	General Directorship of Public Works.	To guarantee due compliance with Concession Contract approved by Decree MOP N° 576 on 30 June 1997, published in Official Journal N° 35,890 on October 14, 1997, in the exploitation stage.	UF	300.000	31/10/2017
		Secure due compliance with each and all obligations undertaken by "Pedestrian Facilities Works Alhuelemu Sector".	UF	1.700	30/06/2017
		Full compliance with all and each of the obligations due to the execution of safety works on the road.	UF	787	30/09/2017
Total				302.487	

Figures in units

II. Guarantees granted in connection with the financing of the concession:

The company contracted with XL Capital Assurance Inc., today called Syncora Guarantee Inc. (the “Insurer”) Insurance Policies for capital and interest, which secure, irrevocably and unconditionally the payments corresponding to Series A and Series B Bond Holders, according to the bond issues made by the concessionaire in virtue of the bond issue agreements and its addenda and to the RBS Entities, formerly called ABN Entities (The Royal Bank of Scotland N.V, formerly ABN Amro Bank N.V., The Royal Bank of Scotland (Chile), formerly ABN Amro Bank (Chile), RBS Inversiones Chile, formerly ABN Amro Inversiones (Chile) S.A., RBS Finance Chile S.A., formerly ABN Amro Finance (Chile) S.A. and RBS Holding Negocios S.A. formerly ABN Amro Holding de Negocios S.A.), as per Credit Line Opening Agreement. The subject Credit Opening Agreement was assigned to Banco Itaú BBA

S.A., Nassau Branco, and Banco Itaú Chile (hereinafter, jointly, the “Itaú Entities”).

On November 29, 2010, the company, the RBS Entities, the Itaú Entities, and the Insurer, entered into an agreement whereby the RBS Entities assigned the security agreements granted in virtue of the Credit Opening Agreement mentioned above to the Itaú Entities.

In addition, on November 29, 2010, the aforementioned insurance policy was restored by the RBS Entities to the Insurer, whereby the latter issued a new Policy in favor of Banco Itaú Chile, as Agent Bank, in representation of the Itaú Entities.

On December 21, 2016, Banco Itaú assigns and transfers the credit line to Banco de Crédito e Inversiones, in the context of the renewal of the liquidity of the company.

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1) Special Pledge of Concession:

On November 29, 2010, it was constituted in favor of Syncora Guarantee Inc. (before called XL Capital Assurance Inc.), special concession pledge of first degree public work, and in favor of Series A and Series B bond holders and Itaú Entities, special second degree pledge.

The special pledges of public work concession are granted on: (i) the public work concession right from the concession contract; (ii) any payment undertaken by the tax authority to the Concessionaire under any title and (iii) all revenues of the Concessionaire.

On December 21, 2016, Itaú Bank assigns and transfers special pledges to Banco de Crédito e Inversiones.

2) Industrial Pledge:

a) First-degree industrial pledge granted by the concessionaire in favor of Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) and second degree pledge to Series A bondholders, on certain goods.

On December 21, 2016, Itaú Bank assigns and transfers special pledges to Banco de Crédito e Inversiones.

3) Commercial Pledge:

a) Commercial Pledge on money, granted by the concessionaire in favor of Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.), Series A Bond Holders and the Itaú Entities, from time to time, when funds enter certain accounts of the project.

On December 21, 2016, Itaú Bank assigns and transfers commercial pledges to Banco de Crédito e Inversiones.

Commercial Pledges	31/12/2016	31/12/2015
	M\$	M\$
Banco de Chile	4.244.091	11.027.494
Corpbanca	3.541.078	1.880.248
Banco Santander	7.731.884	-
Banco Estado	8.157.446	5.765.090
BBVA	3.900.000	1.761.408
Banco Itaú Chile	-	-
Total	27.574.499	20.434.240

- a) Commercial pledge and prohibition to encumber and convey rights, granted by the concessionaire in favor of Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) on the rights arising from “Supervision Agreement on Operation and Routine Maintenance of Fiscal Public Work: Route 5 International Concession Section Chillán Collipulli”.
- b) Commercial pledge and prohibition to encumber and convey rights, granted by the concessionaire in favor of Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) on the rights arising from agreement called Shareholders Support Agreement.
- c) Commercial pledge and prohibition to encumber and convey rights, granted by the concessionaire in favor of Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) on the rights arising from “Construction Contract of Works from the First Private Bidding – Supplementary Agreement N° 3 (MDI)”.

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RUTA DEL MAULE

I. Guarantees granted to MOP in connection with the Concession Contract:

Exploitation Guarantees:

TYPE OF GUARANTEE		BENEFICIARY	PURPOSE	AMOUNT (UF)	DATE OF MATURITY
Bank Guarantee		General Directorship of Public Works.	Secure due performance of Concession Contract approved by Decree MOP N° 21 of January 12, 1996, and Complementary Agreement N° 5 approved by Decree MOP No. 602 and published in Official Journal on August 24, 2004, in the Exploitation stage (Six Bank Guarantees each for UF 50.000).	300.000	31/12/2019

Figures in units

II. Guarantees granted in connection with the financing of the concession:

The company obtained with MBIA Insurance Corporation (el “Insurer”) Insurance Policies for capital and interest, that guarantee, irrevocably and unconditionally, the payments corresponding to Series A, Series B and Series C Bond Holders, according to the corresponding bond issues made by the concessionaire in virtue of the respective bond issue agreements and its addenda, and to the RBS entities, formerly called ABN Entities (The Royal Bank of Scotland N.V, formerly ABN Amro Bank N.V., The Royal Bank of Scotland (Chile), formerly ABN Amro Bank (Chile), RBS Inversiones Chile, formerly ABN Amro Inversiones (Chile) S.A., RBS Finance Chile S.A., formerly ABN Amro Finance (Chile) S.A. and RBS Holding Negocios S.A. formerly ABN Amro Holding de Negocios S.A.), as per Credit Line Opening Agreement. The subject Credit Opening Agreement was assigned to Banco Itaú BBA S.A., Nassau Branch, and Banco Itaú Chile (hereinafter, jointly, the “Itaú Entities”).

The company, the RBS entities, the Itaú Entities and the Insurer entered into agreement whereby the RBS Entities assigned the security agreements granted in virtue of the Credit Line Agreement mentioned above to the Itaú Entities.

In addition, dated November 29, 2010, the Insurer endorsed the aforementioned insurance policy in favor of Banco Itaú Chile, as Agent Bank and in representation of the Itaú Entities. As a result of the above, the Itaú Entities became beneficiaries of the insurance policy.

In December, 2015 all outstanding bonds were paid, which operation was made in two stages, (i) Voluntary redemption dated November 12, 2015, which was financed with cash from concession and a subordinated credit, granted to INTERVIAL CHILE and then (ii) mandatory redemption on payment date of coupon dated December 15, 2015.

Upon termination of the aforementioned obligations and the signing of the “Omnibus Termination Agreement” by MBIA, a Release of Bails was made from MBIA Insurance Corporation, Banco Chile, as Representative of the Bond Holders, and as Collateral Agent, and Itaú Unibanco S.A and others.

On November 10, 2015, a Non-Possessory Conditional Pledge Agreement was entered into on the Public Work Concession, on such Concession held by Ruta del Maule, in favor of Banco Bilbao Vizcaya Argentaria.

In addition, dated December 21, 2015 novation and debt recognition was entered into by INTERVIAL CHILE S.A, Ruta del Maule, and Banco BBVA Vizcaya Argentaria, and attestation was made on the compliance with the suspensive conditions of the agreement for enforcement of pledges.

On March 24, 2016, a Non-Possessory Conditional Pledge Agreement was entered into on the Public Work Concession, on such Concession held by Ruta del Maule, in favor of Banco de Crédito e Inversiones.

1) Special Pledge of Concession:

a) By public deed dated November 6, 1998, amended on June 21, 2005, October 18, 2006, February 22, 2008, March 19, 2008 (whereby the obligations of Series A Bond obligations were terminated) before Notary Public Santiago Iván Torrealba Acevedo and by deed dated November 29, 2010, granted in Notary of Santiago of Mr. Iván Torrealba Acevedo, special first-degree pledge for public work concession was granted as well as prohibition to encumber and convey on such concession held in favor of MBIA Insurance Corporation, and second-degree to the Itaú Entities and the holders of bonds series B and C issued by the company, dated June 29, 2005 and October 27, 2006 in virtue of the bond issue agreement and its subsequent modifications.

b) The special pledges of public work concession are granted on: i) the public work concession right held by the issuer from the Concession Contract, ii) any payment undertaken by the Tax Authority to the issuer, under any title, in virtue of the Concession Contract, iii) all revenues of issuer from the Concession, and iv) payments from expropriation held by issuer, pursuant to Article 20 of Decree Law 2.186 of 1978.

c) On December 16, 2015, MBIA Insurance Corporation, Banco de Chile (as representative of Bond holders and as Collateral Agent), Itaú Unibanco S.A. –Nassau Branch and Banco Itaú Chile to Ruta del Maule and others, raised special Pledges on concessions awarded by Ruta del Maule in favor of MBIA, bondholders representative and Banco Itaú.

d) On November 10, 2015, a Non-Possessory Conditional Pledge was placed on Concession held by Ruta del Maule, in favor of Banco Bilbao Vizcaya Argentaria and attestation was made on the compliance with the suspensive conditions, being the pledge fully enforced and perfected in favor of the Bank.

e) A Non-Possessory conditional pledge was placed on concession held by Ruta del Maule, in favor of Banco de Crédito e Inversiones.

2) Industrial Pledge:

a) The company granted first-degree industrial pledge and prohibition to encumber and convey on goods detailed in such deed, in favor of MBIA.

b) Banco de Chile (as representative of Bond holders and as Collateral Agent), Itaú Unibanco S.A. –Nassau Branch and Banco Itaú Chile to Ruta del Maule and others, raised the following Commercial Pledges in favor of MBIA, in first degree and, in favor of the Bond Holders, in second degree, in favor of Bond Holders and Banco Itaú.

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c) On March 24, 2016, the company granted first-degree industrial pledge and prohibition to encumber and convey on goods detailed in such deed, in favor of Banco de Crédito e Inversiones.

3) Commercial Pledge:

- a) On February 22, 2008 (where-by the obligations of Series A Bond obligations were terminated), the company granted in favor of MBIA commercial pledge on its right to receive any payment pursuant to: (i) the guarantee granted by Grupo Ferrovial, S.A. in favor of MBIA and the Company dated November 13, 1998; and (ii) the agreement entered into by public deed, by MBIA, the Company and Empresa Constructora Delta S.A., whereby Empresa Constructora Delta S.A. and Grupo Ferrovial S.A. guaranteed obligations from construction contract signed between Sociedad Chillán and Constructora Delta-Ferrovial Ltda. dated September 10, 1998. Although the guarantees of items (i) and (ii) and the construction contract have terminated as defined in such agreements, the parties have not formally signed a deed to raise and end this commercial pledge.
- b) In February 2008, (whereby the obligations of Series A Bond obligations were terminated), the company granted commercial pledge in favor of MBIA, on rights arising under agreement called “Amended and Restated Shareholder Support Agreement”, entered into on November 13, 1998 and amended by private instrument dated December 13, 2002. Although this agreement has terminated, the parties have not formally signed a deed to raise and end to this commercial pledge.
- c) Pursuant to the “Second Amended and Restated Collateral Agency and Security Agreement”, to the extent that funds enter into certain accounts of the Company’s projects, the latter must create in favor of MBIA, the Series B and series C bond holders and the Itaú Entities, a money commercial pledge on such funds.

- d) On June 21, 2005, the company granted in favor of MBIA commercial pledge on credits arising on four agreements in effect on that date.
- e) Raising of Pledge. MBIA Insurance Corporation, Banco de Chile (as representative of the Bond Holders and as Collateral Agent), Itaú Unibanco S.A. –Nassau Branch and Banco Itaú Chile to Ruta del Maule and others, ended and released the following commercial pledges:
- i. First-degree commercial pledge on Company’s shares in favor of MBIA, granted by shareholders under Document N° 9.945.
 - ii. Commercial pledge on Company’s shares in favor of MBIA, granted by shareholders under Document N° 5.549-05.
 - iii. First-degree commercial pledge on right of usufruct on Company’s shares in favor of MBIA, granted by CB Infraestructura S.A., under Document N° 9.947.
 - iv. Pledge on subordinated loan, granted by Ruta del Maule in favor of MBIA, entered into by public deed dated 11/11/2015, under document 33.655-2015.
 - v. Money commercial pledge granted in favor of, jointly, MBIA, the Series B and Series C Bond holders and the Itaú Entities.

Pledge on subordinated loan, granted by Ruta del Maule in favor of MBIA, entered into by public deed dated November 11, 2015, in the Notary of Santiago of Mr. Eduardo Avello Concha.

- f) By public deed dated November 10, 2015, granted in Notary of Santiago of Mr. Eduardo Avello Concha, a non-possessionary pledge was granted on the shares of the Conces-

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sion in favor of Banco Bilbao Vizcaya Argentaria, to guarantee to the Bank the due, full, effective and timely compliance by shareholder of each and all obligations under the loan agreement and by means of public deed of December 21, 2015 attestation was made on the suspensive conditions, being the pledge duly formalized and perfected in favor of the Bank.

- g) On March 24, 2016, a non-possessory pledge was granted on the shares of the Concession in favor of Banco de Crédito e Inversiones, to guarantee to the Bank the due, full, effective, and timely compliance by shareholder of each and all obligations under the loan agreement and by means of loan contract and compliance certification was made on the suspensive conditions, being the pledge duly formalized and perfected in favor of the Bank.

RUTA DE LOS RÍOS

I. Guarantees granted to the MOP in connection with Concession Contract:

TYPE OF GUARANTEE		BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN	BALANCE UF	DUE DATE
Bank Guarantee		Public Works General Director	To guarantee due compliance with Concession Contract approved by Decree MOP N° 758 of August 14, 1997, published in Official Journal on October 28, 1997, during exploitation stage.	UF	200.000	30/09/2018

Figures in units

II. Guarantees granted in connection with the financing of the concession:

Along with the Credit Assignments mentioned in item a) of note 11 above and the credit line agreement between the company and a syndicate of banks composed by

Commercial Pledges	31/12/2016	31/12/2015
	M\$	M\$
Banco Estado	4.023.820	4.398.303
Banco de Crédito e Inversiones	8.197.668	-
Banco de Chile	-	-
Corpbanca	2.344.064	-
Banco Santander	6.172.941	-
Total	20.738.493	4.398.303

Banco BICE, BCI and Banco Security, where, among others, a long-term loan was granted in the amount of UF4.640.912,38 (Tranche A and B), and a financing of guarantee bonds for a maximum amount of UF249.966,62 to secure future obligations

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with the MOP (Tranche C); on September 13, 2012 a Special Pledge of Public Work Concession was granted by the Company to Banco de Chile, Banco del Estado de Chile and Banco Security and registered in folios 166, N° 90 in the Industrial Pledge Registry, and the prohibition on the Concession, registered in folios 11, N° 20 of the Industrial Pledge Registry, both from the Real Estate Record Keeper of Santiago corresponding to year 2009. Also, with same date, a subordination agreement was terminated, released, and cancelled, which agreement was granted by Cintra Chile Ltda. and Ferrovial Agromán Chile S.A in favor of the credit assignor banks, as well as the release of the agreements for money pledge and permitted investments granted by the Company in favor of such assignor banks.

Also, along with the aforementioned financing agreement held, Ruta de los Ríos granted the following guarantees to secure the obligations undertaken in favor of the syndicate of banks composed by Banco BICE, Banco de Crédito e Inversiones and Banco Security.

Nonetheless, On September 21, 2016, the purchase and sale and cession of loans were carried out from Banco Security to Banco BICE, contract subscribed at Notary Santiago Eduardo Avello Concha, document N° 28.241-2016; and consequently, the guarantees from Banco Security were changed and placed on pledge in favor of Banco BICE.

1) Stock Pledge:

To guarantee the obligations of Ruta de los Ríos under the aforementioned financing agreement, INTERVIAL CHILE S.A. granted, in favor of the financing banks, pledge on securities, pursuant to the provisions of Law N° 4.287, and mercantile pledge on 75% of the Company stock, pursuant to articles 813 et seq. of the Code of Commerce.

In the same deed, INTERVIAL CHILE S.A. agreed not to encumber, convey, promise to encumber, or convey, dispose of, grant in real guarantees or any burden, lien,

prohibition, or rights in favor of third parties on the shares, or enter into any act or agreement on the same.

Also, in virtue of the herein-referred deed, Banco BICE, acting as Guarantee Agent Bank, released, and cancelled the security pledge and commercial pledge on shares granted in virtue of the aforementioned financing, granted by INTERVIAL CHILE S.A., in favor of Banco de Chile, Banco del Estado de Chile, Corpbanca and Banco Security.

Nonetheless, On September 21, 2016, the purchase and sale and cession of loans were carried out from Banco Security to Banco BICE, and consequently, the guarantees from Banco Security were changed and placed on pledge in favor of Banco BICE.

2) Non-possessionary pledge on Public Work Concession rights:

In order to guarantee the obligations of Ruta de los Ríos under the aforementioned financing agreement, by public deed on September 13, 2012, Ruta de los Ríos granted, in favor of the financing banks, non-possessionary pledge pursuant to Article 14 of Law 20.190 and the Rules for Registry of Non-Possessionary Pledges contained in Supreme Decree N° 722, of the Ministry of Justice of 2010, on (i) the public work concession right it holds; (ii) any payment undertaken by the Tax Authority in favor of Ruta de los Ríos under any title under the concession, specially including the annual subvention and minimum annual revenues guaranteed by the State, included in the bidding conditions; and (iii) all revenues corresponding to Ruta de los Ríos in virtue of the exploitation of the concession.

In the same deed, Ruta de los Ríos agreed not to encumber, convey, promise to encumber, or convey, assign, dispose of in any way, grant the use and enjoyment, grant in real guarantees or any encumbrance, lien, prohibition, or rights in favor of third parties on pledged assets, without prior written authorization from Banco BICE, acting as Guarantee Agent Bank.

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Nonetheless, On September 21, 2016, the purchase and sale and cession of loans were carried out from Banco Security to Banco BICE, and consequently, the guarantees from Banco Security were changed and placed on pledge in favor of Banco BICE.

3) Pledge on money deposits and permitted investments:

To guarantee the obligations of Ruta de los Ríos under the aforementioned financing agreement, by public deed dated September 13, 2012, Ruta de los Ríos granted, in favor of the financing banks, commercial pledge on all money deposits made or to be made on restricted accounts, pursuant to articles 813 et seq. of the Code of Commerce. Likewise, Ruta de los Ríos granted, in favor of the financing banks, commercial pledge on registered investment instruments issued on behalf of the Company, pursuant to articles 813 et seq. of the Code of Commerce.

In the same deed, Ruta de los Ríos agreed not to encumber, convey, promise to encumber, or convey, dispose of, grant in real guarantees or any burden, lien, prohibition, or rights in favor of third parties on money deposits and investment instruments or enter into acts or agreements on the same, without prior written authorization from Banco BICE, acting as Guarantee Agent Bank.

Nonetheless, on September 21, 2016, the purchase and sale and cession of loans were carried out from Banco Security to Banco BICE, contract subscribed at Notary Santiago Eduardo Avello Concha, document N° 28.241-2016; and consequently, the guarantees from Banco Security were changed and placed on pledge in favor of Banco BICE.

4) Commercial Pledge:

The following are the pledges granted:

Commercial Pledges	31/12/2016	31/12/2015
	M\$	M\$
Banco de Chile	-	7.386.989
BBVA	5.370.511	-
Corpbanca	4.250.035	-
Banco Estado	1.500.000	7.830.492
Banco Santander	1.689.801	3.596.156
Total	12.810.347	18.813.637

5) Special Pledge of Concession:

On December 18, 1998, the company granted a special first-degree pledge for public work concession in favor of creditor Banks. The subject pledge was raised and proposed in virtue of non-possessionary pledges; therefore, it is currently a third-degree guarantee.

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32. COMMITMENTS

At the end of 2016, the following commitments entered into by ISA and TRANSELCA, as shareholders of ISA Bolivia, were in force. They were generated by bond indentures signed by this subsidiary with IDB and CAF as lenders.

Derived from its affiliate ISA Bolivia:		Due Date
Signature of "Support and Guaranty Agreement" whereby ISA and TRANSELCA agree, as sponsors of ISA Bolivia, to guarantee loans granted by IDB and CAF.		
Obligation in effect: pay the balance of the outstanding debt with such lenders, in case of Government intervention or at the date when license is revoked.		Termination of agreements (February 15, 2019).
The loans were used for the implementation of transmission licenses of lines Santivañez-Sucre, Punutuma and Carrasco-Urubó for 30 years, and the license for project Arboleda Substation.		

33. SUBSEQUENT EVENTS

The Superintendence of Economy and Financial Inspection in Brazil, sent last February 07, the preliminary report for the inspection, in regards to the recognition of the RBSE value. The report result is an increase of BRL198,1 million, which added to the value already approved will be BRL4,1 trillion (values from DEC-2012), this increase in the value is not recognized in the 2016, income since it needs approval from ANEEL Directory.

ANNEEL directorate, on February 21, 2017, approved sentence from Public Hearing N° 068/2016, created with the purpose of incorporate the effects of the Administrative Act N° 120/2016 ("Portaria 120") from the State Ministry of Mines and Energy, which regulates Law N° 12.783/2013. A preliminary analysis conducted by CTEEP of this public hearing, indicates that there are no significant effects in the accounting estimates registered; so, no additional adjustment was made to the financial statements as of December 31, 2016.

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TABLE OF REFERENCE FOR ACRONYMS

ANEEL:	(Brazil-National Electric Power Agency)
ASIC:	Administración del Sistema de Intercambios Comerciales (Management of Trade Exchange System)
BCI:	Banco de Crédito e Inversiones
CABEI:	Central American Bank of Economic Integration
BCP:	Banco de Crédito del Perú
IDB:	Inter-American Development Bank
BNDES:	Banco Nacional de Desenvolvimento Econômico y Social
BRL:	Brazilian Real
CAF:	Banco de Desarrollo de América Latina (Latin American Development Bank) or Corporación Andina de Fomento (Andean Development Corporation)
CAN:	Comunidad Andina de Naciones (Andean Community of Nations)
CESP:	Compañía Energética de São Paulo (Brazil)
CGN:	Contaduría General de la Nación (General Accounting Office)
CIGRE:	International Council on Large Electric Systems
CLP:	Chilean Peso
CND:	Centro Nacional de Despacho (National Dispatch Center)
COP:	Colombian Pesos
CRC:	Comisión de Regulación de Comunicaciones (formerly CRT) (Communications Regulatory Commission)
CRD:	Centro Regional de Despacho (Regional Dispatch Center)
CREE:	Contribución Empresarial para la Equidad (Business Contribution for Equity) or Impuesto sobre la Renta para la Equidad (Income Tax for Equity)
CREG:	Comisión de Regulación de Energía y Gas (Commission for the Regulation of Energy and Gas)
CSM:	Centro de Supervisión y Maniobras (Supervision and Maneuvers Center)

CTEs:	Centros de Transmisión de Energía (Energy Transmission Centers)
CT:	Current Transformer
CVM:	Comissão de Valores Mobiliários (Brazil)
DECEVAL:	Depósito Centralizado de Valores de Colombia (Central Securities Depository of Colombia)
DIAN:	Dirección de Impuestos y Aduanas Nacionales (National Tax and Customs Office)
DNP:	Dirección Nacional de Planeación (National Planning Directorship)
ECOPETROL:	Colombian Oil and Gas Company
EEB:	Empresa de Energía de Bogotá
ELETROBRÁS:	Centrales Eléctricas Brasileñas S.A. (Brazil)
ELETROPAULO:	Eletropaulo Metropolitana Eletricidad de São Paulo S.A.
EPM:	Empresas Públicas de Medellín E.S.P.
EPR:	Company which owns the Grid
EPSA:	Empresa de Energía del Pacífico
E.T:	Estatuto Tributario Nacional (National Tax Code)
FAER:	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Energizing Interconnected Rural Zones)
FAZNI:	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Energizing Non-Interconnected Zones)
FOES:	Fondo de Energía Social (Social Energy Fund)
FUT:	Fondo de Utilidades Tributables (Chile) (Taxable Income Fund)
GMF:	Gravamen a los Movimientos Financieros (Financial Transaction Tax)
IASB:	International Accounting Standards Board
ICO:	Instituto de Crédito Oficial (Chile) (Official Credit Institute)
IFC:	International Finance Corporation
IGV:	Impuesto General a las Ventas (General Sales Tax)
ISS:	Instituto de Seguros Sociales (Social Security Institute)

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IUE:	Impuesto a las Utilidades de Empresas (Bolivia) (Corporate Income Tax)	RTT:	Régimen Tributario de Transición (Transitional Tax Regime)
LAC:	Liquidación y Administración de Cuentas (Liquidation and Management of Accounts)	RTU:	Remote Terminal Unit
LT:	Línea de Transmisión (Transmission Line)	SCI:	Fire Protection System
MOP:	Ministerio de Obras Públicas (Chile) (Ministry of Public Works)	SIC:	Sistema de Intercambios Comerciales (Trading System)
NDF:	Non-Delivery Forward	SIEPAC:	Sistema de Transmisión Eléctrica para América Central (Energy Transmission System for Central America)
IAS:	International Accounting Standards	SID:	Sistema de Información de Descargas (Discharge Information System)
IAS PS:	International Accounting Standards for the Public Sector	SIN:	Sistema Interconectado Nacional (National Interconnected System)
NCIF:	Normas de Contabilidad e Información Financiera (Standards of Accounting and Financial Information)	SINAC:	Sistema Interconectado Nacional (Peru) (National Interconnected System)
OSINERGMIN:	Organismo Supervisor de la Inversión en Energía y Minería (Peru) (Supervisory Body for Investment in Energy and Mining)	SSPD:	Superintendencia de Servicios Públicos Domiciliarios (Superintendence of Household Utilities)
PAAG:	Porcentajes de Ajuste del Año Gravable (Taxable Year Adjustment Percentages)	STE:	Servicio de Transporte de Energía (Energy Transmission Service)
PCGP:	Plan General de Contabilidad Pública (General Plan for Public Accounting)	STN:	Sistema de Transmisión Nacional (National Transmission System)
PGE:	Procuraduría General del Estado (Brazil) (Attorney General's Office)	STFC:	Servicios de Telefonía Fija Conmutada (Commuted Fix Telephone Services)
PLC:	Power Line Carrier	SUNARP:	Superintendencia Nacional de los Registros Públicos (National Superintendence of Public Records)
PROINVERSIÓN:	Promoción de la Inversión Privada del Perú (Private Investment Promotion of Peru)	SUNAT:	Superintendencia Nacional de Administración Tributaria (Peru) (National Superintendence of Tax Administration)
PRONE:	Programa de Normalización de Redes Eléctricas (Standardization Plan for Grids)	UNE:	Une Telecomunicaciones S.A. E.S.P.
PT:	Power Transformer	UPME	Unidad de Planeación Minero Energética (Energy Mining Planning Unit)
RAG:	Remuneración Anual Garantizada (Peru) (Guaranteed Annual Remuneration)	USD:	US Dollar
REP:	Red de Energía del Perú	VQ:	Voltage Quality
		VRN:	Valor de Reposición a Nuevo (New Replacement Value)
		VUCE:	Ventanilla Única de Comercio Exterior (Single Foreign Trade Window)
		WAAC:	Costo Promedio Ponderado de Capital (Capital Weighted Average Cost)

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STATUTORY AUDITOR’S REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS



Statutory Auditor’s Report

To the shareholders of
Interconexión Eléctrica S.A. E.S.P. and its subsidiaries

Financial Statements Report

I have audited the accompanying financial statements of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the related consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with Accounting and Financial Information Standards accepted in Colombia (“NCIF”) adopted by the Contaduría General de la Nación; of designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements whether due to fraud or error; and selecting and applying appropriate accounting policies and making estimates that are reasonable in the circumstances.

Auditor’s Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I have conducted my audit in accordance with International Standards on Auditing accepted in Colombia. Those standards require me to comply with ethical and independence requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. It also includes evaluating of the accounting policies adopted and the estimates of importance made by the administration, as well as the presentation of the financial statements as a whole.

I believe that the audit evidence obtained provides a reasonable basis for expressing my opinion.

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Opinion

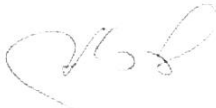
In my opinion, the accompanying consolidated financial statements, taken from the accounting books, present fairly, in all material respects, the financial position of Interconexión Eléctrica S.A. E.S.P. and its subsidiaries as of December 31, 2016, the results of its operations and the cash flows for the year then ended, in accordance with Accounting and Financial Information Standards accepted in Colombia adopted by the Contaduría General de la Nación.

Emphasis Paragraph

As described in Note 6 to the financial statements, CTEEP, a subsidiary of Interconexión Eléctrica S.A. E.S.P., through ISA Capital do Brasil, has a net balance of accounts receivable from the São Paulo State of approximately \$1,059,154 million, related with the impacts of Law 4.819 of 1958, which granted to the employees of companies subject to the control of the São Paulo State, benefits already granted to other public servers. CTEEP has undertaken legal actions before the respective state authorities, to collect these accounts receivable. The accompanying financial statements do not include adjustments that could result from the outcome of this uncertainty. My opinion has not been modified by this matter.

Other Matters

The financial statements under accounting and financial information standards accepted in Colombia by Interconexión Eléctrica S.A. E.S.P. and its subsidiaries as of December 31, 2015, which are part of the comparative information of the accompanying financial statements, were audited by me, in accordance with generally accepted auditing standards, on which I expressed an unqualified opinion on February 29, 2016.



Alba Lucía Gúzman L.
Statutory Auditor
Professional Card 35265-T
Designated by Ernst & Young Audit S.A.S. TR-530

Medellín, Colombia
February 24, 2017

A member firm of Ernst & Young Global Limited

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CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellín, February 24, 2017

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

The undersigned Legal Representative and the Chief Accounting Officer for Interconexión Eléctrica S.A. E.S.P., in compliance with NCIF (Colombian Accepted Financial and Accounting Reporting Standards) adopted by the Colombia’s National General Accounting Office; with the provisions of Article 37 of Law 222 of 1995, and to Article 46 of Law 964 of 2005, we certify that:

1. The consolidated statement of financial position as of December 31, 2016, the consolidated income statement and other comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended on such date, have been faithfully taken from the books and before being made available to you and third parties, we have verified the following statements contained therein:

a. The facts, transactions and operations have been recognized and executed during the accounting period.

- b. The economic facts are disclosed pursuant to the established by NCIF (Colombian Accepted Financial and Accounting Reporting Standards), adopted by the Colombia’s National General Accounting Office.
- c. The total value of assets, liabilities, equity, revenues, expenses, and costs, have been disclosed by the Company financial statements as of the cut-off date.
- d. The assets represent a potential of future economic services and benefits, and liabilities represent past events representing outflow of resources, in the development of its activities, at the cutoff date.
2. The consolidated financial statements and other relevant reports to the public, from the period ended on December 31, 2016 and 2015, do not contain any inaccuracies, errors or omissions which prevent knowing the true financial condition or operations of ISA and its companies.


Bernardo Vargas Gibsone
Chief Executive Officer


John Bayron Arango Vargas
Chief Accounting Officer
Professional I.D. Card 34420-T

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SEPARATE STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016 AND 2015

Amounts expressed in millions of colombian pesos

	Notes	2016	2015
ASSETS			
Current assets			
Cash and cash equivalent	4	254.496	312.161
Accounts receivable	8	58.279	110.600
Non-financial assets	7	18.150	8.149
Current tax	19.5	23.231	4.464
Other financial assets	6	4.568	3.797
Total Current assets		358.723	439.171
Non-current assets			
Restricted cash	5	20.298	27.542
Non-financial assets	7	1.300	1.400
Accounts receivable	8	215.799	321.880
Investments in subsidiaries and joint business	10	8.056.601	5.644.911
Investments in financial instruments	10	12.527	22.635
Property, plant and equipment	11	5.066.863	4.834.583
Investment property	12	7.803	7.886
Intangible assets	13	100.716	93.614
Total non-current assets		13.481.907	10.954.451
Total assets		13.840.630	11.393.622
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Financial liabilities	15	146.843	189.597
Accounts payable to related parties	9.1	-	75.030
Current tax	19	6.977	60.805
Accounts payable	17	70.525	47.823

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	Notes	2016	2015
Provisions	18	25.927	7.750
Employee benefits	20	7.386	5.795
Other non-financial liabilities	21	4.115	4.174
Total current liabilities		261.772	390.974
Non-current liabilities			
Financial liabilities	15	2.084.431	1.537.871
Deferred tax	19.2	900.352	911.710
Accounts payable to related parties	9.1	288.768	275.704
Other non-financial liabilities	21	209.605	227.413
Employee benefits	20	211.351	196.135
Accounts payable	17	4.568	2.783
Provisions	18	1.549	1.261
Total non-current liabilities		3.700.624	3.152.877
Total liabilities		3.962.396	3.543.851
Shareholders' equity			
Subscribed and paid-in capital	22.1	36.916	36.916
Premium for placement of shares	22.4	1.428.128	1.428.128
Reserves	22.6	1.878.709	1.491.399
Income of the year		2.141.460	706.321
Retained earnings		3.242.453	3.242.453
Other comprehensive income		1.150.568	944.554
Total Shareholders' Equity		9.878.234	7.849.771
Total liabilities and shareholders' equity		13.840.630	11.393.622

See accompanying notes to consolidated financial statements.



Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)



John Bayron Arango Vargas
Accountant
Professional I.D. Card 34420 - T
(See attached certificate)



Alba Lucía Guzmán Lugo
Statutory Auditor. Professional I.D. Card 35265 - T
(See my report attached)
Appointed by Ernst & Young S.A.S TR-530

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

AS OF DECEMBER 31, 2016 AND 2015

Amounts expressed in millions of colombian pesos, except net income per share expressed in colombian pesos

	Notes	2016	2015
Revenues from ordinary activities	23		
Income from “contrato de cuentas en participación”		837.439	807.753
Energy transmission services		22.092	15.838
Connection charges		2.166	2.162
Infrastructure projects		10.847	11.388
Dark fibre		979	2.500
Other services		8.923	8.441
Total Revenues from ordinary activities		882.446	848.082
Operating costs	24.1	(223.314)	(214.080)
Gross profit		659.132	634.002
Other revenues and expenses			
Administrative expenses	24.2	(105.387)	(95.066)
Equity method net revenue/(expense)	25	1.906.783	384.806
Other net revenue/(expenses)	25	3.226	25.734
Profit from operating activities		2.463.754	949.476
Financial revenues	26	309.277	234.855

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	Notes	2016	2015
Financial expenses	26	(539.176)	(290.733)
Income before taxes		2.233.855	893.598
Income tax provision	19.1	(92.395)	(187.277)
Net income		2.141.460	706.321
Net earnings per share	27	1.933,29	637,66
Other comprehensive income			
Actuarial earnings (losses) from definite benefit plans, net of taxes		(14.042)	1.220
Earnings from cash hedging, net of taxes		69.949	1.593
Earnings from foreign exchange difference, net of taxes		150.108	546.648
Other comprehensive income		206.015	549.461
Comprehensive income of year		2.347.475	1.255.782

Bernardo Vargas Gibsone
Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
Accountant
Professional I.D. Card 34420 - T
(See attached certificate)

Alba Lucía Guzmán Lugo
Statutory Auditor. Professional I.D. Card 35265 - T
(See my report attached)
Appointed by Ernst & Young S.A.S TR-530

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SEPARATE CASH FLOW STATEMENT

Years ended as of December 31, 2016 and 2015

Amounts expressed in millions of colombian pesos

	2016	2015
Net Income	2.141.460	706.321
Depreciation of property, plant and equipment	176.109	168.056
Amortization of intangible assets and other assets	1.307	1.727
Adjustment on actuarial calculation of retirement pensions and extralegal benefits – net	13.435	8.618
Recovery of impairment of accounts receivable	50	(565)
Impairment of investments	10.108	-
Incomes tax provision	92.395	187.277
Removal of property, plant and equipment	631	-
Earnings from exchange difference	5.109	(34.960)
Income from equity method	(1.906.783)	(384.806)
Interest and commissions accrued	211.338	128.382
Total	745.159	780.050
Changes in operating assets and liabilities		
Accounts receivable	142.975	7.566
Other assets	(10.002)	(8.646)
Accounts payable	207.167	193.826
Employee benefits	1.591	(200)
Provisions	(87.240)	(220.109)
Other deferred liabilities and taxes	(29.226)	14.191
Cash flows from other operating activities		



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	2016	2015
Payments of retirement pension and other benefits	(44.341)	(5.847)
Payments of taxes and contributions	(201.602)	(197.121)
Net cash provided by operating activities	724.481	563.710
CASH FLOWS FROM OPERATING ACTIVITIES		
Acquisition of investments in subsidiaries and joint ventures	(461.283)	(417.572)
Dividends received	174.143	160.077
Purchase of property, plant and equipment	(411.212)	(342.963)
Other assets variations	(878)	(5.219)
Restricted cash	(7.244)	(4.176)
Net cash used in investment activities	(706.474)	(609.853)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received in cash	10.036	14.825
Interest paid in cash	(194.875)	(122.741)
Dividends paid	(319.011)	(296.858)
Financial obligations received	250.000	222.432
Bonds issuance	400.000	500.000
Payment of financial liabilities (financial obligations-bonds)	(221.822)	(424.391)
Net cash used in financing activities	(75.672)	(106.733)
Net increase (decrease) in cash and cash equivalents	(57.665)	(152.876)
Cash and cash equivalent at the beginning of the year	312.161	465.037
Cash and cash equivalent at the end of the year	254.496	312.161

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Chief Executive Officer
(See attached certificate)

John Bayron Arango Vargas
Accountant
Professional I.D. Card 34420 - T
(See attached certificate)

Alba Lucía Guzmán Lugo
Statutory Auditor. Professional I.D. Card 35265 - T
(See my report attached)
Appointed by Ernst & Young S.A.S TR-530

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SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF DECEMBER 31, 2016 AND 2015

Amounts expressed in millions of colombian pesos

	Subscribed and paid-in capital	Premium for placement of shares	Legal	By tax regulation	Reserve for reacqui- sition of own shares	For equity strengthening	For rehabilitation and replacement of STN assets	Total reserves	Results of the year	Other comprehensive income	IFRS Retained earnings conversion	Total
NOTE	22.1	22.4				22.6						
Balance as of January 1, 2015	36.916	1.428.128	18.458	619.210	38.100	481.989	37.434	1.195.191	514.486	395.093	3.321.033	6.890.847
Transfers approved by the General Assembly of Shareholders Meeting	-	-	-	96.933	-	199.275	-	296.208	(296.208)	-	-	-
Payment of ordinary dividends at COP208 per share and an extraordinary dividend at COP60 settled on 1.107.677.894 outstanding shares, payable in four installments April-July-October- December	-	-	-	-	-	-	-	-	(296.858)	-	-	(296.858)
IFRS Retained earnings	-	-	-	-	-	-	-	-	78.580	-	(78.580)	-
Net income in 2015	-	-	-	-	-	-	-	-	706.321	549.461		1.255.782
Balance as of December 31, 2015	36.916	1.428.128	18.458	716.143	38.100	681.264	37.434	1.491.399	706.321	944.554	3.242.453	7.849.771

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	Subscribed and paid-in capital	Premium for placement of shares	Legal	By tax regulation	Reserve for reacquisi- tion of own shares	For equity strengthening	For rehabilitation and replacement of STN assets	Total reserves	Results of the year	Other comprehensive income	IFRS Retained earnings conversion	Total
Transfers approved by the General Assembly of Shareholders Meeting	-	-	-	95.816	-	291.494	-	387.310	(387.310)	-	-	-
Payment of ordinary dividends at COP228 per share and an extraordinary dividend at COP60 settled on 1.107.677.894 outstanding shares, payable in two installments July-December	-	-	-	-	-	-	-	-	(319.011)	-	-	(319.011)
Net income in 2016	-	-	-	-	-	-	-	-	2.141.460	206.014	-	2.347.474
Balance as of December 31, 2016	36.916	1.428.128	18.458	811.959	38.100	972.758	37.434	1.878.709	2.141.460	1.150.568	3.242.453	9.878.234

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NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND 2015

(Amounts expressed in millions of colombian pesos, except per value of share and net income per share; foreign currency in original amounts)

I. GENERAL NOTES

1. GENERAL INFORMATION

Interconexión Eléctrica S.A. E.S.P. –ISA–, parent company, with registered office in the city of Medellin, was incorporated as a joint stock company by public deed N° 3057 granted by the Eighth Notary Public of Bogota on September 14, 1967.

On November 22, 1996, by means of public deed N° 746 granted by the Sole Notary of Sabaneta, ISA changed its legal nature to Mixed-Ownership Utility Company, established as a national business company, by shares, and of the kind of incorporations, ascribed to the Ministry of Mines and Energy, with indefinite term and subject to the legal regime set forth in Law 142 of 1994, situation that materialized on January 15, 1997 with the entry of private contributions.

According to the Constitutional Court under ruling C-736 dated September 19, 2007, ISA has a special legal nature, defined as a Mixed-Ownership Utility Company, entity decentralized by services that is part of the executive branch of the public power with a special legal private law regime.

Its headquarters is located in the city of Medellin on Calle 12 sur # 18-168.

ISA's corporate purpose is:

- The provision of Energy Transmission utility, pursuant to Laws 142 and 143 of 1994

and the rules adding, amending or replacing them, as well as the rendering of similar, complementary and related services with such activities, according to the legal and regulatory framework in force.

- The development of Telecommunications systems, activities and services.
- The direct or indirect participation in activities and services related to the transport of other kind of energy.
- Rendering of technical and non-technical services in activities related to its corporate purpose.
- The development of infrastructure projects and its commercial exploitation as well as activities performed in connection with the exercise of engineering in terms of Law 842 of 2003, and norms which add it, modify it or amend it.
- The investment in national or foreign companies which have as their business purpose the exploitation of any legal economic activity; investment in movable and immovable property, and investment in shares, quotas or parts, bonds, commercial papers or fixed or variable rate instruments, registered in the stock exchange market or any other mode provided by the law which allows the investment of resources.
- Management of the economic group's companies by means of the definition of strategic, organizational, technical, and financial guidelines, among others.

2. BASIS OF PRESENTATION

The main policies and practices adopted by ISA are described as follows:

2.1 Accounting principles

The Company prepares its financial statements in accordance with the Standards of

Accounting and Financial Reporting –NCIF–, for its acronym in Spanish, adopted by the Colombian General Accounting Office, established in Law 1314 of 2009, regulated by Resolution 743 of 2013 of the General Accounting Office and all its subsequent amendments and Regulatory Decree 2784 of 2012 and all its subsequent amendments. These accounting and financial reporting standards correspond to the International Financial Reporting Standards –IFRS– officially translated and authorized by the International Accounting Standards Board (IASB- as per acronym in English), as of December 31, 2013.

The separate financial statements as of December 31, 2016, were authorized for disclosure by the Board of Directors at meeting held on February 24, 2017.

2.2 Adoption of new standards and interpretations

Standards of Accounting and Financial Reporting accepted in Colombia, issued but not yet in force

Numeral 3 Article 2.1.2 of book 2, Part 1 of Decree 2420 of 2015 as amended by Decrees 2496 of 2015 and 2131 of 2016 and Article 1 of Decree 2131 of 2016, include the standards that have been issued by the IASB and adopted in Colombia that will become in effect in years subsequent to 2016.

→ **New Standards of Accounting and Financial Reporting –NCIF– accepted in Colombia, in force as of January 1, 2017, excluding IFRS 9 and 15, to be applied on periods beginning on January 1, 2018.**

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB released the final version of IFRS 9, Financial Instruments that collects all the phases of the financial instruments project and supersedes IAS 39 Financial Instruments: measurement and classification and all previous versions of IFRS 9. The standard introduces new requirements for classification, measurement,

impairment and hedge accounting. IFRS 9 is to be applied on periods beginning on January 1, 2018. Retroactive application is required, but comparative information is not required to be amended. Earlier application is permitted for previous versions of IFRS 9 (2009, 2010 and 2013) if the date of initial application is prior to February 1, 2015.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional regulation which allows an entity, when implementing for the first time IFRS and whose activities are subject to rates regulations, to continue applying most of the former accounting policies for regulatory deferral accounts. Entities adopting IFRS 14 have to present deferral accounts as separate entries in the Statement of Financial Position and to present these account transactions as separate entries in the income statement and the global income statement. This regulation requests a detailed description of the nature and risks related to the regulated rates of the company, as well as the impact of regulated rates in the financial statements. IFRS 14 is to be applied on periods beginning on January 1, 2017.

Annual Improvements of IFRS, Cycle 2010 - 2012

These improvements are effective from July 1, 2014. The improvements include the following amendments:

IFRS 15 Revenues from ordinary activities from contracts with customers

IFRS 15 was published in May 2014 and establishes a new five-step model applied to revenues from contracts with customers. In accordance with IFRS 15 the revenue is recognized by an amount that reflects the consideration that an entity expects to have in return for the transfer of goods or services to a customer. The principles of IFRS 15 entail a more structured approach to measure and record revenues.

This new standard is applicable to all entities and will repeal all previous standards for revenue recognition. A total or partial retroactive application is required for fiscal years beginning on January 1, 2018, allowing advance application.



Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Amortization

These amendments clarify that the revenues reflect a pattern of obtaining benefits arising from the exploitation of a business (which includes the asset), rather than the economic benefits consumed by the use of the asset. Therefore, the fixed material asset cannot be amortized using an amortization method based on revenues and it can only be used in very limited circumstances to amortize intangible assets. These amendments will be prospectively applied for fiscal years beginning on January 1, 2017, although they can be applied in advance.

Amendments to IAS 27: Equity method in separate financial statements

Modifications allow entities to use the equity method of accounting in measuring investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities which had applied IFRS and select the change for the equity method will have to apply this change retroactively. Such entities applying IFRS for the first time and choose to use the equity method in their separate financial statements will have to apply the method from the date of transition to IFRS. These modifications have to be apply to accounting periods starting on January 01, 2017; anticipated application is allowed though.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The amendments address the conflict between IFRS 10 and IAS 28 in the treatment of loss of control of a subsidiary that is sold or contributed to an associate company or joint venture. The amendments clarify that gain or loss resulting from the sale or contribution of assets that constitutes a business (as defined in IFRS 3, between the investor and its associate company or joint venture) is recognized in its entirety. However, any gain or loss arising from the sale or contribution of assets which do not constitute a business is only recognized up to the interest of investors not related to the associate or joint venture. These amendments shall be applied prospectively and

are in force for accounting periods starting on or after the first day of January 2017, with anticipated adoption allowed.

Annual Improvements Cycle 2012-2014

These improvements are effective for fiscal years beginning on or after January 1, 2017; early adoption is permitted. They include:

IFRS 7 Financial Instruments: Disclosures

(i) Servicing Contracts

The amendment clarifies that a servicing contract that includes a fee may constitute continuous involvement in a financial asset. An entity must assess the nature of the fee and the agreement against the guide of continuous involvement under IFRS 7 in order to assess whether disclosures are required. The assessment of servicing contracts which constitute a continuous involvement must be retrospectively performed. However, the requirement of disclosure would not have to be provided for a period beginning before the annual period in which the entity applies amendments for the first time.

(ii) Applicability of Amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that disclosure requirements of compensation do not apply to interim condensed financial statements, unless such disclosures provide a significant updating of the reported information in the most recent annual report. This amendment should be retrospectively applied.

IAS 19 Employee benefits

The amendment clarifies that the depth of the high-quality corporate bond market is evaluated based on the obligation currency rather than the country where the obligation is located. When there is no deep market for high-quality corporate bonds

denominated in that currency, the rates of government bonds must be used. This amendment should be prospectively applied.

IAS 34 Interim Financial Reporting

The amendments clarify that required interim disclosures must be either in the interim financial statements or embedded by cross referencing between interim financial statements and wherever the interim financial information is included (for example, in the management reports or in the reports of risk). The other information within the interim financial information must be available to users at the same time and in the same conditions as interim financial statements. This amendment should be retrospectively applied.

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 1 Presentation of Financial Statements clarify, instead of changing significantly, existing requirements of IAS 1. The amendments require:

- The materiality requirements in IAS 1.
- That specific items in the income statement and OCI –Other Comprehensive Income– and statement of financial position can be disaggregated.
- That entities have flexibility about the order in which the notes to the financial statements are presented.
- That participation of the associates and joint ventures in OCI, accounted by using the equity method must be presented together in a single line, and classified among those items that may or may not be later reclassified to the income statement.

In addition, amendments clarify the requirements applying when additional subtotals are presented in the financial statement and income statement and OCI. These amendments are effective for annual periods beginning on or after January 1, 2017; early adoption is allowed.

Amendments to IFRS 10, 12 and IAS 28 Investment Entities: Application of the Consolidation Exception

The amendments address issues which have arisen in the application of the consolidation exception in investment entities under IFRS 10.

The amendments to IFRS 10 clarify that the exception to present consolidated financial statements is applied to the parent company which is a subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value.

On the other hand, amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity as such and that provides support services to the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 enable investor, when applying the equity method, to leave the measurement of fair value applied by the investment associate entity or joint control to its participation in the subsidiaries.

These amendments should be retrospectively applied and are effective for annual periods beginning on or after January 1, 2017; early adoption is permitted.

→ New Standards of Accounting and Financial Reporting –NCIF– accepted in Colombia, in force from January 1, 2018

Article 1 of Decree 2131 of 2015 added enclosure 1.2 to Decree 2420 of 2015, modified by Decree 2496 of 2015, adding modifications to IAS 7, IAS 12 and clarifications to IFRS 15.

Amendments to IAS 7

Initiative on disclosure initiative: the modifications made to IAS 7 are part of the disclosure initiative of the IASB and require companies to disclose information

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that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes affecting or not the cash flow. In the initial amendment application, the company is not obliged to include comparative information for former periods.

Amendments to IAS 12

Recognition of deferred tax assets for unrealized losses: these amendments clarify how to account deferred tax assets corresponding to debt instruments at fair value.

Amendments to IFRS 15

Clarifications to IFRS 15 Revenues from ordinary activities from contract with customers: this modification clarifies some issues related to contract with customers, in order to give uniformity to the understanding of the standard by diverse stakeholders.

IFRS issued by IASB not adopted in Colombia

IASB issued on January 13, 2016 a new IFRS 16 standard - Leases, which provides a comprehensive model to identify lease agreements and their treatment in the financial statements, for lessees and lessors; it replaces IAS 17 - Leases and its interpretative orientation.

2.3 Main judgments and estimates

The preparation of the financial statements based on IFRS, demands from the administration the use of judgments, estimates and assumptions to establish the reported figures on assets and liabilities, the exposition of contingent assets and liabilities, on the date of the financial statements, the reported figures for revenues and expenses, as well as the applications of accounting policies as of December 31, 2016.

Nonetheless, final income could differ from estimates included in the statements of financial position. Management expects that variations, if any, have no significant effect on the statements of financial position.

These estimates are based on the best experience of Management, best use of information available on the date of issuance of these consolidated financial statements and on the best expectations in relation to present and future events; current results may differ from these estimates but are adjusted once they are known.

The Management has determined that the most significant judgements and estimates correspond to:

Identification of Cash Generating Units –CGUs–: they are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The identification of CGUs involves significant judgement, mainly in the way the Company must add its assets.

According to the above, the Cash Generating Units for ISA under the Energy Transmission Service are the following:

- Assets for connection to STN –National Transmission System–.

→ Existing Assets for Use of STN –Existing Grid–.

→ Assets for Use of STN from Bidding.
- a. Assets for connection to STN: Assets for connection to STN correspond to assets built by ISA to allow the connection of different types of users –generators, large consumers and grid operators– to the STN. Remuneration of these assets is governed by connection contracts, which are signed under a scheme of bilateral negotiation, and through which connection charges are paid by users. INTERCOLOMBIA, represents 96% of connection contracts due to the rendering of such service. Thus, it is considered that the CGUs at the level of assets for connection to the STN, correspond to the group of assets involved in each connection agree-

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ment, thus, there are as many CGUs associated to the STN connecting service as connection agreements.

- b. Existing Assets for Use of STN –Existing Grid–: The remuneration of Energy Transmission service for existing assets for STN use is made based on a regulated scheme through which the CREG defines a single methodology for all assets that are part of the existing grid –not built under the scheme of free competition defined by the regulator–. By applying the above methodology, the total value of the existing grid is determined for each transmission Company and, from it, the corresponding annual revenue. For this case, values (annual revenues from the existing grid and the existing grid value) on behalf of INTERCOLOMBIA –a company which represents ISA– are covered by CREG Resolution 177 of 2013.
- c. Assets for Use of STN from Bidding: The remuneration of assets built under the scheme of free competition or bidding established by the regulator is based on the bid submitted by the bidder awarded for the project implementation, which comprises a profile of 25 flows of expected annual revenues corresponding to the first 25 years of operation of the project, which takes into account the particularities of each project, the risk perception of the bidder, the expected rate of return and the costs and risks inherent to the time of submission of the bid, among others.

Projects are awarded independently and separately, so that the regulator issues a resolution for each project through which the profile of respective revenues is formalized. Thus, it is considered that each of the projects built by bidding is a CGU itself. It is worth noting that once 25 years of operation have been completed of a project awarded under the bidding mechanism, remuneration begins under the methodology applicable to existing assets using STN, and therefore at that time it would become part of the generating cash unit corresponding to the existing grid.

→ **Definition of hierarchy levels of financial instruments:** (See Notes 3.8 and 14.2.a.)

Lease agreements: lease agreements may be financial or operating and their classification is based on the extent to which the risks and benefits of ownership of the asset affect lessor or lessee. A lease is classified as financial when all the risks and benefits belonging to the real estate are substantially transferred from the property leased to the lessee, on the contrary, it is classified as an operating lease. These risks include the possibility of losses from idle capacity or technological obsolescence, as well as variations in performance due to changes in economic conditions. Benefits may be represented by the expectation of a profitable exploitation throughout the economic life of the asset and the gain from revaluation or realization of a residual value.

This classification is made at the beginning of the agreement and is not changed during its term, unless lessee and lessor agree to change the terms of the lease. Nevertheless, changes in estimates –economic life or residual asset value–, would not generate a new classification of the lease.

See 3.7.1 Finance Leases and 3.7.2 Operating Leases

Provision for value impairment of accounts payable: the estimate for doubtful accounts is established if there is objective evidence that the Company may not recover the amounts of debts according to the original terms of the sale or services rendered. To this end, the Management periodically evaluates the adequacy of the estimate through the ageing analysis of accounts receivable and collection statistics held by the Company. The estimate for doubtful accounts is recorded against income in the year where their need is determined. In the opinion of the Management, this procedure allows to reasonably estimate the provision for bad debts, in order to adequately cover the risk of loss in accounts receivable, according to market conditions where the Company operates.

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Estimated recoverable amount of a non-financial asset: the carrying value of non-financial assets, excluding deferred taxes is reviewed at each balance sheet date to determine whether there is indication of impairment. If there are indications, the recoverable amount of the asset is estimated and charged to income for the year.

Estimate of value of operating assets: future in and out cash flow are estimated, as a result of the continuous use of the asset as well as of its disposal through other methods at the end of its life-cycle, and the corresponding discount is applied to these future cash flows.

Useful life and residual values of property, plant and equipment: the determination of useful lives and residual values of the components of property, plant and equipment involves judgments and assumptions that could be affected if circumstances change. The Company’s Management reviews these assumptions each year and adjusts them prospectively if any change is identified.

Provision for legal and administrative proceedings: in estimating loss contingency in legal proceedings that are pending against ISA and its companies, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the current status of proceedings. This provision is linked to the probability of occurrence, as well as the professional judgment and opinion of the legal advisers.

Currently the provision calculation is done pursuant to the established by Resolution N° 353, issued in November 2016 by the National Agency of Legal Defense of the State.

Recovery of deferred tax assets: the use of professional judgment is required to determine whether deferred tax assets should be recognized in the statement of financial position. Deferred tax assets require Management to assess the likelihood the company will generate taxable income in future periods to use the deferred tax assets. Estimates of future taxable revenues are based on financial projections and application of tax laws.

To the extent that future cash flows and taxable revenues materially differ from estimates, this could have an impact on the ability of the Company to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax laws could limit the ability of the companies to obtain tax deductions in future periods. Any difference between estimates and effective further disbursements is recorded in the year in which it occurs.

Employee benefits: the cost of defined benefit pension plans and other post-employment medical benefits and the present value of pension obligations are determined by using actuarial valuations. These estimates include analyzing several hypotheses which could defer from future real events, such as determining the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the calculation of the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The mortality rate is based on the specific country’s public mortality rates. The future wage and pension increase is based on expected future inflation rates for each country. (See Note 20 -Employee benefits).

2.4 Transactions and balances in foreign currency

The financial statements are expressed in the primary economic environment in which the parent company operates –colombian pesos– and consequently this one is the functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are repaid. Gains and losses from exchange differences resulting from the payment of such transactions and from the translation at exchange rates at year-end of monetary assets

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and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Gains from exchange related to loans, cash and cash equivalent are presented in the statement of comprehensive income under “financial income”. On the contrary, losses are presented in the comprehensive income statement under the item “financial expenses”.

→ Rates used

Transactions and balances in foreign currencies are translated at current exchange rates certified by the Central Bank in Colombia or official banks from the countries where the Group does transactions.

The exchange rates used for the preparation of financial statements as of December 31, 2016 and 2015, expressed in colombian pesos, were as follows:

Currency	Code	2016	2015
American Dollar	USD	3.000,71	3.149,47
Euro	EUR	3.166,79	3.426,01
Peruvian Nuevo Sol	PEN	893,07	925,28
Bolivian Peso	BOB	431,14	452,51
Brazilian Real	BRL	920,72	806,56
Chilean Peso	CLP	4,48	4,43

2.5 Classification of balances as current and non-current

In the statement of financial position, balances could be classified according to their maturities, i.e., current are those with maturities equal to or below twelve months, except provisions for post-employment obligations and the like, and as non-current for maturities exceeding such period.

3. MAIN ACCOUNTING POLICIES

The main accounting practices and policies applied in the preparation of the accompanying financial statements are as follows:

3.1 Investments in subsidiaries, joint business and associates

The Company updates investments in subsidiaries, joint business and associates in its separate financial statements by the equity method.

Subsidiaries are entities (including structured entities), over which the parent company exercises direct or indirect control. (See list of companies Note 10).

A structured entity is an organization created with a definite purpose and limited termination. ISA holds investments in autonomous equities that meet this definition.

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

Joint venture is an agreement whereby the parties that have joint control have rights to the net assets of the entity. Joint control occurs only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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Accounting policies of subsidiaries, associates and joint businesses of the Group are applied on a uniform basis with ISA's, in order to ensure consistency in the Group's financial information, basis for the proper application of the equity method.

The equity method is an accounting method whereby the investment is initially recorded at cost and adjusted for post-acquisition change in the Company's participation in net assets of subsidiaries, joint ventures, and associates, pursuant to the participation the company has. The profit or loss and other comprehensive income of ISA, includes the results of companies in which ISA has stake.

Dividends received from companies where there is control, joint control or significant influence, are recorded as a lower investment value.

Transactions involving a loss of significant influence over an associate or joint venture are accounted for by recognizing any retained stake by its fair value, and the gain or loss resulting from the transaction is recognized in the income for the period including the corresponding items of other comprehensive income.

For transactions not involving a loss of significant influence in the associate or joint venture; the equity method remains being applied and the portion of the gain or loss recognized in other comprehensive income relating to the reduction in the share of the property is reclassified in income.

3.2 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost –historical cost– or construction cost, less depreciation and accumulated impairment losses, if any. In addition to the price paid for the acquisition of each item, the cost also includes, as the case may be, the following:

- Import tariffs and non-recoverable indirect taxes imposed on the acquisition, after deducting trade discounts and rebates.

- All costs directly related to the placing of the asset and the necessary conditions for its operation in the manner intended by Management.
- Loan costs directly attributable to the acquisition of a qualifying asset.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is based, when they are obligations in charge of the Company as a result of using the item during a particular period, for purposes other than production of inventories during that period.

Expenditures for maintenance, preservation and repair of these assets are recorded directly in income as an expense in the period incurred.

Additions and costs of expansion, modernization or improvements are capitalized as higher value of the relevant property, provided they increase their useful life, expand their production capacity and operational efficiency, improve the quality of services, or allow significant reduction costs.

An item from property, plant and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an asset is determined as the difference between net sales proceeds, if any, and the carrying value of the asset. This effect is recognized in income.

→ Safety and environment assets

Certain items from property, plant and equipment may be acquired for safety or environmental purposes. Although the acquisition of such kind of property, plant and equipment does not increase the economic benefits provided by the items of existing property, plant and equipment, it might be necessary for the entity to obtain future economic benefits from the other assets. Safety assets are depreciated linearly over their estimated useful life.

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→ **Assets under construction and assembly**

Assets used during the course of construction for management, production, supply or non-defined purposes, are recorded at cost, less any recognized impairment loss. Such property is classified in the appropriate categories of property, plant and equipment when they are ready for their intended use, from which time depreciation of these assets begins i.e., when they are in the location and under the required conditions for operating as intended.

→ **Loan costs**

Loan costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period of time for use before being ready for their use, are added to the cost of those assets until such time as they are ready for use. In general terms for ISA, it will be considered a substantial period and it would correspond to capitalizing interest costs if the construction of an asset has a duration equal to or greater than six (6) months. However, in case of periods shorter than such necessary for the construction of a qualifying asset, ISA's management will financially support the generation of future profits.

Specific loans are those entered into with the specific purpose of obtaining a suitable asset, and consequently, costs due to real loans entered into, could be directly capitalized, deducting financial yields obtained because of the temporal investment in funds as long as the activities to prepare the asset for its use are being conducted. Determining whether loans are specific or not, requires an assessment of the circumstances and evidence or internal documentation supporting this purpose.

The capitalization rate is based on generic loan costs, divided by the weighted average of the loans received by the Company, which have been outstanding during the accounting period, excluding loans considered specific.

Capitalization rate = Cost of total loans for the period (excluding specific loans) / Weighted average of loans (excluding specific loans).

The revenues earned from temporary investment in specific loans pending of consumption on qualifying assets are deducted from the loan costs eligible for capitalization.

All other loan costs are recognized in income during the period they are incurred.

→ **Useful life estimation**

Every year, ISA reviews the residual value, depreciation method and the remaining life of assets and their components, for which a methodology was set, based on the rate of deterioration of each asset associated with an instantaneous rate of failure, which in turn is associated with its effective age. Based on international assets survival curve rates and the effective rate, the aging rate is calculated, estimate life expectancy and the remaining life as well. This methodology has enabled obtaining more reliable values to estimate the remaining life of assets, useful input for assets renewal plan and basis of valuation thereof.

Lands are not depreciated as they have an indefinite useful life. Depreciation of the other elements from property, plant and equipment is calculated using the straight-line method on the cost, based on the estimated useful life of assets.

→ **Residual value**

It is the estimated amount that would be obtained by asset disposal after deducting estimated costs for such disposal, if such asset would have already reached its disposal age and other expected conditions at the end of its useful life.

→ **Components of assets**

A component of a fixed asset is an item that can be seen as part of another asset, but due to its own characteristics, the role it plays, and the type of strategies or activities followed during its technical life of service, they may be classified as a separate asset.

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Each component of properties, plant and equipment shall be identified and separated from other assets to depreciate their useful life and make its treatment and accounting control easier. Important spare parts and the permanent maintenance equipment, the company is to use for more than one accounting period, normally comply with specifications to be labeled as property, plant and equipment. Similarly, if spare parts and assisting equipment of a fixed asset, could only be used for such asset, it will register as property, plant and equipment.

The following is the estimated useful life of the assets or components of assets for the periods ended December 31, 2016 and 2015:

Type of assets / Active component	Useful life
Transmission lines	63
Buildings	100
Optical fiber	25
Machinery and equipment	15
Telecommunication equipment	15
Furniture, office equipment, laboratory equipment	10
Communication equipment	10
Transportation, traction and lifting equipment	10
CSM Equipment	6
Computing equipment and accessories	5
Components of substations	
Battery bank	15

Type of assets / Active component	Useful life
Charger	15
SAS Components	15
Condensers	25
SVC Condensers	25
Compensation control - series	15
SVC control	15
Converter	15
CT –Current Transformer–	39
Switch	40
Current inverter	15
Lines –Grounding Grid S/E’s–	63
Lightning arresters	30
Diesel Station	30
Telephone Station	15
Power Line Carrier –PLC–	15
PT –Power Transformer–	39
Reactor	32
SVC Reactors	30

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Type of assets / Active component	Useful life
Fault Recorder	15
Protection relays	15
RTU –Remote Terminal Unit–	15
Fire Protection System	20
Isolator	40
Sensors –Discharge Information System–	15
Mobile Sub.	25
Tele protection	15
Power Transformer	40
SVC thyristors Valve	18
Voltage Quality –VQ–	15

3.3 Investment property

Investment property –land, buildings, considered in whole or in part, or both– as part of the company or by the lessee who has agreed upon a finance lease, to obtain yields, surplus value, or both, instead of having them for their use in the rendering of services or administrative purposes. Investment property generates cash flow which is independent from the cash flow generated by other assets own by the Company.

Its initial measurement is carried at cost, which includes the purchase price and any directly attributable expenditure -professional fees due to legal services, taxes due to property transfers, among others. Subsequently, they are measured at cost, less depreciation and accumulated impairment.

Investment property is depreciated linearly over estimated useful life, regardless of its residual value. Useful life:

Type of asset	Useful life
Lands for investments	Not depreciated
Buildings for investment	100

Transfers are made to or from investment property, only when there is a change in its use.

Transfers which could be generated are:

- The Company occupies an asset classified as investment property; in these cases, the asset is reclassified to property, plant and equipment. The cost taken into account for its accounting is the book value on the date of change in use.
- Conducting an operating lease to a third party or to be used by the Company. In these cases, the asset is reclassified as investment property and it is also registered based on its book value.

Investment property is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of the investment property is calculated as the difference between the net sales revenues, if any, and the carrying value of the asset. This effect is recognized in income in the period in which it was derecognized.

3.4 Other non-financial assets

It includes anticipated paid expenses, Information, Telecommunication and Technology services and other assets, which are amortized through the straight-line depreciation method during the periods on which economic benefits are expected. Prepaid expenses mainly include money transactions such as pay of insurances, among others, and they could be also amortized pursuant to the validity of the corresponding policies.

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3.5 Intangibles

An intangible asset is recognized as such when the condition of being identifiable and separable are met, ISA has the ability to control the future economic benefits associated with it and the item will generate future economic benefits.

Intangible assets are initially recognized at their production or acquisition cost, and then they are valued at their corresponding accumulated amortization net cost and from the impairment losses such assets have had, if any.

An intangible asset is derecognized upon its disposal or, when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset (measured as the difference between net revenues from the sale and the carrying amount of the asset) is recognized in the income when the asset is derecognized.

Residual values, useful lives and amortization methods are reviewed at each annual period and are applied prospectively if necessary.

→ Easements

Easements are rights obtained for the use of a strip of land for the installation of a transmission line. It involves restrictions by the owner on land use and authorizations to the line owner for construction, operation and maintenance operations.

Such intangibles are permanent rights with an indefinite term for use; although transmission lines related to these easements do have limited life. ISA has the possibility to either replace transmission lines when their useful life ends or use the right of easements acquired for any other service related to energy and telecommunications transmission, which are described in the purposes of creation of the easements. Easements are not amortized, but are tested for impairment on an annual basis.

→ Software and licenses

Software is amortized by the straight-line depreciation method for a maximum period of three years. Licenses are amortized by the straight-line method for the periods for which it is expected to receive benefits, according to feasibility studies for recovery.

Charges for studies and research are labeled as expenses when they happen.

3.6 Impairment of assets

→ Non-financial assets

ISA’s activities in the Colombian electricity sector are essentially two: the service of energy transmission in the National Transmission System –Sistema de Transmisión Nacional, STN–, commonly known as the STN service use, and access service for different users to such system, known as the connection service to the STN.

Meanwhile, the STN use service is provided through two different schemes: the first one, known as scheme of existing usage, refers to assets that were in service in 1999, including assets that on such date were in pre-construction and those that are built under the regulatory enlargement scheme; and the second one, known as scheme of use for public biddings, refers to assets that are or have been built under the scheme of free competition defined by CREG in 1998, for the implementation of projects that are part of the transmission expansion plan.

An asset value is impaired when its book value exceeds its return value, and consequently at the end of each period reported, or before if there is any indication of impairment, ISA evaluates the carrying amounts of its tangible and intangible assets of undefined useful life, to determine whether there is an indication that those assets have suffered any impairment loss.

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In this case, the recoverable amount of the asset is calculated to determine the extent of the impairment loss. Under these conditions, provided that the fair value or recoverable amount is less than the carrying value of assets, ISA must register deterioration.

To determine the value in use in future cash flows, projections of revenues and expenditures are used for a 32-year horizon, being consistent with the existing CREG regulation for use and connection activities, with the purpose to consider changing the remuneration scheme for bidding-related assets which, from year 26 of entering into operation, must be remunerated as existing.

The impairment loss is recognized as a lower cost of the asset or asset component that generated it and as an expense of the period where it was determined.

The recovery of impairment losses on assets cannot exceed the carrying amount that would have been determined, net of depreciation, if the impairment loss for the same had not been recognized in previous periods.

→ Financial assets

In the process of estimating the provision for doubtful collection, ISA's management regularly evaluates market conditions, for which it uses ageing of portfolio analysis in accordance with the classification of risks for business operations and overall portfolio. According to the analysis made by Management, it is considered that a receivable is impaired when collection results impossible due to debtors' and guarantors' insolvency, lack of collateral, or any cause that allows considering them as losses in accordance with sound business practices.

When receivables have a high risk of loss without having been provisioned, provided there is objective and express evidence that the estimated cash flows are not recoverable under the initial terms of the transaction or business, an impairment loss of clients is

recognized charged to the statement of comprehensive income, under provision for doubtful recovery clients.

Financial assets measured at amortized cost, are assessed on the date of each statement of financial position and the loss due impairment is determined as the difference between the book value of the asset and the present value of future estimated cash flows, discounted at the original effective interest rate of the financial asset.

Investments in subsidiaries, associated entities and joint business, are assessed at the date of each statement of financial position to determine the presence of impairment indicators, through the cash flow methodology.

3.7 Leases

Leases are classified as operating and finance lease. Lease that transfers substantially all risks and rewards incidental to ownership of the asset is classified as finance lease, otherwise, it is classified as operating lease.

3.7.1. Finance leases

→ When ISA is the lessee

When ISA is the lessee of a property in finance lease, the cost of the leased assets is disclosed in the separate statement of financial position, depending on the nature of the asset under lease and, simultaneously, a liability is recorded in the separate statement of financial position for the same value; which is the lower between the fair value of the leased property or the present value of minimum lease payments payable to lessor plus, if applicable, the exercise of the purchase option.

These assets are amortized using the same criteria applied to the items of property, plant and equipment for own use. Lease payments are divided in interest and debt relief. Financial expenses are recognized in the income statement.

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→ When ISA is the lessor

When ISA is the lessor of an asset under finance lease, assets are not presented as property, plant and equipment since the associated risks have been transferred to the lessee and in exchange a financial asset is recognized at the present value of the minimum lease payments received from the lease and any unwarranted residual value.

3.7.2 Operating lease

Leases in which the ownership of the leased asset and all substantial risks and rewards of the asset remain with the lessor.

Payments for operating leases are recognized as expenses –or revenues– in the income statement linearly over the lease term. Contingent payments are recognized in the period in which they occur.

→ When ISA acts as lessee

When ISA makes advance lease payments related to the use of property, these payments are recorded as prepaid expenses and amortized over the term of the lease.

→ When ISA is the lessor

When ISA is the lessor, it continues recognizing the asset at the separate financial position statement and applies the procedures established within the policy of plant and equipment properties to properly manage accounting. The asset book value includes the initial direct costs during the negotiation and contracting stage of the operating lease. These costs are deferred in the lease term on the same basis as lease revenues.

Revenues coming from the lease are recognized during the lease term, pursuant to a systematic allocation basis which properly shows the temporal pattern of the benefits from the use of the leased asset. Costs generated when obtaining revenues due to lease, including the property depreciation, will be recognized as expenses.

3.8 Financial instruments

Financial assets and liabilities are recognized when the entity becomes a part of the contractual provisions of the instrument.

3.8.1 Financial assets

Their classification depends on the business model used to manage the financial assets and the characteristics of contractual cash flows of the financial asset; this classification is determined at the time of initial recognition.

→ Financial assets at fair value with changes in income:

Their characteristic is that they are incurred mainly for the purpose of obtaining liquidity management with frequent instrument sales. These instruments are measured at fair value and changes in value are recorded in income when they occur.

→ Accounts receivable and others:

They correspond to non-derivative financial assets, with known payments and fixed maturities, under which Management has the intent and ability to collect the contractual cash flows of the instrument.

Amortized cost is calculated by adding or deducting any premium or discount over the remaining life of the instrument and using the effective interest method. Gains and losses are recognized in the income statement when assets are recognized, for amortization or if there is objective evidence of impairment.

Loans and account receivables are financial assets issued or acquired by ISA in exchange of cash, goods or services handed over a debtor. Accounts receivable from sales are recognized at the original invoice value, net of accumulated impairment losses, until all risks and benefits are transferred to the third party.

**→ Financial assets at fair value with changes in other integral income:**

They correspond to investments in variable income not held for trading or not corresponding to a contingent consideration from an acquirer in a business combination. For these investments, ISA may choose at initial recognition and irrevocably, to disclose gains or losses on subsequent measurement at fair value in other comprehensive income.

These instruments are measured at fair value. Gains and losses arising from the re-measurement at fair value are recognized in other comprehensive income until derecognition of the asset. In these cases, gains and losses that were previously recognized in equity are reclassified to income of the period.

→ Cash and cash equivalent

Cash and cash equivalent in the statement of financial position include all cash balances and cash held in banks. For purposes of preparing the cash flow statement and due to their liquidity, temporary investments with original maturities less than 90 days are considered cash equivalents; these accounts are not subject to significant risk of changes in value.

Bank overdrafts payable on demand and that are an integral part of cash management are included as a component of cash and cash equivalents for purposes of the cash flow statement. And for the statement of financial position, the financial accounts disclosing overdrafts are classified as financial obligations.

Restricted cash is money resource which is independently classified in order to use it for specific purposes and previously established, such as: debt payment, capital equipment, or to be used under emergencies and/or unforeseen losses. Therefore, it has certain limitation for its availability, which could be legal or contractual and it cannot be freely used to cover current financial commitments, as a result of the company normal activities.

→ Derecognition of financial assets

A financial asset or a portion thereof is derecognized when sold, transferred, expired or when control is lost over the contractual rights or cash flows of the instrument. When substantially all risks and rewards of ownership are retained by ISA, the financial asset continues to be recognized in the statement of financial position for its full value.

3.8.2 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable transaction costs, except in the case of loans which are initially recognized at fair value of cash received less directly attributable transaction costs.

ISA determines the classification of its financial liabilities at initial recognition, which include: financial liabilities at fair value through profit or loss or at amortized cost.

→ Financial liabilities at fair value with changes in income

They include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value with changes in the income statement.

→ Financial liabilities at amortized cost

They include borrowings received and bonds issued, which are initially recognized at the amount of cash received, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate, recognizing interest expenses based on the effective yield.

→ Derecognition of financial liability

ISA will derecognize a financial liability if, and only if, it expires, is canceled or the obligations originating the same have been met. The difference between the carrying amount of the financial liability and the consideration paid and payable is recognized in income.

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3.8.3 Derivative financial instruments and hedging operations

Derivative financial instruments are initially recorded at fair value at the date of the transaction being valued on subsequent dates at fair value of those dates. The recognition of gains or losses from changes in fair value depends on the designation made of derivative financial instruments.

ISA designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives with respect to foreign currency risk as a fair value hedge, cash flow hedge, or net investment hedge in a foreign operation.

At the inception of the hedge, ISA documents the hedging ratio and the objective and risk management strategy of the Company for undertaking the hedge; such documentation will include how the Company will measure the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

→ Fair value hedging

Changes in fair value of derivatives designated and qualified as fair value hedges are recognized immediately in income, along with any changes in fair value of the hedged asset or liability attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of income with the hedged item.

Hedge accounting is interrupted by the Company when: the hedging relationship is revoked, the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting.

Any adjustment to the carrying amount of a hedged financial instrument is amortized to income for the period.

→ Cash flow hedging

The effective change part in fair value of derivatives, is recognized in other comprehensive income and will be accumulated under the heading “cash flow hedge gains.” The ineffective portion of gain or loss on the hedging instrument is recognized immediately in income in the line “other gains and losses”.

Amounts previously recognized in other integrated income and accumulated in equity, are reclassified in income of the period in which the hedged item, in the same line of the integrated income statement of the hedged item recognized. However, if the hedge of a forecast transaction would generate the recognition of a non-financial asset or non-financial liability, losses or gains previously accumulated in the equity are transferred and directly included in the initial cost or other item of the non-financial asset or liability.

The Company will discontinue hedge accounting when: the hedging instrument expires, is sold or exercised and no longer meets the requirements for hedge accounting or hedge cash flow, ceases to be effective in the ranges set between 85% and 125%. In this case, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income and accumulated in equity will remain separate in equity until the forecasted transaction is recognized in income. When it is no longer expected that the forecasted transaction will occur, any cumulative gain or loss is reclassified from equity to income.

3.8.4 Offsetting assets and financial liabilities

Financial assets and liabilities are offset and reported net in the financial statements, only if, there is a legally enforceable right to the closing date requiring to receive or cancel the amounts recognized for their net amount, and when there is an intention to offset on a net basis to realize the assets and settle the liabilities simultaneously.

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3.9 Fair value measurement

The fair value of an asset or liability is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the primary market, i.e., the market with higher volume and level of activity for the asset or liability. In absence of a primary market, it is assumed that the transaction is carried out in the most advantageous market to which the Company has access, i.e., the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

To determine the fair value, the Company uses valuation techniques that are appropriate to the circumstances and on which there are sufficient data for measuring, maximizing the usage of relevant observable input data and minimizing the usage of unobservable input data.

In consideration of the hierarchy of input data used in valuation techniques, assets and liabilities measured at fair value can be classified in the following levels:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: valuation techniques for which the data and variables that have a significant effect on the determination of fair value recorded are observable, either directly or indirectly.
- Level III: internal valuation techniques, using company estimated variables not observable for the asset or liability (there is no observable information in the market).

By measuring the fair value, the Company takes into account the characteristics of the asset or liability, in particular:

- For non-financial assets, measurement of fair value takes into account the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- For liabilities and equity instruments, the fair value assumes that the liability will not be settled and the equity instrument will not be canceled, nor otherwise extinguish on the measurement date. The fair value of the liability reflects the effect of default risk, i.e. the risk that a Company does not fulfill an obligation, which includes but is not limited to own credit risk of the Company.
- In the case of financial assets and financial liabilities with offset positions in market risk or credit risk of the counterpart, it is allowed to measure the fair value on a net basis, consistently with how market participants would price net risk exposure at the measurement date.

3.10 Provisions

They comprise provisions which are recognized when the Company has a present obligation –be it legal or implicit– as the result of a passed event, it is then probable that a resources outflow is needed to settle such obligation, and a reliable estimate can be made in regards to the obligation amount.

The amount recognized as provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period, taking into account the risks and associated uncertainties. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount represents the present value of the cash flow (when the effect of the value of money over time is material).

Certain contingent conditions may exist at the date of issuance of the statement of financial position. They may result in a loss for the Company and will only

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be resolved in the future, when one or more events occur or may occur; such contingencies are estimated by the management and its legal counsels. The estimated loss contingencies necessarily involve an exercise of judgment and are a matter of opinion.

In estimating loss contingency in legal proceedings that are pending against the Companies, legal advisers analyze, among other things, the merits of the claims, the jurisprudence of the courts involved and the current status of proceedings. The value is determined by using the methodology established by the National Agency for Legal Defense of the State in External Circular N° 00023 of December 11, 2015. This methodology consists of three steps: determining the value of the claims, adjustment of value of claims and calculation of risk of adverse decision.

If the assessment of a contingency indicates that it is probable that a material loss will occur and the amount of the liability can be estimated, then it is recorded in the statement of financial position. And if the assessment indicates that a potential loss is not probable and the amount is known, or is probable but the amount of the loss cannot be estimated, then the nature of the contingency is disclosed in a note to the statement of financial position, with an estimate of the probable range of loss. Loss contingencies considered as remote are generally not disclosed.

3.11 Income tax

The expense for income tax for the period comprises current and deferred income tax. Tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. The expense for income tax is recognized in income, except in the case related to items recognized directly in equity, in which case it is recognized in equity.

3.11.1 Current tax

The current tax payable is based on taxable profits recorded during the year. Taxable profit differs from the profit reported in the income statement because of items of revenues or taxable or deductible expenses in other years and items that are never taxable or deductible. Liabilities for current tax are calculated using tax rates enacted or substantially approved at the end of the period.

The Company periodically evaluates positions taken in tax returns with respect to situations where tax laws are subject to interpretation and, where applicable, creates provisions on the amounts expected to be paid to the tax authorities.

3.11.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the statement of financial position and the corresponding tax bases used for determining taxable income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities by current tax and are related to income taxes applied by the same tax authority on the same taxable entity.

Deferred tax assets are recognized by all deductible temporary differences, including tax losses, to the extent that it is likely to be taxable income against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be recovered.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable profits available to allow the use of all or part of the deferred tax asset. The deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

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3.12 Employee benefits

Employee benefits include all compensation to employees and former employees related to the provision of services to the entity. These are wages, current and non-current benefits, termination benefits and post-employment benefits.

3.12.1 Post-employment benefits

→ Defined contribution plans

The defined contribution plan is a post-employment benefit in which the Company pays fixed contributions to a pension fund, and which has no legal obligation to pay additional amounts. The obligations for payment of contributions to defined benefit pension plans are recognized as an expense for employment benefits into income in the periods in which the services are rendered by employees.

→ Defined benefit plan

In the case of defined benefit plans, the obligation and the cost of such benefits is determined by using the method of the projected unit credit with independent actuarial valuations on an annual basis.

The liability recognized in the statement of financial position regarding defined benefit pension plans is the present value of the obligation set at the date of the statement of financial position, less the fair value of the plan assets, along with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated outflow of cash, using interest rates calculated from the yield curve of Colombian Government bonds –TES B curve–, denominated in Actual Value Units (Unidades de Valor Real), UVR, with periods near to the terms of the pension obligation until maturity.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless changes in the pension plan are conditional on the employee to continue in service for a specific period of time (period granting the right). In this case, the past service costs are amortized using the straight-line method during the period granted by the right.

→ Other post-employment obligations

ISA provides its pensioners with medical plan benefits, contributions to social security and educational aid after the employment relationship. The right to this benefit generally conditioned that the employee has worked until retirement age.

The obligation and the cost of such benefits are determined through a projected unit credit methodology. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise. These obligations are valued annually by qualified independent actuaries.

3.12.2 Non-current benefits

ISA provides its employees with benefits associated with their time of service, such as seniority premium and five-year period payments.

The fair value of any related asset is deducted from the present value of the obligation by benefits defined when establishing deficit or surplus. The calculation is annually performed by the certified independent actuaries, using the projected credit unit method to make a reliable estimate of the final cost for the Company. Any actuarial gain or loss is recognized in income in the period concerned.

3.12.3 Current benefits

Short-term obligations from employee benefits are recognized as expenses as the related service is provided. Employment obligations are adjusted at the end of each year, based on laws and labor agreements.

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This benefit is recognized when a legal or current constructive obligation is held to pay this amount as a result of a service provided by the employee in the past and the obligation can be estimated with reliability. The obligation is recognized by the amount expected to be paid within the next year after the cut-off.

3.13 Onerous contracts

Present obligations arising from an onerous contract are recognized as a provision when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under the same. To date of the statement of financial position, the Company has no provisions for onerous contracts.

3.14 Recognition of revenues, costs and expenses

Revenues, costs and expenses are recorded based on the principle of accrual.

3.14.1 Revenues

Revenues are calculated at fair value of the consideration received or receivable, taking into account the estimated amount of any discount, bonus or commercial rebate that the Company may grant. Revenues from rendering of services are recognized over the contractual period or when services are rendered.

The following criteria apply for the recognition of revenues:

→ Revenues from participation accounts

Revenues from the participation accounts contract are recognized in accordance with the monthly settlement thereof, by its subsidiary INTERCOLOMBIA, considering the contractually agreed distribution percentages.

→ Revenues from energy transmission and other associated services

ISA by offering the service of Energy transmission and other services linked to it, is regulated by the Gas and Energy Regulatory Commission (Comisión de Regulación

de Energía y Gas –CREG–). The revenues by operating costs are recorded at the time of the service.

→ Revenues from construction contracts

When the outcome of a construction contract can be estimated reliably, the revenues from ordinary activities and their associated costs should be recognized based on the progress of the work at the end of the reporting period. The measurement is performed on the basis on the proportion that contract costs incurred for work performed to that date represent to total estimated contract costs, except that if this ratio is not representative of the status of completion. Variations in contract works, claims and incentive payments are included to the extent that it can reliably measure the amount and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, the revenues from ordinary activities should be recognized only to the extent that it is probable recovering costs incurred in virtue of the contract. Contract costs should be recognized as expenses in the period incurred. In the case of a possibility that the total contract costs will exceed total revenues, the expected loss is recognized as an expense immediately.

For contracts where billings based on work progress exceeds the contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as amounts due to customers for the work contract. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as an advance payment received. Amounts billed due to the work performed but not paid yet by the customer, are included in the statement of financial position in commercial accounts receivable and other accounts receivable.

→ Earnings from dividends and interest

Earnings from dividends are recognized once shareholders’ rights to receive the payment

have been established –provided that the economic benefits will flow to the company and ordinary revenues can be measured reliably.

Earnings from interest are recognized when it is probable that the Group companies will receive economic benefits associated with the transaction. Earnings from interest are recorded on a time basis, by reference to the outstanding principal and the effective interest rate applicable, which is the discount rate that exactly matches the cash flow receivable or payable estimated throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

3.14.2 Operating costs and expenses

For accounting operating or production costs - type 7- and sales costs - type 6 -, during 2016 and 2015, ISA used costing and procedure methods established in appendix 2 of Resolution N° 20051300033635 of 2005 from the Superintendence of Household Utilities, which is still valid through Resolution 20161300013475 from May 19, 2016, also issued by the Superintendence of Household Utilities.

The costing system is called “activity-based costing” –ABC– , in which the products offered by each service or business are the result of a series of operational processes that interact sequentially, so in its structure or map cost, it is necessary to observe how operations or tasks gradually flow to include activities, to shape these processes and the latter to provide a public service.

This system considers that the expenses incurred in each of the areas of administrative responsibility must be assigned to business units or services, according to the activities (support processes) developed by such areas.

3.15 Earnings per basic and diluted share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent company by the weighted average of common shares

outstanding in the year, excluding common shares acquired by the company and held as treasury shares.

Diluted earnings per share are calculated by adjusting the average number of common shares outstanding to simulate the conversion of all dilutive potential common shares. The Company has no dilutive potential common shares.

3.16 Distribution of dividends

Distribution of dividends to shareholders is recognized as a liability in the financial position of the Company, in the period in which the dividends are approved by the Shareholders’ Meeting, or when the corresponding obligation is in place according to the applicable legal provisions or policies established by the Shareholders’ Meeting.

3.17 Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction of the amount received, net of tax.

The repurchase of own equity instruments of the Company, is recognized and deducted directly in equity at acquisition cost and difference with the par value is recognized as a higher or lower value of the premium for placement of shares. Rights are suspended for repurchased own shares and therefore they do not participate in the distribution of dividends.

The Company is listed primarily in the Colombian Stock Exchange.

3.18 Premium for placement of shares

The premium corresponds to the overprice on placement of shares resulting in capital increase operations.

3.19 Related parties

Among others, the following are parties related to the parent company:

- i. Shareholders who, directly or indirectly, have a share equal to or exceeding twenty percent (20%) of ISA’s share capital.
- ii. Members of the Board of Directors and members of the Senior Management¹, as well as their close relatives² and/or companies where any of the members of the Board of Directors and the members of the Senior Management exert control or joint control.
- iii. Companies in which ISA has direct or indirect control or joint control, as well as those joint businesses or companies in which ISA has (directly or indirectly) a participation equal or superior to twenty percent (20%), or companies in which ISA has power to intervene in the decisions of financial and operating policy.

1 The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO, who occupy the positions of Vice-Presidents and Corporate Directors.

2 “Close Relatives” are those specified in the definition of the IAS24: “They are those family members that we might expect they would influence, or could be influenced by that person in their relationships with the entity, including:” (a) Children of that person and the spouse or person with similar relation of affectivity; (b) Children of the spouse of that person or a person with similar relation of affectivity; and (c) Dependants of that person, or the spouse of that person, or a person with similar relation of affectivity”.

Commercial transactions between ISA and the members of the Board of Directors, the Senior Management and other administrators and/or their permanent relatives, spouses or partners and legal entities where they have stake or hold directing positions pursuant to the law, are subject to the legal regime of inabilities or incompatibilities applicable to ISA's contracting as mixed public utility company, which are prohibited to be contracted with the Company. The corporate website includes the informative list of such inabilities and incompatibilities provided by Colombian legislation.

The legally valid commercial transactions between related parties are carried out under market conditions and prices, i.e., in conditions equivalent to those existing for arm’s length transactions.

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II. NOTES TO FINANCIAL INFORMATION

4. CASH AND CASH EQUIVALENT

The composition of the item as of December 31, 2016 and 2015 is as follows:

		2016	2015
CASH			
Cash and Banks	(1)	121.138	245.738
Cash equivalent		121.138	245.738
TDs, bonds and securities	(2)	46.073	3.066
Other fixed income investments	(3)	87.042	63.004
Trusts		243	353
Cash equivalent		133.358	66.423
Total cash and cash equivalent		254.496	312.161

- (1) Takes into account resources from current and savings accounts. Variation is mainly explained due to transferences made for investments held in TD at the end of the year.
- (2) It mainly includes a TD for COP46.073 (2015: COP3.057), Bonds and Securities for COP0 (2015: COP9). Current deposits mature in less than three months from the acquisition date and accrue the market interest for such investments. They also include purchasing operations with repurchase agreements maturing within 90 days from the date of investment.
- (3) Other fixed income investments correspond to “time deposit”, which at the end of 2016 had a balance of USD29,000 thousand (2015: USD20,000 thousand).

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5. RESTRICTED CASH

	2016	2015
Restricted cash	20.298	27.542

Restricted cash includes trusts created with resources for execution of delegated management projects FAER, FAZNI and management trusts and payments for projects from the Energy Mining Planning Unit, Unidad de Planeación Minero Energética, –UPME–, as well as contributions to the Jaguar connection project.

6. OTHER FINANCIAL ASSETS

The composition of the item as of December 31, 2016 and 2015 is as follows:

		2016	2015
Hedging operations	(1)	-	3.797
Other financial assets	(2)	4.568	-
Total other financial assets		4.568	3.797

(1) As of December 31, 2016 there were not contracted hedging operations, for 2015, there was an agreement for forward purchase operations for an amount of USD15,000,000 aimed at hedging the risk for the COP/USD exchange rate for a future USD capitalization commitment for INTERCHILE.

(2) Includes TD with maturity higher than 90 days.

7. NON-FINANCIAL ASSETS

		2016		2015	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Pre-paid expenses	(1)	18.150	-	8.149	-
Other assets		-	1.300	-	1.400
Total non-financial assets		18.150	1.300	8.149	1.400

(1) Pre-paid expenses mainly comprise insurance and advance payments for travel expenses and acquisition of services.

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8. ACCOUNTS RECEIVABLE

		2016		2015	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Clients	(1)	21.919	22	16.999	74
Loans to economic related parties	(2)	203	203.898	251	312.405
Participation accounts	(3)	38.636	5.551	96.876	2.921
Loans to employees	(4)	1.622	6.328	1.451	5.433
Other debtors	(5)	4.009	-	3.083	1.047
Total accounts receivable		66.389	215.799	118.660	321.880
Less - Impairment	(6)	(8.110)	-	(8.060)	-
Total accounts receivable net		58.279	215.799	110.600	321.880

- (1) Mainly includes accounts receivable from usage and connection revenues for COP11.446 (2015: COP6.842); accounts receivable due to usage rights from members of the alliance entered into in 1997 between ISA and companies from the Information and Telecommunication Technologies to jointly develop an optical fiber network for the cities of Bogota, Medellin and Cali, aiming at improving the country telecommunications system for COP543 (COP439 in 2015); accounts receivable for infrastructure projects for COP3.426 (2015:COP3.897) due to technical assistance services at subsidiaries in Panamá, Peru and Chile; accounts receivable due to technical services for COP5.742 (2015: COP5.113). For amounts concerning accounts receivable with related parties, refer to Note 9.
- (2) Loans to economic related parties mainly correspond to loans granted to ISA Inversiones Maule, which balance as of December 2016 is COP204.101 including interest (2015: COP312.656) including exchange difference. For amounts concerning accounts receivable with related parties, refer to Note 9.

- (3) This item corresponds to the receivable from subsidiary INTERCOLOMBIA for profits generated in the monthly settlement of the participation account contract. INTERCOLOMBIA made higher payments in 2016, therefore, its decrease.
- (4) It corresponds to accounts receivable from employees for housing loans, purchase of vehicles and other loans of general purpose, granted at interest rates of 4% to 6% and a maturity of five years for vehicles and 15 years for housing.
- (5) This item mainly corresponds to accounts receivable from municipalities due to legal processes in favor of ISA, which are currently being processed to obtain devolution of balances seized. There are also balances from installments part of pensions, delivered deposits and expenses refunds from customers in regards to guarantees claims.

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(6) The following is the receivable accounts provision behavior:

	2016	2015
Initial balance	8.060	8.625
Provisions of year charged to profit or loss	55	47
Recovery of provisions	(5)	(612)
Final Balance	8.110	8.060

As of December 31, 2016 and 2015, the Company management believes that, except for accounts receivable provisioned as doubtful accounts, it is not necessary to increase this provision because their main customers are renowned in the international market and they do not show any financial issues or have any indication of impairment at the closing of the period.

There are no restrictions on providing such accounts receivable of significant amount.

The Company does not have any customers with whom it records sales representing 10% or more of its ordinary revenues for the year ended December 31 2016 and 2015.

As of December 31, 2016 and 2015, the analysis of trade receivables, due and unpaid, is as follows:

CUSTOMERS	2016	2015
CURRENT	15.351	10.794
Due		
Due > 1 and <= 90 days	712	292
Due > 91 and <=180 days	-	-
Due > 181 and <= 360 days	-	-
Due > 360 days	5.878	5.987
Total due	6.590	6.279
Total accounts receivable from customers	21.941	17.073

The Company charges interest on overdue accounts to its customers at the maximum rate authorized by law. By December 2016 and 2015, the rates were 32.99% and 29% respectively.

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The legally valid commercial transactions between related parties are carried out under market conditions and prices, i.e., in conditions equivalent to those existing for arm’s length transactions.

At the date of these financial statements, there are no granted associated guarantees with balances between related parties, nor provisions for doubtful debts.

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9.1 Balances and transactions with related parties

The following were the main balances and transactions of the Company with its related parties during 2016 and 2015:

	2016	2015
Balance		
Accounts receivable	54.021	106.810
INTERNEXA S.A.	152	153
Proyectos de Infraestructura del Perú S.A.C. –PDI–	-	16
INTERCOLOMBIA S.A. E.S.P.	44.187	97.507
Red de Energía del Perú S.A. –REP–	4.120	3.871
Proyectos de Infraestructura del Perú S.A.C. –PDI–	3.529	2.536
ISA Bolivia S.A.	1.558	1.195
INTERCHILE S.A.	41	1.224
Transnexa S.A. E.M.A.	434	308
Advance Payments delivered	1.300	1.400
INTERNEXA S.A.	1.300	1.400
Loans to economic related parties - accounts receivable	204.101	312.655
ISA Inversiones Maule Ltda	204.101	312.655
Accounts payable	5.895	3.080
INTERNEXA S.A.	2.839	244
INTERCOLOMBIA S.A. E.S.P.	1.710	1.451



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	2016	2015
Proyectos de Infraestructura del Perú S.A.C. –PDI–	211	-
ISA Inversiones Chile Ltda	597	1.027
Empresa de Energía de Bogotá –EEB–	358	358
INTERVIAL COLOMBIA	180	-
Loans from economic related parties - Accounts payable	288.768	350.734
TRANSELCA S.A. E.S.P.	288.768	275.704
ISA Capital do Brasil S.A.	-	75.030
Equity transactions		
Dividends decreed in favor of ISA	172.006	76.979
TRANSELCA S.A. E.S.P.	85.101	24.746
INTERNEXA S.A.	-	3.448
Compañía de Expertos en Mercados S.A. E.S.P. –XM–	7.776	3.561
INTERCOLOMBIA S.A. E.S.P.	21.939	6.044
Red de Energía del Perú S.A. –REP–	36.408	20.093
ISA Perú S.A.	7.940	6.642
Proyectos de Infraestructura del Perú S.A.C. –PDI–	4.732	6.438
SISTEMAS INTELIGENTES EN RED S.A.S. –SIER–	-	339
ISA Bolivia S.A.	8.110	5.668



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	2016	2015
INCOME-RELATED TRANSACTIONS		
Revenues	865.893	847.948
Participating Accounts Contract	837.438	807.753
INTERCOLOMBIA S.A. E.S.P.	837.438	807.753
Sale of services	18.701	16.502
Empresas Públicas de Medellín E.S.P. –EPM–	363	-
INTERCHILE S.A.	359	2.010
INTERNEXA S.A.	312	1.808
ISA BOLIVIA S.A.	1.775	1.360
Proyectos de Infraestructura del Perú S.A.C. –PDI–	10.637	6.181
Red de Energía del Perú –REP–	4.132	3.849
Transnixa S.A. E.M.A.	1.123	1.294
Interest	9.486	14.154
ISA Inversiones Maule Ltda	9.486	13.942
TRANSELCA S.A. E.S.P.	-	212
Dividends received	-	9.491
INTERCOLOMBIA S.A. E.S.P.	-	6.044
INTERNEXA S.A.	-	3.447
Asset sales gain	268	-
INTERCOLOMBIA S.A. E.S.P.	268	-

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	2016	2015
Other revenues	-	48
INTERCOLOMBIA S.A. E.S.P.	-	28
Interconexión Eléctrica Colombia Panamá S.A. –ICP–	-	20
Expenses	23.790	33.766
Purchase of services	6.377	19.944
Compañía de Expertos en Mercados S.A. E.S.P. –XM–	348	-
INTERCOLOMBIA S.A. E.S.P.	4.920	15.211
INTERNEXA S.A.	1.109	985
Proyectos de Infraestructura del Perú S.A.C –PDI–	-	3.748
Interest	15.271	13.483
INTERNEXA S.A.	157	1.569
ISA Capital do Brasil S.A.	1.155	2.437
TRANSELCA S.A. E.S.P.	13.959	9.477
Other expenses	140	338
INTERCOLOMBIA S.A. E.S.P.	-	3
Proyectos de Infraestructura del Perú S.A.C. –PDI–	140	215
TRANSELCA S.A. E.S.P.	-	120
Studies and projects	2.002	-
ISA Inversiones Chile Ltda	1.822	-
INTERVIAL COLOMBIA S.A.	180	-

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Accounts payable to related parties

Credits with related parties accrued interest during year 2016 for COP12.757 (2015: COP11.914).

The balance of financing with related parties as of December 31, 2016, 2015, comprised:

AFFILIATE	Due date	Type of interest	2016		2015	
			Nominal value	Amortized cost value	Nominal value	Amortized cost value
Credits granted by national affiliates						
TRANSELCA S.A. E.S.P.	12-oct-22	Fixed rate DTF E.A. of December 31, previous year	60.798	72.374	60.798	68.950
TRANSELCA S.A. E.S.P.	12-oct-24	Fixed rate DTF E.A. of December 31, previous year	72.642	86.201	72.642	82.292
TRANSELCA S.A. E.S.P.	12-oct-24	Fixed rate DTF E.A. of December 31, previous year	12.537	14.877	12.537	14.202
TRANSELCA S.A. E.S.P.	12-oct-25	Fixed rate DTF E.A. of December 31, previous year	28.500	33.768	28.500	32.269
TRANSELCA S.A. E.S.P.	12-oct-25	Fixed rate DTF E.A. of December 31, previous year	12.500	14.810	12.500	14.153
TRANSELCA S.A. E.S.P.	26-dic-26	Fixed rate DTF E.A. of December 31, previous year	31.908	36.088	31.908	34.493
TRANSELCA S.A. E.S.P.	31-oct-27	Fixed rate DTF E.A. of December 31, previous year	26.000	30.650	26.000	29.345
Total credits with national subsidiaries			244.885	288.768	244.885	275.704
Credits granted by foreign subsidiaries						
ISA Capital do Brasil S.A.	28-dic-16	Libor 6M + 3%	-	-	74.957	75.030
Total credits with foreign subsidiaries			-	-	74.957	75.030
Total credits with subsidiaries			244.885	288.768	319.842	350.734
Less short-term portion			-	-	-	75.030
Total long-term credits with subsidiaries			244.885	288.768	319.842	275.704

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During 2016, the following relevant events took place and they explain the change of loans with economic related parties:

→ In June 2016, the total anticipated payment for the loan between ISA and ISA Capital do Brasil was made for an amount of USD23.8 million.

9.2 Board of Directors and key Senior Management staff

ISA is managed by a Board of Directors composed of nine (9) main members. During Ordinary General Assembly Shareholders meeting held on March 31, 2016 the Board of Directors for the April 2016 - March 2017 period was appointed. The Board of Directors report holds the information in regards to its election and creation.

The Senior Management is comprised by the CEO and the employees of the first management level reporting directly to the CEO.

There are no outstanding receivables and payables between the Company and members of Board of Directors.

There are no other transactions other than remuneration between the Company and members of ISA Board of Directors and Senior Management.

a) Accounts receivable from key staff of the Senior Management

	2016	2015
Chief Executive Officer	886	300
Vice-president	509	329
Corporate directors	459	513
General Secretary	72	101
TOTAL	1.926	1.243

There are no outstanding payables between the Company and members of the Senior Management of ISA.

There are no other transactions other than remuneration between the Company and members of ISA Board of Directors and Senior Management.

b) Board of Directors Remuneration

In compensation for attending meetings of Board and its committees, the members received the remuneration determined by the Regular Shareholder’s Meeting, equivalent to 103 UVT per meeting (2016: UVT value: COP29.753).

Board of Directors remuneration for 2016 was COP760 (2015: COP572).

As of December 31, 2016 and 2015, there are no labor links between the members of the Board and the Company, or business links between the Company and close relatives of members of the Board of Directors. (See Note 3.19)

c) Remuneration to key staff of Senior Management

The following are such remunerations received by the key staff of the Senior Management:

	2016	2015
Remuneration	7.553	5.775
Short-term benefits	2.705	2.068
Long-term benefits	-	-
TOTAL	10.258	7.843

There are no guarantees granted in favor of Senior Management key staff.

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10. INVESTMENTS IN SUBSIDIARIES, JOINT BUSINESS AND FINANCIAL INSTRUMENTS

		Main activity	Place and creation of transactions	Shareholding		2016	2015
				2016	2015		
INVESTMENTS IN SUBSIDIARIES AND JOINT BUSINESS							
TRANSELCA S.A. E.S.P.		Energy Transmission	Colombia	99,997%	99,997%	841.050	849.260
INTERNEXA S.A.		Telecommunications and Information Technologies	Colombia	99,420%	99,420%	178.559	151.164
Compañía de Expertos en Mercados S. A. E.S.P. –XM–		Management of Real-Time Systems	Colombia	99,730%	99,730%	24.167	25.249
INTERVIAL COLOMBIA S.A.S.		Road Concessions	Colombia	100,00%	100,00%	1.273	1.268
Sistemas Inteligentes en Red S.A.S. –SIER–		Management of Real-Time Systems	Colombia	15,00%	15,00%	1.913	1.210
INTERCOLOMBIA S.A. E.S.P.		Energy Transmission	Colombia	99,996%	99,996%	76.827	78.369
ISA Perú S. A.		Energy Transmission	Peru	45,146%	45,146%	52.365	53.780
Red de Energía del Perú S.A. –REP–		Energy Transmission	Peru	30,00%	30,00%	179.790	190.569
Consortio Transmantaro S.A.		Energy Transmission	Peru	60,00%	60,00%	890.420	745.683
Proyectos de Infraestructura del Perú S.A.C. –PDI–			Peru	99,967%	99,967%	10.909	13.763
ISA BOLIVIA S.A.		Energy Transmission	Bolivia	51,00%	51,00%	49.430	44.709
ISA Capital do Brasil S.A. (4)		Energy Transmission	Brazil	70,44%	68,22%	2.435.095	705.698
ISA Inversiones Chile Ltda.		Road Concessions	Chile	100,00%	100,00%	1.620.243	1.512.979
ISA Inversiones Maule Ltda.		Road Concessions	Chile	100,00%	100,00%	862.670	770.061
Linear Systems RE		Reinsurance	Bermudas	100,00%	100,00%	5.253	3.056
INTERCHILE S. A.		Energy Transmission	Chile	100,00%	100,00%	811.166	480.851
Betania		Autonomous Equity	Colombia	100,00%	100,00%	7.448	7.929
Total investment in subsidiaries (1)						8.048.578	5.635.598

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	Main activity	Place and creation of transactions	Shareholding		2016	2015
			2016	2015		
Interconexión Eléctrica Colombia Panamá S. A. –ICP–	Energy Transmission	Panama	50,00%	50,00%	4	5
Interconexión Eléctrica Colombia Panamá S.A.S. E.S.P.	Energy Transmission	Colombia	1,172%	1,172%	8.019	9.308
Total investments in jointly controlled entities (2)					8.023	9.313
Financial instruments						
Electricaribe S.A. E.S.P.	Energy distribution and trading	Colombia	0,481%	0,481%	-	10.108
Empresa Propietaria de la Red –EPR –	Energy Transmission	Costa Rica	11,110%	11,110%	12.524	12.524
Financiera de Desarrollo Nacional S.A.	Financial and Credit Body for Colombian Energy Sector	Colombia	0,00%	0,00%	3	3
Total Financial instruments (3)					12.527	22.635
Total investments in subsidiaries					8.069.128	5.667.546

- (1) ISA holdscontrol on these companies.
- (2) ISA holds joint control on these companies, expressly defined in the Bylaws and for which there is arbitration in case of conflict with the counterpart.
- (3) ISA holds these investments as strategic business mobilized plan in different countries. Electrificadora del Caribe was received as ration in payment.
- (4) ISA's investment in ISA Capital do Brasil was affected as a result of what stipulated by CTEEP in regards to the accounts receivable at the facilities of the “Existing System” -SE1[1]-.

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[1] Non-amortized and/or depreciated assets of the Company, existing as of May 31, 2000.

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Background:

On August 13, 2014 CTEEP submitted to ANEEL a technical appraisal report for an amount of BRL5.186 million (COP4.711.573 million), equivalent to the assets valued at New Replacement Value and adjusted by the accumulated depreciation up to December 31, 2012.

On December 15, 2015, at the 47th Public Annual Meeting of ANEEL’s Board, a compensation value was approved for BRL3.896 million (COP 3.539.871 million), by communication N° 4036/2015 published in Official Journal on December 21, 2015. On December 30, 2015, CTEEP formalized the reconsideration petition against this decision by ANEEL’s Board, which is still pending for respond as of this date.

The State Ministry of Mines and Energy published in Administrative Act N° 120 on April 20, 2016 (“Portaria 120”), which established that “the values approved by –ANEEL– related to assets covered by article 15, paragraph 2nd, of Law N° 12,783, on January 11, 2013, move to comprise the Regulatory Remuneration Base of the energy transmission concessionaries, as of the rate process of 2017, for an estimated term of eight years.

Considerations:

After Technical Note was published and public clarifying hearings started in Brazil, related to the issue of recognition of the value of the Basic Network of the Existing System –RBSE– the company stated there are enough conditions to execute in this quarter its recognition in CTEEP, ISA subsidiary.

ISA management, based on what described by ANEEL Technical Note N° 336/2016, and taking into account that the current Technical Note could change during public hearing at ANEEL, prepared its best estimate for recognition on September 30, 2016. As of this date, the compensation amount will be treated as a financial asset with the specific interest term and effective rate, in accordance to its characteristics.

Under the International Financial Reporting Standards –IFRS–, this includes updating the receivables and future cash flows of the financial asset. The accounts that affect the recognition of the RBSE values in the Income Statement are: operating revenues (COP5,5 trillion), costs for taxes (COP1,7 trillion), the statement of financial position accounts affected are accounts receivable (COP6,4 trillion) and accounts payable related to taxes and contributions (COP2,6 trillion).

This recognition in CTEEP generated in ISA an impact on the results of the period of COP1.333.842 million in the equity method.

Liabilities include BRL439 million (COP403.897), (2015: BRL439 million, COP353.821) payable to the Government of the State of São Paulo BRL270 million (COP248.244) and minority shareholders adhering to the Public Offer for Acquisitions dated January 9, 2007 BRL169 million (COP155.653), as payment commitment for the difference between the purchase price of CTEEP shares and payments for retirement pensions, provided in Law 4819/58, in case CTEEP is released.

In addition, CTEEP has a recognized account receivable net of provision from the Government of the State of São Paulo associated to the processes under Law 4819/58 for BRL1.150 million (COP1.059.154), (2015: BRL966 million, COP779.072).

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11. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment net balance as of December 31, 2016, and 2015, is:

		2016	2015
PROPERTY, PLANT, AND EQUIPMENT IN OPERATION		(1)	
Grids, lines, and cables		8.796.864	8.758.866
Plants and ducts		4.465.400	4.514.341
Buildings		304.262	303.976
Machinery and equipment		47.345	45.237
Communication and computing equipment		29.325	25.290
Transportation, traction and lifting equipment		6.089	6.042
Furniture, chattels, and office equipment		26.121	25.871
Lands		169.684	169.431
Subtotal property, plant, and equipment		13.845.090	13.849.054
Less – cumulative depreciation		(9.275.617)	(9.241.456)
Subtotal property, plant, and equipment		4.569.473	4.607.598
On-going constructions		(2)479.702	207.475
Machinery, plant, and assembly equipment		17.688	19.510
Total net property, plant, and equipment		5.066.863	4.834.583

As of December 31, 2016, and 2015 no operating and/or economic indications were identified, revealing the net carrying value of property, plant and equipment cannot be recovered.

During 2016, interest for COP15.246 (2015: COP6.789) were capitalized, attributable to the acquisition, construction, or production of a qualifying asset as cost of such assets.

ISA currently holds insurance policies for combined material damages, terrorism, and consequential losses, intended to ensure the loss and damage of its fixed assets, except transmission lines and towers. There are no restrictions or pledges or guarantee deliveries on property, plant, and equipment for any obligation.

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→ Movement of property, plant, and equipment:

Name	Balance 2014	Additions and/or transfers	Sales, write-offs and/or transfers	2015 Deprecia- tion Expenses	Balance 2015	Additions and/or transfers	Sales, write-offs and/or transfers	2016 Deprecia- tion Expenses	2016 Balance
Grids, lines, and cables	2.573.626	16.472	(16.750)	(63.080)	2.510.268	38.685	(421)	(61.308)	2.487.224
Plants and ducts	1.526.268	203.863	(823)	(96.461)	1.632.847	92.893	(237)	(105.189)	1.620.314
Buildings	255.026	8.207	(178)	(3.284)	259.771	286	-	(3.357)	256.700
Machinery and equipment	17.021	2.341	-	(2.264)	17.098	2.108	-	(2.263)	16.943
Communication and computing equipment	2.543	847	(7)	(1.040)	2.343	4.039	(2)	(1.913)	4.467
Transportation, traction and lifting equipment	3.298	858	-	(237)	3.919	47	-	(323)	3.643
Furniture, chattels, and office equipment	12.060	1.467	-	(1.606)	11.921	250	-	(1.672)	10.499
Lands	168.900	531	-	-	169.431	252	-	-	169.683
On-going constructions	98.329	109.669	(523)	-	207.475	272.247	(20)	-	479.702
Machinery, plant, and assembly equipment	17.951	2.850	(1.291)	-	19.510	(405)	(1.417)	-	17.688
Total	4.675.022	347.105	(19.572)	(167.972)	4.834.583	410.402	(2.097)	(176.025)	5.066.863

- (1) As of December 2016, purchases were made for COP970, and the following projects were activated:
- Second circuit Betania Line project Mirolindo for COP39.876, San Marcos Series Compensation for COP19.527, UPME 08-2014 Valledupar Capacitive Compensation 50 Mvar 220 kV for COP16.888, UPME 09-2015 - Cartago 230 kV for COP8.881, Ocaña Substation expansion 230 kV for COP5.427, transfers for COP2.588 and losses were recorded for COP141.904.
- (2) The balance of on-going constructions mainly includes:
- Chivor Substation Expansion Project (second phase) for COP14.633, which scope includes the installation and commissioning of a transform bank 230/115/13.8kV of 3x50MVA plus reserve, ATR 230kV connection bay. Connection ATR 230kV, SE for provisional 115kV. Removal of 90-MVA ATR and change of emergency tower for final tower for LT ENERCA. The expected date for entry into service is June 30, 2017.
 - UPME Project 07-2013 Chinú-Montería Urabá line 230 kV for COP86.887, which comprises the design, supply, civil works, assembly and commissioning of project Montería Substation 230 kV and associated transmission lines (Chinú - Montería - Urabá) 195 km. The expected date for entry into service is May 24, 2018.

- Interconexion Caribbean Cost Project 500 KV for COP30.335, whose scope includes de design, supply, civil works, assembly, and commissioning for the 500 kV - 352 km transmission lines Cerromatoso - Chinú - Copey and substations expansions. The expected date for entry into service is June 30, 2019.
- Puerto Libertador - Montelíbano transmission line 110 kV for COP49.390, which scope covers the design, supply, assembly, civil works, and commissioning of Gecelca 3.2 to the STN in the Cerromatoso Substation 500kV. The expected date for entry into service is March 17, 2017.
- UPME Project 06-2013 Caracolí 220 kV for COP61.557, which scope comprises design, supply, civil works, assembly and commissioning of project Caracolí Substation 220 kV and associated transmission lines - 53 km. The expected date for entry into service is May 30, 2017.
- UPME Project 03-2014 Northwestern Interconnection 230/500 kV for COP59.151, which scope comprises design, supply, civil works, assembly, and commissioning of substations Antioquia, Medellin, expansion of substations and associated transmission lines at 500 kV - 547 km. The expected date for entry into service is April 22, 2019.

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During the period the annual review of useful lives was performed with the purpose of adjusting according to the expected technical live, which had an impact as higher depreciation of COP6.623.

12. INVESTMENT PROPERTY

	2016	2015
INVESTMENT PROPERTY		
Lands	1.839	1.839
Buildings	9.994	9.994
Subtotal Investment property	11.833	11.833
Less – cumulative depreciation	(4.030)	(3.947)
Total Investment property	7.803	7.886

Investment property corresponds to blocks II and V of ISA's headquarters, leased to its subsidiaries XM and INTERNEXA S.A., respectively. Under service agreement, revenues, costs, and expenses associated to the investment property are executed by INTERCOLOMBIA.

NAME	Balance 2014	Additions and/or transfers	Sales, write-offs and/or transfers	2015 Depreciation Expenses	Balance 2015	Additions and/or transfers	Sales, write-offs and/or transfers	2016 Depreciation Expenses	2016 Balance
Lands	1.839	-	-	-	1.839	-	-	-	1.839
Buildings	5.891	416	(176)	(84)	6.047	-	-	(83)	5.964
Total	7.730	416	(176)	(84)	7.886	-	-	(83)	7.803

There are no agreements for repair, maintenance, acquisition, construction, or development representing future obligations for the Company as of December 31, 2016, and 2015.

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13. INTANGIBLE ASSETS

		2016	2015
Software		12.960	9.613
Licenses		12.360	12.257
Easements	(1)	97.416	92.047
Rights	(2)	11.635	12.697
Less – intangible amortization		(33.655)	(33.000)
Total Intangibles		100.716	93.614

→ Movement of Intangible assets

Name		Balance 2014	Additions and/ or transfers	Sales and/or write-offs	Amortization expense 2015	Balance 2015	Additions and/ or transfers	Sales and/or write-offs	Amortization expense 2016	2016 Balance
Software		414	152	-	(357)	209	3.387	-	(792)	2.804
Licenses		1.001	439	-	(751)	689	103	-	(460)	332
Easements	(1)	90.403	1.646	-	-	92.049	5.367	-	-	97.416
Rights	(2)	15.544	-	(14.258)	(619)	667	-	(448)	(55)	164
Total		107.362	2.237	(14.258)	(1.727)	93.614	8.857	(448)	(1.307)	100.716

(1) As of December 2016, additions were made for COP5.368, from which COP4.822 represent the updating of litigation processes due to easements and COP397 due to easements payments, due to litigations' sentences.

(2) In 2016, withdrawals were made for COP448, representing optical fiber assets delivered to INTERNEXA, according to contract.

As of December 2016, and December 2015, the company management believed that there were no operational and/or economic signs indicating that the registered net value of the intangible assets of indefinite useful life may not be recovered.

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14. FINANCIAL INSTRUMENTS

14.1 Classification of asset financial insruments by nature and category

Fair value of financial assets

The carrying value of financial assets measured at amortized cost is the reasonable approach to its fair value. The fair value is presented in the following table, based on the categories of financial assets, compared with its current and non-current carrying value included in the financial statements.

The detail of financial instruments of asset, classified by nature and category, as of December 31, 2016, and 2015 is as follows:

		2016		2015	
FINANCIAL ASSETS	NOTE	AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Cash and cash equivalent	4	-	254.496	-	312.161
Accounts receivable	8	58.279	-	110.600	-
Other Financial Assets	6	-	4.568	-	3.797
Total Current		58.279	259.064	110.600	315.958
Restricted cash	5	-	20.298	-	27.542
Accounts receivable	8	215.799	-	321.880	-
Equity Instruments	10	-	12.527	-	22.635
Total non-current		215.799	32.825	321.880	50.177
Total		274.078	291.889	432.480	366.135

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14.2 Classification of financial instruments of liabilities by nature and category

Fair value of financial liabilities

The carrying value of financial liabilities measured at amortized cost is the approximation of its fair value. The fair value is presented in the following table, based on the categories of liabilities, compared with current and non-current carrying value included in the financial statements.

The detail of liability financial instruments, classified by nature and category, as of December 31, 2016, and 2015 is as follows:

		2016		2015	
FINANCIAL LIABILITIES	NOTES	AMORTIZED COST	AT FAIR VALUE	AMORTIZED COST	AT FAIR VALUE
Financial liabilities	(15)	146.843	-	189.597	-
Accounts payable	(9.1) and (17)	70.525	-	122.853	-
Total current		217.368	-	312.450	-
Financial liabilities	(15)	2.084.431	-	1.537.871	-
Accounts payable	(9.1) and (17)	293.336	-	278.487	-
Total non-current		2.377.767	-	1.816.358	-
Total		2.595.135	-	2.128.808	-

a. Fair value hierarchies

The financial instruments recognized at fair value in the statement of financial position are classified hierarchically according to the criteria described in Note 3.9 Fair value measurement.

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The following table shows the financial and liabilities assets measured at fair value as of December 31, 2016, and 2015:

2016					
Fair value measured at the end of period					
FINANCIAL INSTRUMENTS AT FAIR VALUE	CURRENT	NON-CURRENT	LEVEL I	LEVEL II (1)	LEVEL II
Financial assets					
Cash and cash equivalent	254.496	-	254.496	-	-
Restricted cash	-	20.298	20.298	-	-
Accounts receivable	58.279	215.799	-	274.078	-
Other financial assets	4.568	-	-	4.568	-
Equity Instruments	-	12.527	-	12.527	-
Total	317.343	248.624	274.794	291.173	-
Financial liabilities					
Financial liabilities	146.843	2.084.431	-	2.231.274	-
Accounts payable	70.525	293.336	-	363.861	-
Total	217.368	2.377.767	-	2.595.135	-

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2015					
Fair value measured at the end of period					
FINANCIAL INSTRUMENTS AT FAIR VALUE	CURRENT	NON-CURRENT	LEVEL I	LEVEL II (1)	LEVEL II
Financial assets					
Cash and cash equivalent	312.161	-	312.161	-	-
Restricted cash	-	27.542	27.542	-	-
Accounts receivable	110.600	321.880	-	432.480	-
Other financial assets	3.797	-	-	3.797	-
Equity Instruments	-	22.635	-	22.635	-
Total	426.558	372.057	339.703	458.912	-
Financial liabilities					
Financial liabilities	189.597	1.537.871	-	1.727.468	-
Accounts payable	122.853	278.487	-	401.340	-
Total	312.450	1.816.358	-	2.128.808	-

(1) Fair values have been classified in Level II, based on input data of valuation techniques used. (See Note 3.9 Fair value estimation)

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14.3 Net monetary position

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

	USD thousand	COP million
ASSETS		
Current assets		
Cash and cash equivalent	40.576	121.757
Non-financial assets	7.697	23.095
Financial assets	106.364	319.169
Total Current assets	154.637	464.021
Non-current assets		
Investment in foreign currency	2.309.410	6.929.869
Total non-current assets	2.309.410	6.929.869
Total assets	2.464.047	7.393.890
LIABILITIES		
Current liabilities		
Financial liabilities	3.696	11.089
Accounts payable	5.950	17.853
Total current liabilities	9.646	28.942
Non-current liabilities		
Financial liabilities	32.627	97.905
Accounts payable to economic related parties	-	-
Total non-current liabilities	32.627	97.905
Total liabilities	42.273	126.847
Active net monetary position	2.421.774	7.267.043

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15. FINANCIAL LIABILITIES

The balance of this item as of December 31, 2016, and 2015 is composed by bonds and financial obligations, as shown below:

15.1 Outstanding Bonds

Financing source	Original currency	Date of issue	Date of maturity	Term (years)	Interest rate	2016		2015	
						Nominal value	Amortized cost value	Nominal value	Amortized cost value
Program Tranche 2	COP	20/02/2004	20/02/2016	12	IPC + 7,30%	-	-	150.000	152.294
Program Tranche 4 Lot 1	COP	7/04/2006	7/04/2026	20	IPC + 4,58%	118.500	122.870	118.500	121.869
Program Tranche 4 Lot 2	COP	7/04/2006	7/04/2026	20	IPC + 4,58%	104.500	98.918	104.500	98.587
Program Tranche 7 Series A	COP	1/12/2011	1/12/2023	12	IPC + 4,47%	180.000	180.665	180.000	179.817
Program Tranche 7 Series B	COP	1/12/2011	1/12/2041	30	IPC + 4,84%	120.000	120.348	120.000	119.872
Program Tranche 8 Series C9	COP	22/05/2013	22/05/2022	9	IPC + 2,84%	120.000	121.575	120.000	121.571
Program Tranche 8 Series C15	COP	22/05/2013	22/05/2028	15	IPC + 3,25%	100.000	101.415	100.000	101.365
Program Tranche 9 Series C10	COP	7/05/2015	7/05/2025	10	IPC + 3,80%	100.000	101.582	100.000	101.428
Program Tranche 9 Series C15	COP	7/05/2015	7/05/2030	15	IPC + 4,14%	120.000	121.973	120.000	121.769
Program Tranche 9 Series C20	COP	7/05/2015	7/05/2035	20	IPC + 4,34%	280.000	284.703	280.000	284.209
Program Series C8	COP	16/02/2016	16/02/2024	8	IPC + 4,73%	115.000	116.401	-	-
Program Series C12	COP	16/02/2016	16/02/2028	12	IPC + 5,05%	152.000	153.911	-	-
Program Series C25	COP	16/02/2016	16/02/2041	25	IPC + 5,38%	133.000	134.723	-	-
TOTAL						1.643.000	1.659.083	1.393.000	1.402.781

The following events took place in 2016 and they explain the variation in balance for outstanding bonds:

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→ On February 16, 2016, the company conducted the Tenth Tranche of the Securities Program in the amount of COP400.000, of which COP115.000 were placed in Series C8 with maturity on February 2024, COP152.000 in Series C12 with maturity on February 2028 and COP133.000 with maturity on February 2041. The funds from this placement were used to finance cash flow and investments.

→ In February 2016, it was paid the second Tranche of the Program on Issuance and Placement of Securities of ISA’s Internal Public Debt in the amount of COP150.000, by maturity of the issue.

Maturity of outstanding bonds:

Due Date		
Short-term		24.841
Long-term		1.634.242
2021 and after	1.634.242	
Total		1.659.083

15.2 Financial obligations

Financing source	Original currency	Initial date	Date of maturity	Term (years)	Interest rate	2016		2015	
						Nominal value	Amortized cost value	Nominal value	Amortized cost value
BANCO DE BOGOTÁ	COP	26/02/2015	26/02/2022	7	IPC + 3,60%	222.432	233.410	222.432	229.974
BANCO DE BOGOTÁ	USD	4/07/2012	4/04/2017	4,8	LIBOR (6M) + 2,60%	72.017	73.345	75.588	76.768
BBVA	COP	23/02/2016	23/02/2023	7	IPC + 2,99%	250.000	259.727		
Total national financial obligations						544.449	566.482	298.020	306.742
BNP PARIBAS	USD	17/05/2006	15/05/2017		LIBOR (6M) + 0,345%	5.688	5.709	17.911	17.945
Total foreign obligations						5.688	5.709	17.911	17.945
Total financial obligations						550.138	572.191	315.931	324.687

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During 2016 the following events took place and they explain the debt change:

- On February 23, 2016, Interconexión Eléctrica S.A. E.S.P., entered into an internal debt with BBVA Colombia for COP250.000, to finance its 2016 investment plans.
- Repayment for USD3,8 million to loan with BNP-PARIBAS.

Financial obligations maturity

Due date		
Short-term		122.002
Long-term		450.189
2018	69.486	
2019	94.486	
2020	94.486	
2021 and after	191.730	
Total		572.191

16. RISK MANAGEMENT POLICY

Given the nature of its activities, ISA is exposed to financial risks mainly related to investment in foreign subsidiaries, entering into financial obligations, revenues indexed to macroeconomic variables and the acquisition of goods and services abroad.

Therefore, a risk management methodology has been implemented, which together with ongoing monitoring of financial markets, seeks to minimize potential adverse effects on the financial information. ISA identifies, evaluates, and performs comprehensive management of financial risks in which the Company could be exposed to minimize their impact on financial results.

At ISA, the responsibility for the implementation and administration of this system belongs to the Strategy Vice-Presidency, which in turn discloses such administration to the Board of Directors of the Company. Below, the financial risks to which the Company is exposed:

16.1 MARKET RISK

Market risk corresponds to unfavorable variations from expected fair value or future cash flows of a financial instrument caused by adverse changes in variables such as exchange rates, domestic and international interest rates, the Price of indicators –macroeconomic variables–, raw material, commodities, among others. Sensitivity analyzes listed below are made based on the balances of financial instruments with cut-off date as of December 31, 2016.

a. Interest rate risk and macroeconomic variables

This risk corresponds to unfavorable changes in the fair value or future cash flows of financial instruments with respect to expectations, and is caused by the variation –volatility– of domestic and international interest rates and macroeconomic variables that are indexed to these flows thus affecting their value. The objective of the interest rate risk management is to reach a balance in the structure of revenues and debt that would stabilize the cost of the latter and minimize volatility in the income statement.

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→ Financial obligations

100% of ISA’s debt structure is indexed to interest rates and macroeconomic variables as described below:

Type of interest rate	2016
IPC	84,30%
D.T.F	9,76%
Libor + 6 months	5,94%
Fixed interest rate	0,00%

As of December 31, 2016, those obligations indexed to DTF mainly correspond to loans with local economic related parties. Obligations indexed to LIBOR six months are contracted with domestic and international financial companies. CPI-indexed obligations correspond to Corporate Bond issues.

Following are the effects before taxes in the statement of comprehensive income, compared with a reasonable variation in interest rates (to date it has not been necessary to hedge financial obligations indexed at interest rate):

Year	Increase / decrease basic points	Effect on profit and loss before income tax statement (COP million)
2016	(+) 100	-16.597
2016	(-) 100	16.597

ISA currently keeps natural hedging for CPI-indexed financial debt instruments, since most of ISA’s revenues come from its subsidiary INTERCOLOMBIA, which in turn are associated with the behavior of the Producer’s Price Index –IPP–³. These variables are related, which minimizes the impacts of interest rate risk associated with macroeconomic variables.

→ Financial instruments - liquidity excess

As of December 31, 2016, ISA does not keep financial instruments –liquidity excess– indexed to interest rates.

Since the financial instruments that may compose the portfolio of excess liquidity are acquired to hold them to maturity, these investments are not exposed to interest rate risk (investments measured at amortized cost).

b. Exchange rate risk

ISA has exposure to currency Exchange risk –US Dollar–, by the effect on conversion of earnings received from companies abroad; amounts related to projects that have been awarded in UPME’s public biddings, which revenues are calculated in US dollars and paid in colombian pesos; costs related to service of debt obtained in US dollars, purchases of equipment and/or implementation of new projects, capitalizations to affiliates and loans to related parties.

As of December 31, 2016, ISA held the following financial assets and liabilities - in thousands of US Dollars:

3 In accordance with the remuneration of revenues scheme set by the Energy and Gas Regulatory Commission Comisión de Regulación de Energía y Gas, –CREG–.

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2016	
Financial assets	
Cash and equivalents	40,6
Economic related parties	106,4
Other financial assets	7,7
Total assets	154,6
Liabilities	
Financial obligations	36,3
Economic related parties	0,0
Accounts payable	5,9
Total liabilities	42,3
Net monetary position	112,4

Following are the effects in the income before tax statement, compared to a reasonable variation in the exchange rate of foreign currency –US Dollar– keeping all other variables constant:

Year	Devaluation / revaluation	Effect on profit and loss before income tax statement (COP million)
2016	(+) 10%	33.717
2016	(-) 10%	-33.717

c. Mitigation measures

Financial risk hedging operations are considered as market risk mitigation tools, which aim to stabilize for a time horizon, the financial statements, and cash flow in case of fluctuations in the risk factors mentioned above.

Thus, once the existence of exposure to a risk market is identified with certainty, decision is made for the use of natural or synthetic hedging. The closing is made through ISA’s treasury, under the corporate guidelines that establish a criterion of coverage and not speculation.

As part of the Market Risk Hedging (Exchange Rate, Interest Rate, Price) ISA and its companies can carry out standardized derivative operations (e.g. Exchange Rate, Commodity Future Agreements, among others) as well as non-standardized such as forwards, swaps, and options operations at terms in agreement with the best conditions of each market, which qualify as financial hedging instruments to be registered in the financial statements.

As of December 31, 2016, ISA does not have an exchange rate hedging for this type of risk.

16.2 Credit and counterparty risk

Credit and counterparty risk is defined as the contractual breach, default, or doubtful collectability of obligations by customers of the Company, as well as the counterparties of financial instruments acquired or used, which would result in financial losses.

a. Credit risk - customers-:

At ISA, this risk relates to bad debts, doubtful recovery of portfolio from agents who pay charges for use of the National Transmission System –STN–, customers from STN connection services, economic related parties, customers for dark fiber and other related services.

The main measures for managing this risk are:

- ➔ Mechanisms and instruments defined in the regulation to cover payments made by agents in the wholesale energy market –guarantees, notes, and prepayments, as well as the supply limitation scheme–, which include those corresponding to charges for

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- the use of STN service, settled and managed by XM, under the contract of mandate defined in the regulation for this effect.
- Withdrawal fee clauses included in STN connection agreements.
 - Collection management.
 - Analysis of financial statements to new customers connecting to the STN.

b. Credit risk - liquidity excess:

In bank deposits and financial investments, including the procurement of derivative instruments, credit and counterparty risk is mitigated by the selection of institutions widely recognized in the market and with risk rating given by locally or internationally approved agencies; additionally, a counterparty quota is assessed for these transactions through an allocation model that keeps both quantitative - financial indicators- and qualitative variables - risk ratings- which is reviewed quarterly.

Furthermore, issuer concentration policies are maintained both at individual and economic group levels that allow narrowing the credit risk exposure. Such policies are monitored regularly to ensure their effective implementation.

As of December 2016, ISA had the following risk classification due to its liquidity excess:

Liquidity excess by local risk rating		
Rate	Balance in COP million	% Participation
AAA	144.881	100
AA+	-	0
AA-	-	0
Total	144.881	100%

Liquidity excess by foreign risk rating		
Rate	Balance in COP million	% Participation
A3	87.021	76
Baa1	27.061	24
Baa2	-	0
Total	114.082	100%

Graduation Standard & Poor's for Long Term Rating

16.3 Liquidity risk

Liquidity risk is defined as the incapacity to obtain sufficient funds for the fulfillment of obligations when due, without incurring in unacceptably high costs.

ISA carries out constant monitoring of the short-term cash flow, which permits liquidity needs to be identified during the periods analyzed. Furthermore, liquidity indicators are used, such as the monthly and accumulated liquidity coverage ratio, which is calculated periodically. These ratios aim to check whether the current and non-current revenues from cash flow of the company cover its expenses.

In addition, ISA has tools in place for achieving additional liquidity such as issuance of commercial paper and credit lines with local and foreign companies, which allow remedying temporary needs for funds when so required.

Following is the profile of expected future maturities for the financial instrument liabilities of the Company:

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2016	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial obligations and bonds	38.316	108.527	545.189	1.539.242	2.231.274
Principal	-	99.949	320.189	1.514.242	1.934.380
Interest*	38.316	8.578	225.000	25.000	296.894
Accounts payable to economic related parties**	-	-	72.374	216.394	288.768
Accounts payable	70.525	-	-	4.568	75.093
Total	108.841	108.527	617.563	1.760.204	2.595.135

*Payment of interest projected in time.

**Accounts payable to economic related parties in loans held with Group Companies.

17. ACCOUNTS PAYABLE

The breakdown of this item as of December 31, 2016, and 2015 is as follows:

2016				2015	
		SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
Suppliers and contractor	(1)	50.418	-	25.505	-
Creditors		7.638	-	7.567	-
Finance leases	(2)	5.251	-	3.341	-
Received deposits	(3)	7.218	83	11.410	230
Sales paid in advance		-	4.485	-	2.553
Total accounts payable		70.525	4.568	47.823	2.783

- (1) Accounts payable to suppliers and contractors originate mainly from the purchase of goods and services for the development of operations of the Company. These liabilities are denominated in local currency and foreign currency, non-interest bearing and are normally paid in accordance with the payment schedule in 15, 30 and 45 days.
- (2) The increase in creditors occurs mainly because the increase in finance lease, since in 2016, the new contract for equipment lease started. Account payable for 2016: COP5.251 (2015:COP3.340).
- (3) Includes funds received for execution of the following delegated management projects: Cauca - Nariño for COP7.129 Ipiales Road for COP82.

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18. PROVISIONS

The following are the provisions as of December 31:

		2016		2015	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Other estimated liabilities and Provisions	(1)	13.771	1.549	630	1.261
Disputes and Claims	(2)	12.156	-	7.120	-
Total Provisions		25.927	1.549	7.750	1.261

(1) The value of non-current provisions corresponds to commitments required for obtaining environmental licenses with various Regional Autonomous Corporations.

(2) The breakdown of the provision for disputes and claims is as follows:

Type of process		2016		2015	
	#	BALANCE		#	BALANCE
Administrative	6	3.498		4	2.682
Civil	123	6.401		77	2.942
Labor	7	2.257		8	1.496
Total	136	12.156		89	7.120

Its increase is due to new easements processes and the application of the methodology established in Resolution N° 353 enacted by the National Agency for Legal Defense of the State. This methodology consists of determining the value

of claims, adjusting the real value of claims, and calculating the registration value by applying what established in the Resolution.

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The movement of provisions as of December 31, 2016, is as follows:

	Contingencies	Other provisions
Final balance as of December 31, 2014,	16.298	10.596
Provisions in the period	1.201	27.806
Usage in period	87	36.511
Recoveries (1)	10.292	-
Final balance as of December 31, 2015,	7.120	1.891
Provisions in the period	7.048	46.614
Usage in period	251	33.185
Recoveries (1)	1.761	-
Final balance as of December 31, 2016	12.156	15.320

(1) Recoveries in the period correspond to a legal process to the favor of ISA. For 2015 they correspond to processes which change from probable to eventual.

18.1 Disputes and Claims

ISA is currently a procedural party, acting as defendant, plaintiff or intervening third party in administrative, civil and labor judicial proceedings. None of the proceedings in which it has been sued or has been summoned as intervening party may undermine the stability of the Company. Also, on its own behalf, it has instituted legal actions required for the defense of its interests.

The following information shows the probable and eventual processes against and in favor:

Probability of winning or losing	#	Balance
Likely against	136	12.156
Likely in favor	9	6.506
Eventual against	41	40.637
Eventual in favor	39	700
Total	225	60.000

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The following information shows the major judicial proceedings conducted by the Company with their estimated value in millions:

PROCEEDINGS AS DEFENDANT

Type and instance	Plaintiff	Description of litigation	Estimated value	Probability
Civil First Instance Serial N° 68547408900320130022600	INTERCONEXIÓN ELÉCTRICA S.A. E.S.P.	Plaintiff seeks to impose easements on the defendant	2.979	Probable
Administrative. First Instance. Number 05001310300320060325200	Empresas Públicas de Medellín –EPM–	Plaintiff seeks to declare Interconexión Eléctrica S.A. E.S.P., ISA liable for unjust enrichment.	2.169	Probable
Labor. First Instance. Number 68001310500220120032300	Jorge Eliécer Reyes Plata	Plaintiff seeks a declaration stating that between him and ISA there was a work relation, which was ended without justifiable reason.	986	Probable
Administrative. Second Instance. Number 05001233100019980397100	GÓMEZ CAJIAO Y ASOCIADOS S.A.	Plaintiff seeks the absolute nullity of administrative act and auditing and consulting contract, based on the grounds that such contract was awarded to a different entity to the one the plaintiff represents, and to reestablish the plaintiff’s rights (Gómez Cajiao y Asociados Cía Ltda). (Today called Gómez Cajiao y Asociados S.A.) for having presented the best offer in public tender C-002 of 96.	695	Probable
Labor. First Instance Case Number. 05001310502020150118500	Geisson Aguilar Ávila, Ivonne Liseth Aguilar Ávila, Yaned Patricia Ávila Carreño.	A full statement of responsibility is intended due to proven fault of Interconexión Eléctrica S.A. E.S.P., in accident suffered by the deceased.	778	Eventual
Labor. Cassation Case Number 05001310500620140118800	Armando Gómez Arenas, Carlos Alberto Jaramillo Mesa, Ciro León Cantor Castellanos, Enrique Aristóbulo Hernández López, Gerardo Antonio Arango Lalinde, Henry Correa Bechara, Jansen Mejía González.	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA.	12.639	Eventual

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Type and instance	Plaintiff	Description of litigation	Estimated value	Probability
Labor. Second Instance Case Number. 05001310500620140113500	Alonso de Jesús Buriticá, Álvaro Fabra Celis, Henry Betancur Ríos, Jaime Ospitia Obregón, José Aníbal Albarracín Ardila.	Plaintiff seeks ISA to acknowledge extralegal retirement pension subscribed with SINTRAISA.	8.496	Eventual
Labor. Second Instance. Case Number 05001310501220140113800	Héctor Miguel Altuve Santos, Javier Emilio Franco Roldán, Libardo Antonio López Loaiza, Luis Alberto Bastidas Uribe, Néstor José Chica Castaño, Orlando de Jesús Hernández Toro, Oscar Grajales Sarria.	To declare ISA responsible for acknowledging in favor of the plaintiffs, retirement pension agreed upon the collective work convention entered is such convention and SINTRAISA.	9.644	Eventual
Administrative. First Instance. Case Number 05001233100020020163600	BETANIA S.A. E.S.P.	Plaintiff claims: 1. To declare annulment of administrative acts 2. To restore the violated right of Central Hidroeléctrica de Betania S.A. E.S.P.	2.702	Eventual
Administrative. First Instance. Case Number 20001333100320090017200	Lino Rojas Estrada	To suspend the legal effects of the agreement called Mesa de Trabajo line 220, and order ISA the payment of damages.	1.674	Eventual

PROCEEDINGS AS PLAINTIFF:

Type and instance	Defendant	Description of litigation	Estimated value	Probability
First Instance-Administrative	Superintendence of Household Utilities	Annulment of SSPD-20082400007415 of March 26, 2008 is requested, whereby ISA was penalized and declare that ISA is not obliged to pay such penalty.	1.238	Probable

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19. TAXES

19.1 Income current tax and CREE

- The tax legislation applicable to the Company establishes that:
- The nominal rate of income tax is 25%.
 - Law 1607 dated December of 2012 created the income tax for equity –CREE–, with a rate of 9%, and the tax base is established by subtracting from gross revenues likely to increase the equity realized in the taxable year, devolution, rebates, and discounts and from such result it is subtracted such non-income revenues provided by the law. From such net revenues obtained, it will be subtracted the total costs and deductions applicable to this tax, in accordance with the provisions of Articles 107 and 108 of the Tax Code. It is allowed to subtract from the result above, such exempted income expressly provided in Article 22 of Law 1607 of 2012.
 - For both cases, income tax and income tax for equity –CREE–, the base for determining the CREE cannot be less than 3% of liquid equity on the last day of the immediately preceding taxable period, calculated by deducting such items duly authorized in the tax laws.
 - Law 1739 of 2014 created the surtax on income tax for Equity - CREE, which is applicable when the CREE tax base exceeds COP800 million.

The amount of the surtax on income tax for Equity - CREE, will be the result of applying the following rates for each year to the –CREE–, tax base:

Taxable base range	2015	2016
> 0 < 800 million	0%	0%
> = 800 million	5%	6%

To determine the income tax and Income tax for Equity –CREE– for the Company, it is necessary considering the following situations:

- a. On June 27, 2008, ISA, and the State –Ministry of Mines and Energy– signed a legal stability agreement for the energy transmission activity for a 20-year period. This agreement basically provided for stabilization of income tax regulations, including an income tax rate, deduction of the inflationary component of financial expenses, special deduction of 40% for new investments in productive fixed assets, tax discount by VAT paid in the import of machinery for the energy transmission and presumptive income as 3% of liquid assets, as well as the time limit of the equity tax.
- b. Decision N° 578 of the Andean Community of Nations –Comunidad Andina de Naciones, CAN–, seeks the elimination of double taxation for income earned in any of the member countries -Ecuador, Peru, Bolivia, and Colombia- through the exoneration mechanism.

This agreement ensures that in the event of adverse changes to the rules stabilized in the agreement those rules will continue to apply during the term thereof.

In determining the net income in the income tax and the income tax for Equity –CREE, the Company requests, under its private settlement as exempted income the value obtained in the member countries of the Andean Community of Nations, the net value resulting from subtracting the corresponding costs and deductions from the revenues generated by the exempted activity.

- c. Occasional earnings are cleared separately from ordinary income. Occasional earnings are understood as those obtained from disposal of fixed assets held for two years or more, such profits arising from the liquidation of companies and those received from inheritances, bequests, and donations.

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→ Current income tax provision

Current tax liabilities as of December 31 are:

	2016	2015
Income tax and CREE provision and other tax obligations (1)	(18.841)	56.176
Total	(18.841)	56.176

(1) This item mainly includes the provision for income tax for equity CREE with its corresponding surtax, for a total amount of COP94.833 (2015: COP150.381), decrease of which is mainly due to the application of higher tax credits for taxes paid abroad and deductible VAT from import and purchase of heavy machinery for basic industries (Article 258-2 Tax Code), and the application withholding paid during the year and income tax and CREE surtax advance payments at the income tax and CREE declarations corresponding to the former period.

→ Reconciliation of income tax expense

The reconciliation between the income tax expense and the product of accounting profit multiplied by the local tax rate of the Company is as follows:

	2016	2015
Net profit before income tax	2.258.260	893.598
Income tax rate in Colombia	40%	39%
Income tax expense at nominal rate	903.304	348.503

	2016	2015
Increase (decrease) in the provision resulting from:		
Application fixed assets benefit	(23.289)	(19.686)
Non-deductible expenses	20.581	16.449
Taxable dividends and CAN dividends	21.199	16.539
Equity method	(772.433)	(150.074)
Exempted income	(26.354)	(18.492)
Lower tax paid in other jurisdictions	(2.420)	(1.051)
Current and deferred rate difference	(28.192)	(4.911)
Income tax expense	92.395	187.277
Income tax effective rate	4,09%	20,96%

The amount of income tax in the income statement corresponds to the recognition of the current tax on the earnings of the year for Colombia, the amount withheld abroad and that cannot be accredited from the national tax, last year tax adjustments and the change in deferred tax, as follows:

	2016	2015
The income tax expense consists of:		
Current income tax expense	94.833	150.381
Expenses for taxes paid in other jurisdictions	7.259	3.503
Deferred income tax expense	(6.564)	33.393
Income tax adjustment former years	(3.133)	-
Income tax expense	92.395	187.277

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→ Effective rate vs nominal income tax rate

	2016	2015
Income tax provision	$\frac{92.395}{2.258.260} = 4,09\%$	$\frac{187.277}{893.598} = 20,96\%$
Income before taxes		

The 2016 effective rate was 4,99% compared to a nominal rate of 40% (Income Tax 25%, CREE 9%, and CREE surtax 6%), while for 2015, the effective rate was 20,96% compared to a nominal rate of 39% (Income 25% and CREE 9% and CREE surtax 5%), mainly explained by:

- The equity method found in income is no basis for determining the income tax. To determine the income tax, it takes into account dividends received in the year and which are taxable under current tax regulations. This reduces the effective rate versus the nominal rate in 34%, for 2015, 17%.
- The application of the deduction for investment in productive fixed assets reduces the payment of income tax. For 2016, there is a reduction of 1% of the effective rate compared to the nominal rate. For 2015, this item reduced the rate by 2%.

- The non-deductibility of expenses, and other differences in accounting and tax treatments, generates an increase of the rate in 1%. By 2015, the effect on the rate was 2%.
- The amount of taxes paid abroad and that cannot be used as a tax credit on the income tax, as well as the determination of deferred taxes at rates lower than current rates represents a decrease in the effective tax rate of 1%.
- The difference in the rate used for determining the current tax and the rate used for updating deferred tax generates a reduction of the effective income rate of 1%.

19.2 Deferred tax

The Company’s deferred tax is related with the following:

- In property, plant, and equipment by differences in the recognition of deemed cost, inflation adjustments for tax purposes, recognition of finance leases and the use of different useful lives for tax and accounting purposes.
- In Liabilities, by differences for determining financial obligations, the recognition of finance leases, non-deductible provisions, and the difference between the amortization of the actuarial calculation.

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Following is the detailed balance of the Company’s net deferred tax:

	December 2016		December 2015	
	Beginning of the period	End of the period	Beginning of the period	End of the period
Deferred tax assets				
Accounts receivable	552	536	607	552
Estimated liabilities and Provisions	2.101	7.938	3.681	2.101
Accounts payable	1.136	1.733	1.164	1.136
Intangibles and other assets	10.381	9.838	8.873	10.381
Labor obligations	27.563	26.438	29.573	27.563
Total deferred tax assets	41.733	46.483	43.898	41.733
Deferred tax liabilities				
Property, plant, and equipment	(950.243)	(944.364)	(919.417)	(950.243)
Financial obligations	(3.200)	(2.471)	(3.212)	(3.200)
Total deferred tax liabilities	(953.443)	(946.835)	(922.629)	(953.443)
Net deferred tax	(911.710)	(900.352)	(878.731)	(911.710)

Annual changes in the deferred tax balance were recognized as shown below:

	2016	2015
Deferred tax variation		
Beginning of the period (net)	(911.710)	(878.731)
End of the period (net)	(900.352)	(911.710)
Variation of the fiscal year	(11.358)	32.979
Detail of the deferred tax variation		
Recognized variation in income	(6.564)	33.393
Recognized variation in other comprehensive income	(4.794)	(414)
Total deferred tax variations	(11.358)	32.979

The company has permanent investments, which have accounting and tax differences resulting from the application of the equity method for accounting purposes and the fiscal cost of the same. No deferred taxes have been calculated on these differences as there is no expectation of realization on the same. The non-recognized deferred tax is determined by applying the rate at which capital gains would be taxed depending on the country where the investment is located, to the differences between the carrying cost and the tax cost of the investment.

The Company does not have any tax losses or presumptive income excesses pending to take advantage for future tax determinations, and therefore it has not recognized any deferred tax amount for this item.

19.3 2016 Tax Reform

On December 30, 2016, the Law 1819 Tax Reform 2016 was published. This reform includes the following modifications:

Income tax

- The use of international accounting standards was established as the foundation to set limits on the taxable basis for the income tax, and tax different treatments were explicit.
- The income tax for Equity CREE and the CREE surtax was repealed which was scheduled for the taxable years 2017 to 8% and for 2018 to 9%.
- The rate on the income tax changed from 25% to 34% for 2017, and to 33% for the taxable years 2018 and following.
- A surtax on income tax was created for 6% for the 2017 taxable year and 4% for the 2018 taxable year.
- Tax on dividends was created on a rate of 5% when dividends are paid to non-resident taxpayers in Colombia or to natural persons residing in Colombia, when the amount of such dividends is higher than COP19 million, and with 10% rate, when dividends

are obtained by natural persons residing in Colombia and such dividends are higher than COP29 million.

- Presumptive income tax increased to 3,5%.
- Accounting depreciation was established as depreciation for tax purposes, but without surpassing the tax limits established by each assets group.
- It was established that tax losses could only be offset against taxable income of the next 12 periods.
- An anti-deferral regime for passive income obtained abroad by Colombian residents was created and it was called Empresas Controladas del Exterior (Foreign Controlled Corporations) –ECE–, through which passive income obtained by corporations or other foreign corporations controlled by Colombian residents, must be immediately declared in Colombia once ECE is enforced.

Other aspects

- The general rate on sales tax was increased to 19%. It was 16% before.
- The transfer of intangibles linked to intellectual property is now taxed with VAT.
- A deduction of the VAT paid on the purchase of capital goods was created.
- The Tax on Financial Transactions is now permanent.
- Tax declarations revision period was extended to three years (in a general manner) and to six years (when the taxpayer is under the transfer of prices regime).

19.4 Wealth tax

Law 1739 of 2014 created the wealth tax for years 2015, 2016 and 2017 payable by legal entities, income, and supplementary tax payers, among others; and it is generated by the possession of wealth as of January 1, 2015, with a value equal or above COP1 billion colombian pesos.

The tax base of the wealth tax is the value of gross equity of legal entities held as of January 1, 2015, 2016 and 2017 minus debt of the same in effect on those dates, and it allows excluding the equity value of investments in national companies.

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If the tax base of wealth tax in any of years 2016, 2017 and 2018 is higher than that determined in 2015, then the taxable base for any of those years will be the lower between the tax base determined in 2015 increased by twenty five percent (25%) of inflation certified by the National Department of Statistics for the year immediately preceding the declared year and the tax base determined in the year in which it is declared. If the tax base of the wealth tax determined in any of the years 2016, 2017 and 2018 is lower than that determined in 2015, then the tax base for each of the years will be the higher between the tax base determined in 2015 decreased by twenty-five percent (25%) of inflation certified by the National Department of

Statistics for the year immediately preceding the declared year and the tax base determined in the year in which it is declared.

Applying these provisions and by calculating at a rate of 1%, the Company determined a wealth tax for tax year 2016 of COP29.606 million; such tax may not be used as cost or deduction on income tax or CREE.

The tax on wealth was not repealed or extended through the 2016 tax reform. Therefore, its last payment is estimated to be in 2017.

19.5 Other

19.5.1 Other tax assets

	2016		2015	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
For taxes and contributions (1)	713	3.479	603	3.861
Total other assets for taxes	713	3.479	603	3.861

(1) This item includes advance deferred withholding which will be offset in subsequent periods, two processes in favor with DIAN which are before the Dispute Tribunal and a credit balance from Trade and Industry in some municipalities where ISA is taxpayer.

19.5.2 Other tax liabilities

	2016		2015	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Other taxes (1)	6.814	-	4.629	-
Total other liabilities for taxes	6.814	-	4.629	-

(1) They correspond to balances from tax withholding and self-withholding payable, which are paid in the following year.

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19.6 Total taxes 2016

ISA contributed during 2016 with COP143.413 million in total taxes, from which COP7.692 million are recognized by the regulator. The following table shows the amounts the Company disclosed in its 2016 Financial Statements as costs/expenses for the year and corresponding to taxes, fees, and contributions that are recognized by the regulator.

2016 Taxes	National Government	Departmental and municipal governments	Sector Contributions	Regulation, surveillance, and control entities	Total taxes, fees, and contributions
Income tax and CREE	92.395				92.395
Wealth tax	29.606				29.606
Industry and trade tax		2.366			2.366
Financial transaction tax	4.858				4.858
Street lighting tax		1.215			1.215
Real estate tax		2.844			2.844
Other municipal taxes (1)		318			318
Subtotal taxes	126.859	6.744			133.603
Contribution SSPD and CREG				307	307
Fiscalization fee - Comptroller's Office of the Republic				1.811	1.811
Subtotal Contributions				2.119	2.119
Fondo Apoyo Electrificación Rural –FAER–			285		285
Programa Normalización Redes Eléctricas –PRONE–			270		270
Unidad de Planeación Minero Energética –UPME–			7.137		7.137
Subtotal recognized contributions			7.692		7.692
Total taxes	126.859	6.744	7.692	2.119	143.413

(1) Other municipal taxes include: tax on advertising and billboards, Fire Department surtax, vehicle tax, surtax on disaster prevention and environmental surtax.

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20. EMPLOYEE BENEFITS

According to the collective and individual employment contracts, the Company must pay retirement pensions to those workers who meet certain requirements of age and length of service. The Social Security Institute –ISS– today Colpensiones, and pension management companies assume the major portion of this obligation, according to the compliance with legal requirements.

20.1 Post-employment benefits

20.1.1 Retirement pensions

ISA, according to the collective and individual employment contracts, must pay retirement pensions to those workers who meet certain requirements of age and length of service. The Social Security Institute –ISS– and pension management companies assume the major portion of this obligation, according to the compliance with legal requirements.

The present value of the pension obligation, as of December 31, 2016, and 2015 was determined based on actuarial studies in accordance with IAS 19 using the actuarial valuation method. Projected Unit Credit –PUC– is used to determine the present value of the Defined Benefit Obligation –DBO–, and where appropriate, the cost for services and the cost of past services.

Under this method, the benefits are attributed to periods in which the obligation to provide benefits is created by directly applying the formula of the benefit of the service-based plan on the valuation date. When the benefit is based on compensation or salary or salary increases, they are applied until the date on which the participant is expected to end the service. However, if the service in recent years leads to significant additional benefits in previous years, then benefits are linearly attributed from the date when service by the employee entitles to benefits under the plan,

until such date when subsequent services lead to no additional material amount of benefits under the plan.

The main actuarial assumptions used in the valuation are:

Variables	2016	2015
Discount rate	7,30%	7,60%
Future salary increase	4,00%	4,00%
Future pension increase	3,50%	3,50%
Inflation rate	3,50%	3,50%
Minimum wage increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentiers	2008 valid rentiers
Number of people covered by pension plan	412	408
Number of people covered by contributions plan	30	32

20.1.2 Prepaid medical assistance plans

ISA will pay the following percentages on premiums for health plans corresponding to prepaid medical assistance and hospitalization policy:

For salaries and pensions up to four point three (4.3) legal monthly minimum wages (SMLMV), ninety percent (90%) of the value of the premium.

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For wages and pensions above four point three (4.3) and up to five point five (5.5) legal monthly minimum wages (SMLMV), eighty percent (80%) of the value of the premium.

For wages and pensions above five point five (5.5) legal monthly minimum wages (SMLMV), eighty percent (70%) of the value of the premium.

The primary actuarial assumptions used in the valuation are:

Variables	2016	2015
Discount rate	7,30%	7,60%
Minimum wage increase	4,00%	4,00%
Initial increase rate for benefit cost	5,80%	5,80%
Final increase rate for benefit cost	4,50%	4,50%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%
Number of people covered by medical assistance plan	1.068	1.097

20.1.3 Education support

Employees are entitled to a recognition for education support, for each child of active workers and pensioned personnel, below 18 years old, and above 18 to 25 years old, provided they are single and are not working.

The values to recognize will be provided in the collective agreements in effect :

Amount for each period		
Education level	Beneficiaries of the collective labor convention	Beneficiaries of the labor collective pact
Preschool, kindergarten, primary and secondary, for each child.	2.7 SMLMV (annual)	4.5 SMLMV (annual)
Technology, technical, professional and specialization in technology, per each child	1.5 SMLMV (per semester)	2.25 SMLMV (per semester)
Children with learning disabilities, any age.	3.0 SMLMV (annual)	4.5 SMLMV (annual)

The support will be paid per year or early school semester, and must be made in education centers duly approved by the competent entity.

The primary actuarial assumptions used in the valuation are:

Variables	2016	2015
Discount rate	7,30%	7,60%
Minimum wage increase	4,00%	4,00%
Rate of return on assets		N/A
Mortality rate	2008 Valid rentiers	2008 Valid rentiers
Turnover table	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%
Number of people covered by education plan	236	243

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These benefits are valued annually. Reconciliation movements are presented below:

	Pension and contributions	Medical assistant plan	Education support	Total
Balance as of December 31, 2015	128.891	58.638	6.824	194.353
Current period service costs	-	462	234	696
Interest expense/revenue	9.393	4.312	509	14.214
Actuarial (profit)/Loss from experience	2.227	498	280	3.005
Actuarial (Profit)/Loss from change in demographic assumptions	4.135	7.072	315	11.523
Actuarial (Profit)/Loss from financial assumptions	-	-		-
Benefits directly paid by the Company	(10.589)	(3.788)	(267)	(14.644)
Other changes	-	-		-
Balance as of December 31, 2016	134.057	67.194	7.896	209.147

The quantitative analysis of sensitivity to a change in a key assumption would generate the following effect on net obligation of defined benefits:

Assumptions	Pension	Contributions to social security medical	Medical	Educational
Change in discount rate				
Increase in discount rate in +1%	121.010	74	60.025	6.922
Discount rate decrease in -1%	149.529	75	75.938	9.121
Change in benefit increase				
Increase in benefit rise in +1%	-	-	-	9.195
Decrease in benefit increase in -1%	-	-	-	6.852
Change in medical trend				
Increase in medical trend in +1%	-	-	74.701	-
Decrease in medical trend in -1%	-	-	60.992	-
Obligation Base	133.982	75	67.194	7.896
Term of Plan	11,1	0,5	12,4	14,6

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Sensitivity analysis estimates the effect on post-employment benefit obligation as a result of reasonably possible changes in key assumptions used at each reporting date.

In 2016, COP14.042 was recorded in other comprehensive income for post-employment benefits.

The estimate of pension liabilities will have the following results, in case it was calculated under the terms of the Technical Regulatory Framework, from Decree 2420 of 2015, modified by Decree 2496 of 2015 and subsequent adjustments.

The main actuarial assumptions used in the valuation are:

Variables	2016
Technical interest real rate	4,80%
Wage increase rate	4.93%
Pension increase rate	4.93%
Inflation rate	4.93%
Mortality rate	Rentistas válidos 2008
Number of people covered by pension plan	412

These benefits are valued annually. Reconciliation movements are presented below:

Pension and contributions	
Balance as of January 1, 2015	117.366
Pension liabilities increase	11.741
Benefits directly paid by the Company	(9.082)
Other changes	-
Balance as of December 31, 2015	120.025

20.2 Long-term benefits

20.2.1 Quinquennium

The benefit consists in the quinquennium payment of a fixed amount when the employee has been working for 5 years with the company, and thereafter each 5 years of service.

20.2.2 Seniority premium

The benefit consists in the annual payment of one day’s salary per each year of service with the Company, in the month of completion of each year of service. This benefit begins when participant completes five (5) years of service with the company.

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The primary actuarial assumptions used in the valuation are:

Variables	2016	2015
Discount rate	7,20%	7,60%
Minimum wage increase	4,00%	4,00%
Rate of return on assets	N/A	N/A
Mortality rate	2008 valid rentier	2008 valid rentier
Turnover table	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%	“2003 SOA Pension Plan Turnover Study” with adjustment factor at 50%
Number of people covered by seniority premium and quinquennium	113	107

These benefits are valued annually; following is the reconciliation of movements:

Seniority and quinquennium premium	
Balance as of December 31, 2015	1.516
Current period service costs	166
Interest expense	104
Actuarial (profit)/Losses from experience	202
Actuarial (Profit)/Loss from change in demographic assumptions	44
Actuarial (Gains)/Losses from financial assumptions	-
Benefits directly paid by the Company	(290)
Other changes	-
Balance as of December 31, 2016	1.742

The quantitative analysis of sensitivity to a change in a key assumption would generate the following effect on net obligation of long-term benefits:

Assumptions	Seniority/ Quinquennium
Change in discount rate	
Increase in discount rate in +1%	1.636
Discount rate decrease in -1%	1.861
Change in salary increase	
Increase in salary rise +1%	1.867
Decrease in salary increase -1%	1.629
Obligation Base	1.742
Term of Plan	6,9

Sensitivity analysis estimates the effect on long-term benefit obligation as a result of reasonably possible changes in key assumptions used at each reporting date.

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21. OTHER NON-FINANCIAL LIABILITIES

		2016		2015	
	(1)	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
Deferred revenues	(1)	-	209.605	-	227.413
Revenues received in advance from sales		3.926	-	4.142	-
Collections in favor of third parties		189	-	32	-
Total other non-financial liabilities		4.115	209.605	4.174	227.413

(1) Deferred revenues mainly correspond to deferred revenues from the National Transmission System –STN–, COP201.276 (2015: COP216.435) from call for bids assets –UPME– and infrastructure use rights for COP8.328 (2015: COP10.978).

22. EQUITY

22.1 Subscribed and paid-in capital and number of shares

ISA’s subscribed and paid-in capital, as of December 31, 2016, and 2015, is COP39.916 represented in 1.125.498.016 shares, distributed as follows:

2016			
Shareholder	Number of shares	Millions	% Interest (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

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2016			
Shareholder	Number of shares	Millions	% Interest (1)
INVESTORS WITH PUBLIC AND PRIVATE CAPITAL			
Empresa de Energía de Bogotá S.A. E.S.P	18.448.050	605	1,3849
Subtotal	18.448.050	605	1,3849
Subtotal	700.526.158	22.977	63,2428
PRIVATE CAPITAL INVESTORS			
Mandatory Pension Fund Porvenir Moderate	89.737.599	2.943	8,1014
Mandatory Pension Fund Protección Moderate	69.647.327	2.284	6,2877
Mandatory Pension Fund Colfondos Moderate	28.609.043	938	2,5828
Fondo Bursátil Ishares Colcap	12.909.662	423	1,1655
Norges Bank-Cb New York	10.872.969	357	0,9816
Old Mutual Mandatory Pension Fund Moderate	10.527.754	345	0,9504
Vanguard Emerging Markets Stock Index Fund	5.864.459	192	0,5294
Vanguard Total International Stock Index Fund	3.929.807	129	0,3548
Abu Dhabi Investment Authority J.P. Morgan	3.185.525	104	0,2876
Caxdac - Old-age	3.006.347	99	0,2714
Other shareholders	169.861.244	5.539	15,2446
Subtotal	407.151.736	13.354	36,7571
Total outstanding subscribed capital	1.107.677.894	36.331	100
Own shares reacquired (2)	17.820.122	585	
Total subscribed and paid-in capital	1.125.498.016	36.916	

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2015			
Shareholder	Number of shares	Millions	% Interest (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
INVESTORS WITH PUBLIC AND PRIVATE CAPITAL			
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			
Mandatory Pension Fund Porvenir Moderate	75.634.056	2.481	6,828
Mandatory Pension Fund Protección Moderate	53.190.181	1.745	4,802
Mandatory Pension Fund Colfondos Moderate	20.210.009	663	1,825
Old Mutual Mandatory Pension Fund Moderate	7.845.820	257	0,708
Fondo Bursátil Ishares COLCAP	7.668.997	252	0,692
Norges Bank-CB New York	7.305.536	240	0,660
Vanguard Emerging Markets Stock Index Fund	5.775.289	189	0,521
Fondo de Pensiones Proteccion-RF Alta Liquidez	3.895.164	128	0,352
Vanguard Total International Stock Index Fund	3.238.486	106	0,292
Abu Dhabi Investment Authority J.P. Morgan	3.160.570	104	0,285
Other shareholders	160.302.148	5.256	14,473
Subtotal	348.226.256	11.421	31,438
Total outstanding subscribed capital	1.107.677.894	36.331	100
Own shares reacquired (2)	17.820.122	585	
Total subscribed and paid-in capital	1.125.498.016	36.916	

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(1) Percentage of interest on outstanding shares, which are common, registered and dematerialized.

(2) Shares belonged to CORELCA, and were reacquired by ISA on August, 1998. To this date, all rights inherent thereto have been suspended, and consequently, they do neither participate in the distribution of dividends nor are part of the quorum to deliberate and decide.

The Colombian Centralized Deposit of Securities (El Depósito Centralizado de Valores de Colombia –DECEVAL–), is an entity that receives securities in deposit, for their administration and custody, thereby contributing to facilitate and speed up the market agent’s operations.

22.2 Authorized shares and nominal value

As of December 31, 2016, and 2015, the authorized capital stock included 1.371.951.219 common shares, with a par value of COP32,800000005352. All issued shares are fully paid.

22.3 Rights and restrictions of shareholders

Shareholders with common shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at the company Shareholders’ Meetings. The Company is listed primarily in the Colombian Stock Exchange.

22.4 Premium for placement of shares

This item amounts to COP1.428.128 in 2016 and 2015. (See Note 3.18)

22.5 Dividends

Dividends declared in 2016 and 2015, on income from the previous year, are as detailed below:

	2016	2015
Net income of previous period	706.321	593.065
Outstanding shares:	1.107.677.894	1.107.677.894
Ordinary dividend per share (in COP)	228	208
Extraordinary dividend per share (in COP)	60	60
Total decreed dividends per share	288	268
Decreed dividends	319.011	296.858
Form of payment	Ordinary and extraordinary dividends to be paid in two installments, July, and December 2016.	Ordinary and extraordinary dividends to be paid in April-July-October-December, 2015.

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The detail of paid dividend in the last years is as follows:

Attributed to the period	Type of dividend	Date of payment	Pesos per share
2009	Ordinary	19-Apr-10	40
2009	Ordinary	19-Jul-10	40
2009	Ordinary	19-Oct-10	40
2009	Ordinary	27-Jan-11	40
2010	Ordinary	18-Apr-11	43
2010	Ordinary	18-Jul-11	43
2010	Ordinary	18-Oct-11	43
2010	Ordinary	27-Jan-12	43
2011	Ordinary	26-Jun-12	179
2012	Ordinary	01-May-13	188
2013	Ordinary	21-Jul-14	196
2013	Extraordinary	22-Sep-14	18
2014	Ordinary	28 April-15	52
2014	Extraordinary	28 April-15	15
2014	Ordinary	28-Jul-15	52
2014	Extraordinary	28-Jul-15	15
2014	Ordinary	27-Oct-15	52
2014	Extraordinary	27-Oct-15	15
2014	Ordinary	10-Dec-15	52
2014	Extraordinary	10-Dec-15	15
2015	Ordinary	26-Jul-16	114
2015	Extraordinary	26-Jul-16	30
2015	Ordinary	15-Dec-16	114
2015	Extraordinary	15-Dec-16	30

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22.6 Reserves

		2016	2015
Legal	(1)	18.458	18.458
Legal under tax provisions	(2)	811.959	716.143
Reserve for reacquisition of own shares	(3)	38.100	38.100
For equity strengthening	(4)	972.758	681.264
For rehabilitation and replacement of STN assets	(5)	37.434	37.434
TOTAL		1.878.709	1.491.399

- (1)

According to the law, the Company is required to set aside 10% of its net annual profits as legal reserve until the balance of this reserve equals 50% of the subscribed capital.

The mandatory legal reserve may not be distributed before the liquidation of the Company, but may be used to absorb or reduce net annual losses. Reserve balances are of free availability for shareholders, as to the amount exceeding 50% of the subscribed capital.
- (2)

The Regular Shareholders’ Meeting approves the appropriation of this reserve from the net profits, in compliance with Article 130 of the Tax Code, with the purpose of obtaining tax deductions due to depreciation that exceeds the accounting depreciation. According to legal provisions, this reserve may be released to the extent that accounting depreciation exceeds those annually requested for tax purposes, or if assets are sold that gave rise to the larger amount deducted.
- (3)

Includes a special reserve for the acquisition of own shares of the Company owned by EPM for COP38.100.
- (4)

In compliance with Article 47 of the Bylaws, the Shareholders General Meeting has established occasional reserves, for the Company to preserve its financial soundness, maintain the level of financial indicators required by the credit risk rating agencies to grant the degree of investment and comply with the contractual commitments acquired with the financial institutions.
- (5)

On March 30, 2000, the General Shareholders’ Meeting approved an appropriation of COP24.933 for the rehabilitation and replacement of the National Transmission System assets, and on March 18th, 2002 an addition to this reserve was approved for COP12.501, for a total of COP37.434.

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23. REVENUES FROM ORDINARY ACTIVITIES AND OTHER REVENUES

		2.016	2.015
Use of STN, UPME bidding	(1)	22.092	15.838
Connection to the STN	(1)	2.166	2.162
Telecommunications		979	2.500
Usage rights		2.921	3.144
Studies and consultancies		-	-
Management, operation, and maintenance		96	88
Income for the “Contrato en Cuentas de Participación”	(1)	837.439	807.753
Subtotal energy transmission services and associates		865.693	831.485
Construction services for infrastructure projects	(2)	10.847	11.388
Subtotal for construction services for infrastructure projects		10.847	11.388
Total Energy Transmission Business		876.540	842.873
Technology transference		5.906	5.209
Corporate services to subsidiaries		-	-
Total revenues other services		5.906	5.209
Total Revenues from ordinary activities		882.446	848.082

(1) They represent the remuneration due to services rendered by the Company for Energy Transmission (STN use) and connection to the National Transmission System –STN–.

Since 2014, ISA's affiliate, INTERCOLOMBIA, is responsible for the representation of energy assets and therefore it receives most of the revenues from the Existing Grid, UPMES and connection to the STN. Periodically and with the settlement of the participation account contract, ISA, inactive partner, receives a percentage of income as revenue from Contrato en Cuentas de Participación.

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(2) Revenues from construction services of third party owned projects are detailed below:

Project name	2016	2015
Cana	-	3.119
Mitú	-	-
Spie	-	-
Technical assistance	10.847	8.269
Total revenues for construction service projects	10.847	11.388

Cana project had no revenues in 2016. Technical assistance projects are: Planicie-Industriales, Mantaro – Montalvo, Friaspata - Mollepata, Carapongo Substation and Chile Expansion Plan.

The methodology used for the recognition of construction revenues in each project is as indicated in Note 3.14.1. For technical assistance service, revenues are recognized for the service provided.

24. OPERATING COSTS AND EXPENSES

24.1. Operating costs

Operating costs for years ending December 31 are detailed below:

		2016	2015
Personnel expenses	(1)	17.312	15.838
Materials and maintenance		337	245
Fees	(2)	1.055	1.895
Leases		-	265
Insurances		5.985	5.084
Services		2.461	2.797
Maintenance of intangibles	(3)	1.805	1.127
Environmental - Social ISA Región		1.264	935
Communications		225	206
Studies	(2)	2.146	3.232
Miscellaneous	(4)	904	349
Contributions and taxes		17.307	16.674
Total operating costs before depreciation and amortization		50.801	48.647
Depreciations		171.755	164.602
Amortizations		758	831
Total depreciations and amortizations		172.513	165.433
Total operating costs		223.314	214.080

(1) Personnel expenses include all short-term, long-term, and post-employment benefits. (See Note 20).

(2) Reduction in designs and studies by less UPME offers requests in relation to 2015.

(3) Increase in Microsoft Office and SAP R/3 License Maintenance by RMR

(4) Increase due to subscriptions to Engineering Technical Regulations.

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24.2 Administrative expenses

Administrative expenses for years ending December 31 are detailed below:

		2016	2015
Personnel expenses	(1)	31.271	34.875
Materials and maintenance		59	39
Fees	(2)	6.031	5.173
Leases		-	92
Insurances		343	377
Services		3.926	3.722
Intangibles		2.513	2.194
Environmental - Social ISA Región		1.821	1.467
Communications		716	761
Advertising, printed matter, and publications	(3)	2.031	776
Studies	(4)	3.818	2.705
Diverse		1.405	1.360
Contributions and taxes	(5)	34.605	35.715
Total administrative expenses before depreciations, amortizations, and provisions		88.539	89.256
Depreciations		4.354	3.454
Amortizations		549	896
Provisions	(6)	11.945	1.460
Total depreciations, amortizations, and provisions		16.848	5.810
Total administrative expenses		105.387	95.066

(1) Personnel expenses include all short-term, long-term, and post-employment benefits. (See Note 20).

(2) Increase in fees for technical, administrative, and financial consultancy.

(3) Increase due to the comprehensive strategy development of ISA brand.

(4) Increase in studies due to a higher participation in public biddings.

(5) This item includes contributions to various control entities, tax on financial transactions, property tax, vehicle tax, Fire Department surtax, industry and trade tax and tax on advertising signs and boards, street lighting, environmental surcharge, and stamps. The most significant decrease corresponds to the wealth tax.

(6) Increase in provisions is due to the recognition of the Electricaribe investment impairment.

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25. OTHER REVENUES AND EXPENSES AND EQUITY METHOD

Other revenues and expenses and equity method for years ending December 31 are detailed below:

		2016	2015
Revenues due to property, plant, and equipment sales		323	439
Leases		3	3
Indemnities		106	8.601
Recoveries	(1)	4.183	17.637
Total other revenues		4.615	26.680
Other expenses		758	943
Loss from write-off/sales of assets	(2)	631	3
Total other expenses		1.389	946
Other net revenue/(expenses)		3.226	25.734
Revenue from equity method		1.907.677	386.408
Expense by equity method		894	1.602
Equity method net revenues/(expense)		1.906.783	384.806

(1) Recoveries mainly correspond to a legal process which ended with a successful sentence for the company for COP1.761; balance which was returned by the Superintendence of Household Services SSPD, complying with legal sentence in which it was ordered to return to ISA part of the amount collected for the 2011 contribution for COP824; account receivable to the Energy Mining Planning Unit –UPME– due to budget surplus and financial yields, which were recognized in 2016 for COP462 and there was also recuperation due to the estimated impact of the actuarial calculation for 2016 for COP884.

(2) This item decreased since in 2016 there was a loss in derecognition of assets.

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26. FINANCIAL RESULTS

The detail of financial income and expense as of December 31, 2016 and 2015 is as follows:

		2016	2015
FINANCIAL REVENUES			
INTEREST			
Valuation of investment	(1)	21.318	37.721
Return on other assets		13.724	6.948
On financial assets		9.961	14.629
Returns from monetary readjustment		4.496	4.817
Dividends		2.337	1.780
Commercial discounts, conditioned and agreements		461	447
Total interest		52.297	66.342
EXCHANGE DIFFERENCE			
Loans		106.098	81.501
Cash		71.542	52.698
Financial obligations		37.161	24.427
Economic related parties		21.826	-
Accounts payable		12.492	7.710
Debtors		7.861	2.177
Total exchange difference	(2)	256.980	168.513
Total financial income		309.277	234.855



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		2016	2015
FINANCIAL EXPENSES			
Interest and commissions			
On bonds	(3)	176.228	107.298
On public credit, financial obligations	(3)	50.904	20.407
Loss in valuation and sale of investments		21.867	15.054
Loans to economic related parties		15.114	11.914
Actuarial calculation		14.319	13.251
Commissions and other interest		1.041	958
Issue of securities management		957	877
Miscellaneous		647	615
Other interest		333	2.502
Total interest and commissions		281.410	172.876
EXCHANGE DIFFERENCE			
Loans	(4)	120.468	-
Cash	(5)	67.219	37.000
Financial obligations	(4)	32.428	48.767
Economic related parties		18.669	18.038
Accounts payable		13.095	12.728
Debtors		5.887	1.324
Total exchange difference		257.766	117.857
Total financial expenses		539.176	290.733

(1) Valuation of investments corresponds to “term deposit” investments.

(2) Valuation of credit with ISA Inversiones Maule with closing rate higher than disbursement rate.

(3) See Note 15.

(4) Valuation of credit with ISA Inversiones Maule, with BNP Paribas and Banco de Bogotá with closing rates higher than disbursement rate.

(5) Variations due to exchange rate closing and compensation in loans amortization with ISA Inversiones Maule.

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27. NET EARNINGS PER SHARE

Net earnings per share have been calculated based on the annual weighted average of the outstanding shares at the date of the statement of financial position.

As of December 31, 2016 and 2015, the number of outstanding shares was 1.107.677.894. Following is the determination of earnings per share:

	2016	2015
Net income of the period	2.141.460	706.321
Average of outstanding shares in the period	1.107.677.894	1.107.677.894
Net earnings per share (expressed in COP)	1.933,29	637,66

28. GUARANTEES AND COMMITMENTS IN EFFECT

GUARANTEES						
TYPE OF GUARANTEE	BENEFICIARY		PURPOSE	CURRENCY OF ORIGIN IN MM	BALANCE IN MM COP	DUE DATE
BANK GUARANTEES (1)	ENERGY MINING PLANNING UNIT –UPME–	Secure compliance with the obligations assumed under the award of the following Public Biddings.	UPME 09-2015 CARTAGO	COP 1,247	1,247	01/03/2017
			UPME 08-2014 VALLEDUPAR	COP 5,319	5,319	01/03/2017
			UPME 07-2013 MONTERÍA	COP 29,389	29,389	01/02/2018
			UPME 03-2014 ITUANGO	COP 153,996	153,996	25/02/2017
			UPME 05-2014 REFUERZO COSTA CARIBE	COP 77,803	77,803	17/06/2017
			UPME 06-2013 CARACOLÍ	COP 9,212	9,212	15/05/2017
			UPME 03-2016 SAN ANTONIO	COP 13,753	13,753	01/10/2018
	CHILEAN MINISTRY OF ENERGY	Secure compliance with the obligations assumed under the award of Public Biddings from the Chil-PLEX expansion plan	PLEX 1 - Execution of Project and payment of fines from new projects: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azúcar 2x500 kV new line 3. Pan de Azúcar-Polpaico 2x500kV new line	USD39	117,491	16/07/2018

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GUARANTEES					
TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN IN MM	BALANCE IN MM COP	DUE DATE
BANK GUARANTEES (1)	CHILEAN MINISTRY OF ENERGY	PLEX 1 - Relevant Milestone N° 3 - Construction of the foundations for the exploitation and execution of new works: 1. Cardones-Maintencillo 2x500 kV new line. 2. Maintencillo - Pan de Azúcar 2x500 kV new line 3. Pan de Azúcar-Polpaico 2x500kV new line.	USD10	29,373	20/04/2017
		PLEX 1 - Relevant Milestone N° 4 - Equipment testing for the exploitation and execution of new works: 1. Cardones- Maintencillo 2x500 kV new line 2. Maintencillo - Pan de Azúcar 2x500 kV new line 3. Pan de Azúcar-Polpaico 2x500kV new line.	USD10	29,373	29/01/2017
		PLEX 2 - Execution of Project and payment of fines, for the exploitation and execution of the new work "2x220 kV Encuentro - Lagunas, first circuit".	USD3	9,290	13/10/2017
		PLEX 2 - Relevant Milestone N° 5, Entry into operation of the new project "New line 2x220 kV Encuentro - Lagunas, first circuit".	USD1	2,323	11/06/2017



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TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN IN MM	BALANCE IN MM COP	DUE DATE	
BANK GUARANTEES (1)	CHILEAN MINISTRY OF ENERGY	PLEX 4 - Effective execution of the project and fine payment, for the exploitation and execution of new works: 1. Autotransformer Bank S/E Nueva Cardones, 500/220 kV, 750 MVA / 2. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA / 3. Autotransformer Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA (Bis).	USD6	18,199	01/08/2018	
		PLEX 4 - Relevant Milestone N° 4 - Testing of equipment for the exploitation and execution of new projects: Autotransformers Bank S/E Nueva Cardones, 500/220 kV, 750 MVA / "Autotransformers Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA / " Autotransformers Bank S/E Nueva Maitencillo, 500/220 kV, 750 MVA (Bis).	USD2	4,55	20/03/2017	
	SOME MUNICIPALITIES FROM ANTIOQUIA, COLOMBIA	LOS PALMITOS MUNICIPALITY	COP 1,063	1,063	16/12/2017	
		SUCRE MUNICIPALITY	COP 390	390	01/07/2017	
		ALBANIA MUNICIPALITY	COP 349	349	20/10/2017	
		SAN ROQUE MUNICIPALITY	COP 143	143	29/12/2017	
	Subtotal			503,263		

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GUARANTEES GRANTED TO SUBSIDIARIES					
TYPE OF GUARANTEE	BENEFICIARY	PURPOSE	CURRENCY OF ORIGIN EN MM	BALANCE IN MM COP	DUE DATE
STOCK PLEDGE	IDB-CAF	ISA Bolivia. Granting of Pledge for 100% ISA shares in the subsidiary.	USD6	19,022	15/02/2019
STOCK PLEDGE	BOND HOLDERS	REP. Delivery of 100% of ISA shares pledge at subsidiary.	USD47	141,532	08/11/1931
JOINT AND SEVERAL GUARANTEE BONDS	BCIE	EPR. To guarantee the contract between EPR and BCIE up to USD44,5 Billions, SIEPAC Project.	USD32	95,956	29/06/2027
STOCK PLEDGE	CREDIT SENIOR CREDITORS	INTERCHILE. Granting of Pledge for 100% ISA shares in the subsidiary.	USD209	626,901	31/03/1931
	CREDIT VAT CREDITORS			142,564	31/03/2020
Subtotal				1,025,975	
TOTAL				1,529,238	

The increase at the end of the year is due to the issuance of new collaterals needed to support ISA obligation compliance and the financing contract for INTERCHILE, for the execution of the projects labeled as PLEX 1, PLEX 2, and PLEX 4, perfected in June 2016, supported by ISA with ISA Shares Pledge in such subsidiary.

29. SUBSEQUENT EVENTS

The Superintendence of Economy and Financial Inspection in Brazil, sent last February 07, the preliminary report for the inspection, in regards to the recognition of the RBSE value. The report result is an increase of BRL198,1 million, which added to the value already approved will be BRL4,1 trillion (values from DEC-2012). This

increase in the value is not recognized in the 2016 income since it needs approval from ANEEL Directory.

ANNEEL directorate, on February 21, 2017, approved sentence from Public Hearing N° 068/2016 created with the purpose of incorporate the effects of the Administrative Act N° 120/2016 (“Portaria 120”) from the State Ministry of Mines and Energy, which regulates Law N° 12.783/2013. A preliminary analysis conducted by CTEEP of this public hearing, indicates that there are no significant effects in the accounting estimates registered; so, no additional adjustment was made to the financial statements as of December 31, 2016.

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TABLE OF REFERENCE FOR ACRONYMS

ANLA:	Autoridad Nacional de Licencias Ambientales (National Environmental Licensing Authority)	DTF:	Depósito a Término Fijo (Fixed-Term Deposit)
AOM:	Administración, Operación y Mantenimiento (Management, Operation and Maintenance)	ECA:	Export Credit Agency
ASIC:	Administración del Sistema de Intercambios Comerciales (Management of Trade Exchange System)	EPR:	Company which owns the Grid
IDB:	Inter-American Development Bank	E.S.P:	Empresa de Servicios Públicos (Utility Company)
BOB:	Bolivian Peso	ETESA	Empresa de Transmisión Agreement Eléctrica S.A .
BRL:	Brazilian Real	EUR:	Euro
CABEI:	Central American Bank of Economic Integration	FAER:	Fondo de Apoyo Financiero para Energización de Zonas Rurales Interconectadas (Financial Support Fund for Energizing Rural Zones)
CAF:	Corporación Andina de Fomento (Andean Development Corporation)	FAZNI:	Fondo de Apoyo Financiero para la Energización de las Zonas no Interconectadas (Financial Support Fund for Energizing Non-Interconnected Zones)
CAN:	Comunidad Andina de Naciones (Andean Community of Nations)	FEN:	Financiera Energética Nacional S.A.
TD:	Certificado de Depósito a Término (Term Deposit Certificate)	FDN:	Financiera de Desarrollo Nacional S.A.
CIGRE:	International Council on Large Electric Systems	GMF:	Gravamen a los Movimientos Financieros (Financial Transaction Tax)
CLP:	Chilean Peso	IASB:	International Accounting Standards Board
CSM:	Centro de Supervisión y Maniobras(Supervision and Maneuvers Center)	ICBF:	Instituto Colombiano de Bienestar Familiar (Family Welfare Colombian Institute)
CGN:	Contaduría General de la Nación (General Accounting Office)	PPI:	Producer Price Index
CND:	Centro Nacional de Despacho (National Dispatch Center)	IPSE	Instituto de planificación y promoción de soluciones energéticas para las zonas no interconectadas (Institute for planning and promotion of energy solutions for non-interconnected zones)
COP:	Colombian Pesos	MME:	Ministry of Mines and Energy
CREG:	Comisión de Regulación de Energía y Gas (Commission for the Regulation of Energy and Gas)	MEM:	Mercado de Energía Mayorista (Wholesale Energy Market)
CREE:	Contribución Empresarial para la Equidad (Business Contribution for Equity)	IAS:	International Accounting Standards
CT:	Current Transformer	IAS PS:	International Accounting Standards for the Public Sector
CTE:	Centro de Transmisión de Energía (Center for Energy Transmission)	IFRS:	International Financial Reporting Standards
CVM	Comisión de Valores Mobiliarios (Securities Commission)	NQIG:	Nelson Quintas Investimentos Globais Ltda
DECEVAL:	Depósito Central de Valores (Central Securities Depository)	NQT:	Nelson Quintas Telecomunicações do Brasil Ltda
DIAN:	Dirección de Impuestos y Aduanas Nacionales (National Tax and Customs Office)	PAAG:	Porcentajes de Ajuste del Año Gravable (Taxable Year Adjustment Percentages)
DISPAC:	Distribuidora del Pacífico S.A. E.S.P		

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PEN:	Nuevos soles
GAAP:	Generally Accepted Accounting Principles
PGCP:	Plan General de Contabilidad Pública (General Plan for Public Accounting)
PLC:	Power Line Carrier
PPI:	Producer Price Index
PRONE:	Programa de Normalización de Redes Eléctricas (Standardization Plan for Grids)
POA:	Plan de Optimización de Activos (Asset Optimization Plan)
PT:	Power Transformer
RCP:	Régimen de Contabilidad Pública (Public Accounting Regime)
RTU:	Remote Terminal Unit
SAC:	Sociedad Anónima Cerrada (Close Stock-held Company)
SAC:	South American Crossing
SAS:	Sistema Automatización de Subestaciones (Substation Automatization System)
SENA:	Servicio Nacional de Aprendizaje (National Apprenticeship Service)
SIC:	Sistema de Intercambios Comerciales (Trading System)

SIEPAC:	Sistema de Interconexión Eléctrica de los Países de América Central (Electric Interconnection System for Central American Countries)
SCI:	Fire Protection System
SSPD:	Superintendencia de Servicios Públicos Domiciliarios (Superintendence of Household Utilities)
SUNARP:	Superintendencia Nacional de los Registros Públicos (National Superintendence of Public Records)
SUNAT:	Superintendencia Nacional de Administración Tributaria (National Superintendence of Tax Administration)
SVC:	Static Varistor Compensator
STE:	Servicio de Transporte de Energía (Energy Transmission Service)
STN:	Sistema de Transmisión Nacional (National Transmission System)
TES:	Títulos de Deuda Pública (Public Debt Certificates)
RMR:	Representative Market Rate
UPME:	Unidad de Planeación Minero Energética (Energy Mining Planning Unit)
USD:	US Dollar
VRN:	Valor de Reposición a Nuevo (New Replacement Value)
VQ:	Voltage Quality
COP:	Colombian Peso

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STATUTORY AUDITOR’S REPORT TO THE ISA FINANCIAL STATEMENTS



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Statutory Auditor’s Report

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

Financial Statements Report

I have audited the accompanying financial statements of Interconexión Eléctrica S.A. E.S.P., which comprise the statement of financial position as at December 31, 2016 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements, in accordance with Accounting and Financial Information Standards accepted in Colombia (NCIF) adopted by the Contaduría General de la Nación; of designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error; and selecting and applying appropriate accounting policies and making estimates that are reasonable in the circumstances.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with International Standards on Auditing accepted in Colombia. Those standards require me to comply with ethical and independence requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

It also includes evaluating the accounting policies adopted and the significant estimates made by the administration, as well as the presentation of the financial statements as a whole.

I believe that the audit evidence obtained provides a reasonable basis for expressing my opinion.

Opinion

In my opinion, the accompanying financial statements, taken from the accounting books, present fairly, in all material respects, the financial position of Interconexión Eléctrica S.A. E.S.P. as of December 31, 2016, the results of its operations and its cash flows for the year then ended, in accordance with Accounting and Financial Information Standards accepted in Colombia adopted by the Contaduría General de la Nación.

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Emphasis Paragraph

As described in Note 10 to the financial statements, CTEEP, a subsidiary of Interconexión Eléctrica S.A. E.S.P., through ISA Capital do Brasil, has a net balance of accounts receivable from the São Paulo State of approximately \$1,059,154 million, related to the impacts of Law 4.819 of 1958, which granted to the employees of companies subject to the control of the São Paulo State, benefits already granted to other public servers. CTEEP has undertaken legal actions before the respective State authorities to collect these accounts receivable. The accompanying financial statements do not include adjustments that could result from the outcome of this uncertainty. My opinion has not been modified by this matter.

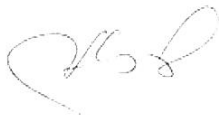
Other Matters

The financial statements under Accounting and Financial Information Standards accepted in Colombia of Interconexión Eléctrica S.A. E.S.P. as of December 31, 2015, which are part of the comparative information of the accompanying financial statements, were audited by me, in accordance with generally accepted auditing standards, on which I expressed an unqualified opinion on February 26, 2016.

Other legal and regulatory requirements

Further, based on the scope of my audits, I am not aware of situations indicating that the Company has not: 1) kept minute books, the Shareholders’ register and the accounting records in accordance with legal requirements and the accounting technique; 2) carried out its operations in accordance with the by-laws and the decisions of the Shareholders’ and of the Board of Directors, and of the rules related with the integral social security; 3) retained correspondence and the accounting vouchers; and, 4) adopted internal control measures for the maintenance and custody of the Company’s assets and those of third parties held by it.

Additionally, there is agreement between the accompanying financial statements and the accounting information included in the management report prepared by the management, which includes the representation by management on the free circulation of invoices with endorsement issued by vendors or suppliers. My evaluation of internal control, carried out for the purpose of establishing the scope of my audit evidence, evidenced the recommendations on internal control that I have reported in separate reports directed to the Administration.



Alba Lucía Gúzman L.
Statutory Auditor
Professional Card 35265-T
Designated by Ernst & Young Audit S.A.S. TR-530

Medellín, Colombia
February 24, 2017

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SPECIAL REPORT ON TRANSACTIONS WITH AFFILIATES AND SUBSIDIARIES

(Values expressed in million, both in pesos and in the original foreign currency)

In accordance with the requirements of Law 222 of 1995, Article 29, and the existence of ISA and its companies, special report is submitted to the Regular Shareholders’ Meeting on the economic relations established with ISA companies during 2016, which are directed and coordinated by parent company, Interconexión Eléctrica S.A. E.S.P. –ISA–.

Direct and indirect commercial transactions between ISA companies during 2016, comply with the provisions of Law 788 on transfer pricing, which was implemented since January 01, 2004.

The main transactions between ISA and the subsidiaries correspond to:

- Project management.
- Sale of operation and maintenance services.
- Leasing of facilities and venues for the operation.
- Sale of installation services and assembly of information systems.
- Advisories for the reorganization of processes and operation by areas.
- Borrowing money for cash flow.
- Other related services.
- Delivery of dividends.
- Capitalization.

It is important noting that between ISA and its companies for the same period in question, the following situations have not been carried out:

- Offset free services.
- Loans without interest or any consideration by the borrower.
- Loans involving an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.

- Loans with different interest rates to those normally paid or charged to third parties.
- Operations whose characteristics differ from those made with third parties.

Regarding the equity interest in affiliates and subsidiaries, ISA updates its investments in subsidiaries by applying the equity method, prior approval of accounting rules and practices and conversion of its financial statements into colombian pesos, using the US dollar as primary currency for investments in foreign currency.

The financial information of ISA and its companies is consolidated by the global integration method, for which all significant balances and transactions between ISA and subsidiaries are eliminated and the corresponding minority interests in equity and profit or loss for the period are recognized and disclosed in the consolidated financial statements.

The most important decisions made or failed to make by controlled company due to the influence or in the interest of the controlling company, as well as the most important decisions that the parent company has made or failed to make in the interests of the subsidiary during 2016 are as follows:

TRANSELCA S.A. E.S.P

The Regular Shareholders’ Meeting of TRANSELCA, in session held on March 11, 2016, approved the Project for distribution of profits generated during 2015 for COP85.103. ISA was allocated the amount of COP85.101.

INTERCONEXIÓN ELÉCTRICA ISA PERÚ S.A.

At Mandatory Annual Meeting of Shareholders of ISA Perú, held on March 15, 2016,



dividends were decreed for USD5,5, charged to retained earnings as of December 2015. ISA was allocated the amount of USD2,5.

RED DE ENERGÍA DEL PERÚ S.A. –REP–

At Mandatory Annual Meeting of Shareholders, held on March 15, 2016, dividends were decreed for USD38,2, charged to retained earnings as of December 2015. ISA was allocated the amount of USD11,5.

CONSORCIO TRANSMANTARO S.A. –CTM–

During 2016, ISA made capital contributions to Transmantaro for the amount of USD33. Funds are mainly allocated to the execution of the investment plan at this subsidiary, which includes the projects of Mantaro-Marcona-Socabaya-Montalvo, Friaspata-Mollepata, La Planicie Industriales and Carapongo.

INTERCONEXIÓN ELÉCTRICA ISA BOLIVIA S.A.

At Mandatory Annual Meeting of Shareholders, held on March 14, 2016, dividends were decreed for Bs35, charged to retained earnings as of December 2015. ISA was allocated the amount of Bs17,8.

INTERCOLOMBIA S.A. E.S.P.

On March 29, 2016, at ordinary session of the Regular Shareholders' Meeting approved the distribution of profits resulting from the period January 1 and December 31, 2015 for COP21.939,2. ISA was allocated the amount of COP21.938,6.

COMPANHIA DE TRANSMISSÃO DE ENERGIA ELÉTRICA PAULISTA –CTEEP–

Controlled or Jointly Controlled Companies

During 2016 CTEEP made contributions to equity to its subsidiaries for BRL4.6, disbursements were made to IESUL and IE GARANHUNS. Additionally, CTEEP

received BRL79.2 from dividends as follows: EVRECY, BRL15; IE Pinheiros, BRL16; IE MADEIRA, BRL29.2 and IE Serra do Japi, BRL19.

Dividends

On April 29, 2016, the Ordinary and Extraordinary General Assembly of Shareholders endorsed the decision from the Administrative Council which approved the distribution of dividends for BRL334.9 (BRL110.8 payments in June 2015; and BRL224.1 payments in December 2015). ISA Capital do Brasil was allocated with the amount proportional to its percentage of ownership interest in CTEEP.

Additionally, the Board of Directors approved the distribution of dividends during 2016 for BRL247.5, “ad referendum” from the Regular Shareholder’s Meeting to be held in 2017.

Undepreciated assets existing as of December 31, 2012, (Basic Network of the Existing System)

The State Ministry of Mines and Energy –MME– published in Administrative Act N° 120 on April 20, 2016 (“Portaria 120”), which established that “the values approved by –ANEEL– related to assets covered by article 15, paragraph 2nd, of Law N°12,783, on January 11, 2013, move to comprise the Regulatory Remuneration Base of the energy transmission concessionaires, as of the rate process of 2017, for an estimated term of eight years and the capital cost is added to the Annual Allowed Revenue.

On October 06, 2016, Technical Note N° 336/2016 from ANEEL was published, which presents a proposal to regulate what covered at Portaria N° 120 from MME, which was in Public Hearing between October 14, 2016 and November 14, 2016. This Technical Note regulates the methodology for the capital cost calculation and the Allowed Annual Revenue calculation to be added in regards to the value of the facilities from the Existing System and establishes values and payment terms for each concessionary.

**Biddings awarded:**

On October 28, 2016, CTEEP was awarded by the Agencia Nacional de Energía Eléctrica –ANEEL– de Brazil, public bidding 21 independently, to this end, it incorporated the company Interligação Elétrica Itaúnas S.A. In addition, CTEEP was awarded a consortium with TAESA –Transmissora Aliança de Energia Elétrica S.A. – with a 50% participation, portions 3 and 4. For this purpose, the companies of Interligação Elétrica Paraguaçu S.A. and Interligação Elétrica Aimorés S.A., were incorporated.

They will have a total investment of USD358 million and will generate USD70 million in revenues.

ISA CAPITAL DO BRASIL S.A.

Between the months of June and December 2016, the sale of 2.139.423 CTEEP preferential shares took place, at an average sale price of BRL64,97/share, for a total amount of BRL139.

TAESA

In December 2016, ISA announced it reached an agreement with the Fundo de Investimento em Participações Taurus Multiestratégia and the Fundo de Investimento em Participações Coliseu, through which the company will purchase shares from the control block of Transmissora Aliança de Energia Elétrica S.A. –TAESA–. These shares represent 41,6% of the control block, 26,0% of ordinary shares and 14,9% of the total TAESA equity, for an amount of BRL1.056, price which will be subject to adjustments and amendments at the deal closing, pursuant to the established in agreement.

INTERCHILE S.A.

During 2016, ISA made capital contributions to INTERCHILE for USD135,3. The funds are intended for the implementation of the investment plan carried out by the company in projects Cardones - Polpaico 500 kV, Circuit 1 and 2 Line Encuentro Lagunas and self-transformer banks, Cardones - Polpaico line.



On February 12, 2016, INTERCHILE, entered into a bank loan up to USD738 for transmission projects, as part of the financing of transmission line projects: Cardones-Polpaico, Encuentro-Lagunas and substations needed.

ISA Inversiones Chile Ltda., capitalized INTERCHILE S.A. in CLP43.713, equivalent to the loan ISA Inversiones Chile Ltda., had granted to the latter.

In extraordinary shareholders meeting held on December 15, 2016, INTERCHILE, decreased its capital stock in CLP19.821. The effective ISA participation in INTERCHILE is kept at 100%.

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

On March 17, 2016, the Annual Mandatory Shareholders' Meeting of PDI was held, in which the distribution of dividends from the balance of earnings generated in 2013 and part of 2014 were approved in the amount of USD1,5, corresponding to ISA 99,97% of this amount.

INTERVIAL CHILE S.A.

During 2015 INTERVIAL CHILE declared dividends to its shareholders for a total of CLP23.135. ISA Inversiones Chile was entitled to the amount of CLP12.722, ISA Inversiones Maule an amount of CLP10.411 and INTERNEXA Colombia CLP2; all subsidiaries of ISA.

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

At the Ordinary Shareholders' Meeting of XM, held on March 29, 2016, distribution of 2015 dividends was decreed in the amount of COP7.796,7. ISA was allocated with COP 7.775,7.

INTERNEXA

During 2016, INTERNEXA made capital contributions to its affiliates for COP27.825, which disbursements were made to INTERNEXA in Brazil \$25.430 and INTERNEXA in Chile for COP2.394.

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CERTIFICATION OF FINANCIAL STATEMENTS AND OTHER RELEVANT REPORTS

Medellín, February 24, 2017

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

The undersigned Legal Representative and the Chief Accounting Officer for Interconexión Eléctrica S.A. E.S.P., in compliance with NCIF (Colombian Accepted Financial and Accounting Reporting Standards) adopted by the Colombia’s National General Accounting Office; with the provisions of Article 37 of Law 222 of 1995, and to Article 46 of Law 964 of 2005, we certify that:

1. The statement of financial position as of December 31, 2016, the income statement and other comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on such date, have been faithfully taken from the books and before being made available to you and third parties, we have verified the following statements contained therein:

- a. The facts, transactions and operations have been recognized and performed during the accounting period.
- b. The economic facts are disclosed pursuant to the established by NCIF (Colombian Accepted Financial and Accounting Reporting Standards), adopted by the Colombia’s National General Accounting Office.

c. The total value of assets, liabilities, equity, revenues, expenses, and costs, have been disclosed by the Company in the financial statements as of the cut-off date.

d. The assets represent a potential of future economic services and benefits, and liabilities represent past events representing outflow of resources, in the development of its activities, at the cutoff date.

2. The financial statements and other relevant reports to the public, from the period ended on December 31, 2016 and 2015, do not contain any inaccuracies, errors or omissions which prevent knowing the true financial condition or operations of ISA.


Bernardo Vargas Gibsone
Chief Executive Officer


John Bayron Arango Vargas
Chief Accounting Officer
Professional I.D. Card 34420-T

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Presidente de ISA

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CERTIFICATION IN INTELLECTUAL PROPERTY AND COPYRIGHT LAWS

Medellin, March 12, 2017

The undersigned Legal Representative and the Vice president of Information Technology for Interconexión Eléctrica S.A. E.S.P., to comply with the established in Article 1st of Law 603 of 2000.

Hereby Certify that:

1. The Company complies with intellectual property and copyright laws, uses legal software, and has paid the corresponding use rights, either by acquisitions, use licenses or assignments. The documents are recorded at the Central Archive.
2. The Company IT Direction holds inventory of the software it uses, and it takes control of installation depending on the type of licensing acquired.
3. Pursuant to the Company’s policies and institutional guidelines, employees are obliged to observe the laws on intellectual property and copyright.



Bernardo Vargas Gibsone
Chief Executive Officer



Olga Lucía López Marín
Vice president of Information Technology



GRI INDEX

FOR THE ESSENTIAL OPTION «IN ACCORDANCE» WITH GRI G4 GUIDE

GENERAL BASIC CONTENTS					
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	PAGE OR RESPONSE	EXTERNAL VERIFICATION OMISSION
STRATEGY AND ANALYSIS					
G4-1	Declaration on the importance of sustainability for the organization and its strategy to address it.	X		CEO's message, page 6	X
PERFIL DE LA ORGANIZACIÓN					
G4-3	Company's name	X		Company's Profile, page 44	X
G4-4	Most important brands, products and services	X		Company's profile, page 22	X
G4-5	Location of headquarters	X		Company's profile, pages 20, 27, 28, 29, 30	X
G4-6	How many and which relevant countries regarding sustainability issues the company operates in?	X		Company's profile, pages 22, 28, 29, 30	X
G4-7	Describe the nature of ownership regime and its legal form	X		Company's profile, page 22	X
G4-8	What markets the company operates? (with geographical description by sectors and types of clients and recipients)	X		Company's profile, pages 22, 28, 29, 30	X
G4-9	What is the size of the company?	X		Company's profile, pages 22, 23, 24, 25	X
G4-10	Number of employees per labor contract and gender	X		Company's profile, pages 4, 445, 446	X
G4-11	Percentage of employees covered by collective agreements	X		Company's profile, pages 23, 24, 445, 446	X
G4-12	Describe the company's supply chain	X		Energy Transmission Business Unit, page 97	X
G4-13	Report any significant changes that have taken place during the period under analysis regarding size, structure, stock ownership or supply chain of the company	X		In the period subject to report, there were two state investors with mixed capital who sold their shareholding participation in the company: Ecopetrol and Empresa de Energía del Pacífico	X
G4-14	If apply, how does the company approach the precautionary principle?	X		Climate for environmental permits and licenses, page 107	X
G4-15	Make a list of letters, principles or other external initiatives of economic, environmental, and social nature that have been subscribed or adopted by the company.	X		Institutional commitments, page 35	X
G4-16	Prepare a list with the associations to which the company belongs	X		Regulatory management, page 89	X

GENERAL BASIC CONTENTS						
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	PAGE OR RESPONSE	EXTERNAL VERIFICATION	OMISSION
MATERIAL ASPECTS AND COVERAGE						
G4-17	Companies included in the consolidated financial statements of the company	X		Consult notes to financial Statements	X	
G4-18	Describe the process to determine the content, memory, and coverage of every aspect	X		Materiality analysis, page 86	X	
G4-19	Make a list of the material aspects	X		Materiality analysis, page 87	X	
G4-20	Indicate the coverage of each material aspect	X		Materiality analysis, page 88	X	
G4-21	Indicate the limit of each material aspect outside the company	X		Materiality analysis, page 88	X	
G4-22	Describe the consequences of information restatements provided in prior reports and their causes.	X		Relevant figures, page 25	X	
G4-23	Indicate any significant changes in the scope or coverage of every aspect compare previous reports.	X		Report profile, page 20	X	
PARTICIPATION OF STAKEHOLDERS						
G4-24	Make a list of stakeholders linked to the company	X		Relationship with stakeholders, page 57	X	
G4-25	What the election of stakeholders is based on?	X		Relationship with stakeholders, page 56	X	
G4-26	Describe the Company's approach on the participation of stakeholders	X		Relationship with stakeholders, page 56, 57	X	
G4-27	Point out what key issues and problems have arisen through the participation of stakeholders	X		Relationship with stakeholders, page 57, 58	X	
REPORT PROFILE						
G4-28	Report period	X		Report profile, page 20	X	
G4-29	Latest date report	X		Report profile, page 20	X	
G4-30	Reporting cycle	X		Report profile, page 20	X	
G4-31	Provide a point of contact to resolve doubts that may arise	X		Report profile, page 20	X	
G4-32	Option "according to" with the guide selected by the company	X		Report profile, page 20	X	
G4-33	Describe the policy and practices of the company regarding external verification of memory	X		Report profile, page 20	X	

GENERAL BASIC CONTENTS						
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	PAGE OR RESPONSE	EXTERNAL VERIFICATION	OMISSION
GOVERNMENT						
G4-34	Describe the company's governance structure	X		Composition of the Boards of Directors, pages 69, 70	X	
G4-38	Describe the composition of the supreme governing body and its committees	X		Corporate governance, pages 68, 69	X	
G4-39	Indicate if the person who chairs the superior governance entity also holds an executive position. If so, describe your executive functions and the reasons of this provision.	X		Composition of the Board of Directors, page 68	X	
G4-40	Describe the designation processes and the selection of the superior entity and its committees.	X		Composition of the Board of Directors, page 70	X	
G4-41	Describe the processes by which the superior governance entity prevents and manages potential conflicts of interests	X		Composition of the Board of Directors, page 70	X	
G4-46	Describe the function of the superior governance entity in the analysis of effectiveness of the company's risk management processes regarding financial, environmental and social issues.	X		Board Committees, page 70	X	
G4-48	Indicate what is the committee of most relevant position in charge of reviewing and approving the sustainability report of the company, as well as ensuring all relevant aspects remain reflected.	X		Report profile, page 20	X	
G4-51	Describe the remuneration policies for the superior governance entity and senior management	X		Board's remuneration, page 70	X	
ETHICS AND INTEGRITY						
G4-56	Describe the values, principles, standards and regulations of the company, such as codes of conducts or ethics codes	X		Framework for action, pages 37, 68	X	
G4- 57	Report internal and external mechanisms to ask for help on topics related to ethical behavior and organizational integrity, such as help lines and service lines.	X		Ethics code, pages 61, 64	X	
G4-58	Report internal and external mechanisms to report concerns about non-ethical or dishonest behaviors, by means of a report to senior executives, report line, or ethics line.	X		Ethics code, page 63	X	

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SPECIFIC BASIC CONTENTS: RELEVANT ASPECTS					
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	RESPONSE	EXTERNAL VERIFICATION
ECONOMIC IMPACT					
G4-DMA	Management Approach	X		Economic Dimension, page 95	
G4-EC1	Generated and distributed direct economic value	X		Economic Dimension, page 428	X
MANAGEMENT OF IMPACTS ON BIODIVERSITY					
G4-DMA	Management Approach	X		Management of impacts on biodiversity, page 110	
G4-EN12	Description of the most important on the biodiversity of protected areas or high value areas in terms of unprotected biological diversity arising from activities, products and services.	X		Management of impacts on biodiversity, pages 11, 110, 436	X
G4-EN13	Protected or restored habitats	X		Management of impacts on biodiversity. Additional breakdown is reported in the complement to GRI table, pages 111, 113, 439	
MANAGEMENT OF ENVIRONMENTAL PERMITS AND LICENSES					
G4-DMA	Management Approach	X		Management of environmental permits and licenses, page 105	
G4-EN29	Monetary value of significant fines and numbers of non-monetary sanctions by non-compliance of legislation and environmental regulation	X		Management of environmental permits and licenses, page 110	X
G4-EN31	Investments in environmental programs	X		Management of environmental permits and licenses, pages 109, 110	
Own indicator	Weighted compliance with projects deadline (compared to schedule)	X		Management of environmental permits and licenses, page 109	
Own indicator	Delay to obtain environmental licenses (compared to schedule)	X		Management of environmental permits and licenses, page 109	X
SOCIAL MANAGEMENT					
G4-DMA	Management Approach	X		Social management, page 92	
G4-S01	Percentage of operations with community work initiatives	X		Social management, page 94	X
G4-S011	Number of complaints on social impacts that have been presented, addressed, or solved by means of formal complaint mechanisms.	X		Social management, page 427 Additional breakdown is reported in the complement to GRI table	X
G4-EC7	Development and impact of infrastructure investment and types of services	X		Social management, pages 91, 427 Additional breakdown is reported in the complement to GRI table	
Own indicator	Social investment in critical municipalities	X		Social management, page 93	X

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SPECIFIC BASIC CONTENTS: RELEVANT ASPECTS					
	GRI INDICATOR AND DESCRIPTION	COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	RESPONSE	EXTERNAL VERIFICATION
	HUMAN RIGHTS				
G4-DMA	Management Approach	X		Human Rights, page 102	
G4-HR1	Number and percentage of contracts and significant investment agreements that include human rights clauses or that have been subject to analysis in relation to human rights.	X		Human Rights, page 431 Additional breakdown is reported in complement to GRI table	
G4-HR2	Training hours to employees on policies and procedures related to those aspects of relevant human rights for their activities, included the percentage of trained employees.	X		Human Rights, pages 104, 431 Additional breakdown is reported in complement of GRI table	
G4-HR3	Number of discrimination cases and correctives actions taken.	X		Human Rights, pages 105, 432	
G4-HR4	Identification of centers and suppliers in which freedom of association and right to apply collective agreements can be violated or being threatened, and actions taken for defending these rights.	X		Human Rights, pages 105, 432	
G4-HR5	Operations and suppliers with child exploitation risk.	X		Human Rights, pages 104, 105, 433	
G4-HR6	Significant centers and suppliers with an important risk of causing forced labor, and actions taken to contribute to the elimination of all forms of forced labor.	X		Human Rights, pages 105, 433	
G4-HR7	Percentage of security staff that have received training on policies or procedures of the organization in relation to relevant human rights for operations.	X		Human Rights, pages 105, 434 Additional breakdown is reported in complement to GRI table	
G4-HR8	Number of cases of violation involving rights of indigenous communities and actions taken.	X		No cases of violation involving rights of indigenous communities were presented, page 434	
G4-HR9	Number and percentage of centers that have been subject to examinations or evaluations of impacts regarding human rights.	X		Human Rights, page 435	X
G4-HR12	Number of complaints on human rights that have been presented, addressed and solved by means of formal complaint mechanisms	X		No complaint on human rights were presented through formal mechanisms, page 435	

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SPECIFIC BASIC CONTENTS: RELEVANT ASPECTS						
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	RESPONSE	EXTERNAL VERIFICATION	OMISSION
HUMAN RIGHTS						
Own indicator	Complaints of ethics line managed annually	X		Human Rights, page 95		
Own indicator	Number of events violating Human Rights	X		Human Rights, page 105	X	
MANAGEMENT OF SUPPLIERS AND CONTRACTORS						
G4-DMA	Management Approach	X		Suppliers management, page 96		
G4-EN32	Percentage of new suppliers that were evaluated according to environmental criteria	X		Suppliers management, pages 99, 430 Additional breakdown is reported in complement to GRI table	X	
G4-LA15	Important, real and potential negative impacts of labor practices in the supply chain, and related actions.	X		Suppliers management, pages 99, 429 Additional breakdown is reported in complement to GRI table	X	
G4-HR11	Important negative impacts in relation to real and potential human rights, in the supply chain, and actions taken	X		Suppliers management, pages 99, 429 Additional breakdown is reported in complement to GRI table		
G4-S09	Percentage of new suppliers that were evaluated according to criteria related to social impact	X		Suppliers management, pages 430 Additional breakdown is reported in complement to GRI table		
G4-EC9	Percentage of expenditure in placeswith significant operations that correspond to local suppliers	X		Supply chain, page 430		
Own indicator	Own indicator Strategic suppliers evaluated according to corporate guidelines	X		Training and development of human talent, page 101		
TRAINING AND DEVELOPMENT OF HUMAN TALENT						
G4-DMA	Management Approach	X		Page 115		
G4-LA9	Average training hours per year per employee, described by gender and labor category	X		Training and development of human talent, page 117	X	

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SPECIFIC BASIC CONTENTS: RELEVANT ASPECTS					
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHENSIVE REPORT	ONLY COVERED ON WEBSITE	RESPONSE	EXTERNAL VERIFICATION
OMISSION					

TRAINING AND DEVELOPMENT OF HUMAN TALENT					
G4-LA11	Percentage of employees that receive our regular performance evaluations and professional development, described by gender and professional category.	X		Training and development of Human Talent, pages 118, 442 Additional breakdown is reported in complement to GRI table	
Own indicator	Evaluation of organizational environment	X		Training and development of human talent, page 119	X
REGULATORY MANAGEMENT					
G4-DMA	Management Approach	X		Regulatory management, Page 88	
G4-PR9	Monetary value of significant fines from non-compliance of regulations in relation to the supply and use of products and services	X		Regulatory management, page 89	X

SPECIFIC BASIC CONTENTS: NON-RELEVANT ASPECTS					
GRI INDICATOR AND DESCRIPTION		COVERED ON COMPREHEN- SIVE REPORT	ONLY COVE- RED ON WEBSITE	RESPONSE	OMISSION

ECO-EFFICIENCY INITIATIVES					
G4-EN3	Internal energy consumption		X		
G4-EN8	Total water catchment according to source		X		
G4-EN15	Direct emissions of greenhouse gases (Scope 1)		X		X
G4-EN16	Indirect emissions of greenhouses when generating energy (Scope 2)		X	Further information, click here	X
G4-EN17	Other indirect emissions of greenhouse gases (Scope 3)		X		X
G4-EN23	Total weight of waste managed, according to the type and method of treatment		X		

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Información complementaria del asunto material: Gestión regulatoria

ASSOCIATIONS TO WHICH ISA AND ITS COMPANIES BELONG TO [G4-16]	
Company	2016
ISA	Asociación de Industriales de Colombia -ANDI- (National Association of Industrialists)
	Comité Colombiano de la CIER -COCIER- (CIER Colombian Committee)
	Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones -ANDESCO- (National Association of Utility and Communication Companies)
	Comité Colombiano del Consejo Mundial de Energía -COCME- (Colombian Committee of the World Energy Council)
	Consejo Internacional de Grandes Redes Eléctricas -CIGRE- (International Council of Large Electricity Grids)
INTERCOLOMBIA	Comité Colombiano de la CIER -COCIER- (CIER Colombian Committee)
	Comité Minero Energético (Mining and Energy Committee)
	Consejo Nacional de Operación -CNO- (National Operation Council)
	Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones -ANDESCO- (National Association of Utility and Communication Companies).
REP	Patronato Perú 2021
	Sociedad Nacional de Minería, Petróleo y Energía (National Society of Mining, Oil and Energy)
	Comité Peruano de la CIER -COCIER- (CIER Peruvian Committee)
	Consejo Empresarial Colombiano (Colombian Business Council)
CTEEP	Associação Brasileira da Infraestrutura e Indústria de Base –ABDIB–
	Associação Brasileira das Companhias Abertas –ABRASCA–
	Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica –ABRATE–
	Associação Brasileira de Concessionárias de Energia Elétrica –ABCE–
	Associação Brasileira dos Contadores do Setor de Energia Elétrica –ABRACONEE–
	Comitê Nacional Brasileiro da CIER –BRACIER–
INTERCHILE	Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica –CIGRE Brasil–
	Asociación de Empresas Eléctricas de Chile A.G.
	Asociación Nacional de Empresas de Servicios Públicos y Comunicaciones -ANDESCO- (National Association of Utility and Communication Companies)
TRANSELCA	Comité Colombiano de la CIER -COCIER- (CIER Colombian Committee)
	Consejo Nacional de Operación -CNO- (National Operation Council)
ISA BOLIVIA	Does not belong to any associations.

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Additional information about relevant aspect: Social management

→ Claims for social impacts addressed with formal mechanisms G4-S011

	ISA	INTERCOLOMBIA	REP	CTEEP	ISA BOLIVIA	TRANSELCA	INTERCHILE
Formal claim mechanisms on social impacts	Ethics Line. Email: Contact us.	Single support line. Customer service offices in projects under construction phase. Physical correspondence. Direct relationship with contractors or company's staff.	Ethics line. Physical correspondence. SAP notices: AM17, AM15, AM13-SOJO, AM16	Hable con nosotros (Talk to us) channel, online tools and email	Physical correspondence	Ethics Line Ethical mailbox. Physical correspondence.	Mechanisms for consultation, suggestions and claims (phone line and email).
Total number of claims identified in 2016	0	72	68	0	0	0	51
Number of claims addressed in 2016	0	76	67	0	0	0	51
Number of claims resolved in 2016	0	74	67	0	0	0	35
Claims presented before 2016 and solved in 2016	0	4	0	0	0	0	0

Note: among the negative impacts, we can find those caused by the company or those in which it shares responsibility, or also those related to its activities, products or services regarding its relationship with a supplier.

→ Development and impact of investment on infrastructure and types of services G4-EC7

FIGURES IN COP	ISA	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE	TOTAL
Social infrastructure (civil works)	-	4,500,649,101	-	14,646,348	-	-	355,602,563	4,870,898,012
Support services (investment in education, culture, sport, music)	1,799,546,517	4,221,678,729	3,489,923,402	96,962,396	14,157,344	314,947,423	-	9,937,215,811
Programs of social and environmental management plan of the environmental license or instrument	-	4,690,901,446	-	1,660,480,743	-	-	180,365,257	6,531,747,446
Others	-	-	-	-	-	-	-	-
TOTAL	1,799,546,517	13,413,229,276	3,489,923,402	1,772,089,487	14,157,344	314,947,423	535,967,820	21,339,861,269
Significant investments in programs and projects that benefit communities (voluntary and mandatory)	1,799,546,517	13,413,229,276	3,489,923,402	1,772,089,487	14,157,344	314,947,423	535,976,820	20,779,781,974

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Información complementaria sobre el asunto material: Impacto económico

→ Direct economic value generated and distributed G4-EC1
(Millions of COP)

CONCEPTS	ISAS' ENERGY TRANSMIS- SION + INTERCOLOMBIA (*)	CTEEP	REP	CTM	ISA PERU	TRANSELCA	ISA BOLIVIA (**)
Net operational revenues	3,051,129	7,879,526	512,276	1,237,534	102,813	322,405	70,947
Revenues from financial investments	97,949	44,799	65,904	95,212	3,462	22,869	1,248
Revenues for asset sale (Property, Plant and Equipment -PPYE- and intangible assets)	-	-	-	-	-	434	-
Direct economic value generated	3,149,078	7,924,325	578,180	1,332,746	106,275	345,708	72,194
Operating costs (other AOM)	316,610	295,074	278,939	1,006,543	77,165	94,493	33,745
Wages and benefits of employees (AOM staff costs)	109,116	195,623	63,870	-	99	34,067	4,650
Payments to capital suppliers (Dividends paid to shareholders)	319,011	227,878	114,662	-	16,616	85,103	15,082
Payments to capital suppliers (Payment of interests)	195,496	160,265	104,928	126,169	5,115	62,914	4,703
Payment to Government	386,273	2,949,789	47,942	21,596	5,584	79,384	11,832
Community investments	15,213	3,490	1,772	-	-	315	14
Distributed Economic value	1,341,718	3,832,119	612,113	1,154,308	104,578	356,276	70,027
Retained economic value	1,807,360	4,092,206	(33,933)	178,439	1,696	(10,568)	2,168

(*) ISA and INTERCOLOMBIA provide the energy transmission service in Colombia by means of a share account contract, which is why they are integrated.
(**) Financial information has been prepared according to the Generally Accepted Accounting Standards in Bolivia.

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Additional information on suppliers' management

→ Significant negative impacts on labor practices [G4-LA15] and regarding Human Rights [G4-HR11]

ASPECT		ISA		INTERCOLOMBIA		REP		CTEEP		TRANSELCA		ISA BOLIVIA		INTERCHILE	
		2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Suppliers evaluated	Labor	220	57	208	82	112	114	78	0		15		77		0
	Human Rights	43	408	148	270	100	114	0	0		0		0		
Suppliers with significant negative impacts (real and potential)	Labor	30	79	0	118	10	10	0	0		0		2		0
	Human Rights	0	408	0	270	0	0	0	0		0		No evaluation was conducted		
Significant negative impacts (real and potential) discovered on work practices in the supply chain	Labor	Non-compliance to legal requirements on Occupational and Safety issues						No evaluation was conducted			Non-compliance to legal requirements on Occupational and Safety issues		Non-compliance to legal requirements on Occupational and Safety issues		No evaluation was conducted
	Human Rights	No identified									No identified		No evaluation was conducted		No evaluation was conducted
Suppliers with significant negative impacts (real and potential) with which improvements were agreed after their evaluation	Labor	2	0	0	2	10	10	0	-	No reported	0	No reported	1	No reported	0
Percentage of suppliers with significant negative impacts (real and potential) with which improvements were agreed after their evaluation		7%	0%	0%	1.7%	100%	100%	0%	0%		0%		1%		0%
Suppliers with significant negative impacts (real and potential) with which the contractual relationship was terminated, as a result of evaluation	Human Rights	0	0	0	0	1	0	0	0		0		No realizó evaluación		0
Percentage of suppliers with significant negative impacts (real and potential) with which the contractual relationship was terminated, as a result of evaluation		0%	0%	0%	1%	0%	0%	0%	0%		0%		0%		0%

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→ New suppliers evaluated on environmental [G4-EN32] and socio-political [G4-S09] issues

ASPECT		ISA		INTERCOLOMBIA		REP		CTEEP		TRANSELCA		ISA BOLIVIA		INTERCHILE	
		2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
New suppliers evaluated	Total	141	30	68	82	112	114	0	0		2		10		0
% of new suppliers evaluated in environmental and socio-political issues	Environmental	62%	11%	100%	29%	100%	100%	0%	0%	No report	13%	No report	10%	No report	0%
		NA	NA	0%	1%	0%	0%	NA	NA		NA		18%		0%

→ Purchases made to local suppliers [G4-EC9]
(millions of COP)

		ISA		INTERCOLOMBIA		REP		CTEEP		ISA BOLIVIA		TRANSELCA		INTERCHILE	
		2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Total purchase value		299,297	428,889	462,446	59,003	121,583	493,029	247,312	402,414	4,226	1,121	106,048	68,662		
Value of purchases made to local suppliers		246,948	349,132	454,089	59,003	116,393	477,392	247,312	402,414	2,092	926	105,241	62,485		
% of purchases made to local suppliers		83%	81,4%	98%	100%	96%	97%	100%	100%	50%	83%	99%	91%	No report	No data
Suppliers with contract		220	242	551	278	684	117	No report	1402	281	93	329	351		
Local suppliers with contract		167	183	535	278	650	101	No report	1402	258	80	327	344		
% of local suppliers without contract		76%	75,6%	97%	100%	95%	86%	100%	100%	92%	86%	99%	98%		

Definition of local: a country where the company is present.
Places with significant operations: Colombia, Peru, Brazil, Bolivia, and Chile.

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Additional information on relevant issue: Human Rights

→ Number and percentage of significant investment contracts and agreements that include Human Rights clauses or have been subject to analysis on this matter [G4-HR1]

	ISA	INTERCOLOMBIA	CTEEP	REP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Number of significant investment agreements that include Human Rights clauses or that have been subject to analysis on this matter.	408	567	ND	117	445	ND	0
% of significant investment agreements that include Human Rights clauses or that have been subject to analysis on this matter	90%	100%	ND	100%	100%	ND	0%

Significant agreement means all those purchases made for managing energy transmission to which the clause and analysis on Human Rights, Occupational Health, Environment, and Social Responsibility is applied for suppliers linked to the contracting of services.

→ Training hours of employees on policies and procedures related to those aspects on Human Rights relevant for their activities [G4-HR2]

	ISA	INTERCOLOMBIA	CTEEP	REP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Number of training hours on policies and procedures related to Human Rights issues.	22	56	0	760	0	ND	0
% of employees trained	11%	21%	0%	98%	0	ND	0

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→ Number of discrimination cases and corrective actions taken [G4-HR3]

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Number of discrimination cases occurred during the period subject to report.	0	0	0	0	0	ND	0
Describe the current situation and the actions taken.	The working coexistence committee and the ethics line did not report any case in this regard.			One complaint made was not applied.	The working coexistence committee and the ethics line did not report any case in this regard.	ND	No cases were presented.

→ Identification of significant centers and suppliers in which the freedom of association and the right to and right to apply collective agreements can be violated or being threatened, and actions taken for defending these rights [G4-HR4]

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Indicate the significant centers and suppliers in which the freedom of association of the right to apply collective agreements can be violated	No risks to violate collective agreements were presented.						
Countries or geographic areas where it is considered that activities present a risk of this nature.	Geographic operational centers do not show risks of violating this right.						
ISA, INTERCOLOMBIA and TRANSELCA operate and have headquarters in Colombia. REP operates in Peru. CTEEP mainly operates in San Pablo state. ISA Bolivia operates in Bolivia. And INTERCHILE operates in 6 regions of Chile.							
The types of centers are mainly administrative headquarters, transmission centers and substations. Construction suppliers operate on field, and operation centers of suppliers are their corresponding headquarters and production sites.							
ISA and its companies have collective Agreements and guilds, Ethics Code and a Guidelines on Human Rights and Enterprise, instruments that allow ensuring this service. Practices apply to suppliers through contractual clauses for their promotion and follow-up. In addition, ISA, INTERCOLOMBIA, REP and CTEEP adhered to the Global Compact.							

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→ Identification of centers and suppliers with a significant risk of child exploitation and forced labor cases, and actions taken to contribute for the elimination of these practices [G4-HR5] [G4-HR6]

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Identify centers and suppliers with a significant risk of child exploitation and forced labor cases.	0	0	0	0	0	0	0
Identify the centers and suppliers with a significant risk of cases including young workers exposed to dangerous tasks.	0	0	0	0	0	0	0
Indicate the centers and suppliers with a significant risk of cases including child labor in terms of type of center and supplier	0	0	0	0	0	0	0
Indicate the centers and suppliers with a significant risk of cases including child labor and forced labor in terms of countries and geographic areas where it is considered that activities pose a risk of this nature.	0	0	0	0	0	0	0

The company's operation centers are the administrative headquarters and substations.

ISA, INTERCOLOMBIA, TRANSELCA, REP, CTEEP and INTERCHILE have not identified risks related to child labor or force labor in their own or outsourced operations.

There was no risk of young workers exposed to dangerous works, a risk not present in own centers or contractors, or in construction and operation processes. Purchases made in different countries consider in contractual minutes the respect for law from the country of origin of the product and the country of delivery of the product. Minutes specify the prohibition of child labor and forced labor, by complying with the Ethics Code of ISA.

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→ **Percentage security staff that has received training on policies or procedures of the company in terms of Human Rights relevant for operations** [G4-HR7]

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Identify how many security staff members are recruited by the company.	10	13	118	0	37	0	10
Indicate the percentage of security staff that has received specific formal training on policies or procedures of the company in terms of Human Rights and their implementation on security.	100	100%	100%	0	100%	0	100%
Indicate if training requirements are demanded to other companies from which security staff is recruited.	There is a requirement applied to the staff attached to surveillance companies working on facilities.		AL-E-01 specification AL-E-01: "Safety, Occupational Health, Environment and Social Responsibility" is included.	The contract for the provision of services with security companies have the same clauses applicable to any recruitment that related the Ethics Code, compliance of premises associated with RSE and environmental management.	It includes private security contracts. Those who are part of the contract conduct an induction training of the company on Human Rights and other issues, which they should respect and foster.	Security staff of contractors are trained and evaluated by using the Manual for Occupational Health, Security and Environmental Management of ISA, which includes this issue.	

→ **Number of cases of violation involving rights of indigenous communities and actions taken** [G4-HR8]

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Indicate the number of cases of violation involving rights of indigenous communities and actions taken [G4-HR8]	0	0	0	0	0	0	0
Describe the current situation and actions taken.	No cases of violation involving rights of indigenous communities were presented.						

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→ Number and percentage of centers that have been subject to examinations or evaluations of impacts regarding human rights G4-HR9

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Indicate the total number of operational centers belonging to the company, described per country.	2	58	68	6	15	0	5
Indicate the number and percentage of centers subject to Human Rights or those in which the impact on Human Rights has been evaluated.	100%	100%	100%	100%	100%	-	0%

→ Number of complaints on human rights that have been presented, addressed and solved by means of formal complaint mechanisms G4-HR12

	ISA	INTERCOLOMBIA	REP	CTEEP	TRANSELCA	INTERCHILE	ISA BOLIVIA
Total number of complaints on Human Rights that have been presented through formal complaint mechanisms	0	0	0	1	0	0	0
Number of complaints addressed in the period	0	0	0	1	0	0	0
Number of complaints solved in the period	0	0	0	1	0	0	0
Complaints presented before the corresponding period and solved during the memory period.	No complaints were presented on this matter.						

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Información complementaria sobre el asunto material: Gestión de permisos y licencias ambientales

→ Indique los impactos significativos directos e indirectos, positivos y negativos, haciendo referencia a los siguientes aspectos G4-EN12

	INTERCOLOMBIA		REP		CTEEP		TRANSELCA		INTERCHILE	
	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management
Species affected	BEMI TL (Transmission Line) Logging of 1639 specimens corresponding to 70 species. VIMA: 3 specimens corresponding to 2 species were logged. SE_CE and GECE 60 trees were logged at the Cerromatoso CHUR (CHIMON) substation. 16 trees were logged at the Chinu substation. COLI Logging of 73 specimens corresponding to 26 species at the Caracolí Substation Line 220kV: logging of 119 specimens corresponding to 20 species. Fauna: Line 220 kv: 42 specimens distributed in 20 species were found where 19 of them have been repelled and 23 have been captured for subsequent release.	BEMI: 1 vegetal clearing program and flora and fauna rescue. VIMA: 1 vegetal clearing program and flora and fauna rescue. SE_CE y GECE: : In Cerromatoso substation, implementation of measures related to forestry use and rescue of flora. CHUR (CHIMON): in Chinú substation, implementation of measures related to forestry use and rescue of flora and fauna. Caracolí substation and Line 220 kV: Program for managing vegetation in operational stage, program for installing flight diverters, program for landscape and ornamentation management, and rescue program of protected, endemic or threatened flora.	There are no species affected since activities are carried out on existing infrastructure.	Expel due to human behaviors / Training in caring flora and fauna. Loss of habitat of species in the area / Revegetation and recovery program in the area.	Ibitinga - Bariri TL 138 kV: secondary vegetation under initial conditions of natural regeneration in permanent preservation area. Assis - Chavantes - Salto Grande TL 230 kV.	Ibitinga - Bariri TL 138 kV: a part of the area has a natural regeneration process. Soil removal is necessary. There is support for restoring the area according to the provision of the environmental authority. Ibitinga - Bariri TL - Salto Grande 230 kV: a part of the area has a natural regeneration process. Soil removal is necessary. Cutting vegetation is necessary. There is support for restoring the area according to the provision of the environmental authority.	Within the operation of lines and transmission substations of TRANSELCA, impacts are minimal, only affecting species located at easement areas, so there has been no need to restore habitats.	NA	Encuentro - Lagunas: Grey gull, peregrine falcon, culpeo fox, great north gecko, small north gecko, microlophus theresioides, dragon of torres, stolzman dragon, guanaco. Cardones - Polpaico: gecko, lizards and local lizards, Chilean iguana, trichahue parrot, coruro, yaca, mouse, rhinella arunco, chinchilla.	Anti-collision devices, controlled disturbance, training to contractors and ITO, displacement of towers (in the case of falcon) among others.

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	INTERCOLOMBIA		REP		CTEEP		TRANSELCA		INTERCHILE	
	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management
Extent of affected areas	BEMI: 12,02 ha VIMA: 500 m2 SE_CE and GECE 1,93 ha of coverage affected in the Cerromatoso substation (projected in January 2017). CHUR (CHIMON) 1,2 ha of coverage affected in the Chinu substation (projected in January 2017). COLI: Caracoli SE: 1,5 ha line, 220 kV: 5,87 ha		8,242.3 m²	Alteration of soil quality and change of greater use for constructive activities / Environmental compensation program. Social conflicts with owners or possessors / Compensation program and land compensation	Ibitinga - Bariri TL 138 kV: 1,055 m2 Assis - Chavantes - Salto Grande TL 230: 1,260 m2		NA	NA	ND	ND
Duration of impacts	Impacts generated by vegetation removal (forestry use and clearing of vegetation) are permanent in projects: BEMI, LT, VIMA, and Cerromatoso Substation SE_CE and GECE, CHUR (CHIMON (Chinu Substation)), COLI (Caracoli Substation, Line 220 kV).		According to the Conesa methodology, impacts are temporary, of negative nature, without synergy, and with simple accumulation, so the level of importance is relevant.		LT 138 kV Ibitinga - Bariri: durante el desmontaje de la torre y el montaje de la torre nueva. LT 230 Assis - Chavantes - Salto Grande: período de obra		NA	NA	During construction	Controlled disturbance, rescue and relocalization, anti-collision devices.

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	INTERCOLOMBIA		REP		CTEP		TRANSELCA		INTERCHILE	
	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management	Data	Positive / Negative aspects. Actions implemented for management
Reversible or irreversible nature of impacts	Impacts generated by changing the vegetal coverage are irreversible in projects: BEMI TL, VIMA, SE_CE and CEGE, Cerromatoso substation, CHUR (CHIMON (Chinu substation), COLI (Caracoli SE, Line 220 kV)		According to the Conesa methodology, impacts are temporary, of negative nature, without synergies, or simple accumulation, therefore, the level of importance is irrelevant.		Ibitinga - Bariri TL 138 kV: reversible Assis - Chavantes - Salto Grande TL 230: Irreversible		NA	NA	Irreversible	
Actions developed for managing this impacts	BEMI: Program for vegetation removal and rescue of flora and fauna. VIMA: Program for vegetation removal and rescue of flora and fauna. SE_CE and GECE: in Cerromatoso SE, implementation of management actions included in the Forestry Use Plan, as well as actions provided for rescuing flora. Implementation of the compensation plan (tree plantation). CHUR (CHIMON): Program for Vegetation Management. Implementation of actions provided for rescuing flora and fauna, and compensation plan (plantation of 2411 trees). COLI: Program for vegetation management. Program to manage vegetation in the operational stage. Program for installing flight diverters. Program for landscape and ornamentation management. Program for rescuing protected, endemic or threatened flora.		Prevention actions regarding pollution were incorporated to TA-E-02 specifications for the constructive stage of projects, as well as commitment matrices for complying with commitments of IGA of each project.	Implementation of follow-up programs, monitoring and control of environmental aspects during the execution of activities. There is a budget for replacement of environmental components without project, set out in PMA.	Ibitinga - Bariri TL 138 kV / Assis - Chavantes - Salto Grande TL 230: delimitation of affected area (APP) during compliance works of TCRA (compensation program).		NA	NA		

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Additional information on relevant aspect: Management of impacts on biodiversity

→ Protected or restored habitats (includes rehabilitation and reforestation) G4-EN13

ISA AND INTERCOLOMBIA	
Habitat	
Name of habitat	Tropical rainforest with degraded soils by mining and livestock.
Geographic localization	Municipality of Cáceres (department of Antioquia, Colombia).
Area of restored or protected area	1,230 ha
Area status at the end of period (compared to base line)	Significant improvement of soil conditions and water in intervened areas: • Habitats for endangered species such as turtles, monkeys, among others, were created. • Reforestation with native species where instead monoculture plantations has served as model for similar projects by the Unites States Agency for International Development. • A seed bank to preserve genetic diversity and biodiversity of local plants was created. The project served as a research location for some articles of the report “The conservation status of the world’s genetic resources”.
Verification by a third party	This project is certified by the Climate, Community & Biodiversity (CCB) standard (which evaluates the benefits of biodiversity, climate and integration of local community in the project) and the Verified Carbon Standard (VCS) (a stricter certificate for forestry projects).
Type of action	Voluntary investment. This project allows compensating GHG and contributing to its goals on biodiversity conservation and social investment.
Any collaboration with third parties?	South Pole
INTERCOLOMBIA	
Habitat 1	
Name of habitat	Continuation: Ciénaga La Virgen (mangrove ecosystem)
Geographic location	Cartagena de Indias, department of Bolivar (Colombia).
Area of restored or protected habitat	7 ha.
Area status at the end of period (compared to base line)	Increase of vegetation coverage in area without vegetation. The maintenance made to 30,000 mangrove seedlings planted allowed they reached a height over 1,5 meters.
Verification by third party	National Authority for Environmental Licenses (ANLA) and Autonomous Regional Corporation of the Dique Canal (CARDIQUE)
Type of action	Mandatory nature
Any collaboration with third parties?	The plantation was set out at the end of 2014. Maintenance made ensures its normal development.

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Habitat 2	
Name of habitat	Continuation: dry forest ecosystem.
Geographic location	San Juan de Nepomuceno, department of Bolívar (Colombia).
Area of restored or protected habitat	29,6 ha
Area status at the end of period (compared to base line)	It was restored with native species from the ecosystem. The intervened area was enriched. The plantation was set out at the end of 2015. Maintenance made in 2016 ensures its normal development.
Verification by third party	ANLA and CARDIQUE
Type of action	Mandatory nature
Any collaboration with third parties?	This compensation is mandatory and verified by ANLA and CARDIQUE.
Habitat 3	
Name of habitat	Wetlands (Chucua Negra and Zulia rivers).
Geographic location	Villavicencio, department of Meta (Colombia).
Area of restored or protected habitat	2 ha
Area status at the end of period (compared to base line)	It was restored with native species. The intervened area was enriched. During 2016, maintenance to plantation was made.
Verification by third party	Corporation for the Sustainable Development of the Special Management Area of Macarena (CORMACARENA).
Type of action	Mandatory nature
Any collaboration with third parties?	This compensation is mandatory and verified by CORMACARENA.
REP	
Habitat 1	
No habitat recovery was reported.	
CTEEP	
Habitat 1	
Name of habitat	Hydroelectric Plant of Santa Branca - Light
Geographic location	Municipality: Sandra Branca. State: Sao Paulo (Brazil)
Area of restored or protected habitat	13,2828 ha
Area status at the end of period (compared to base line)	It is under restoration process with native species.
Verification by third party	Eucaflora Reflorestamiento
Type of action	Mandatory nature.
Any collaboration with third parties?	No

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CTEEP	
Habitat 1	
Name of habitat	Hydroelectric plant of Chavantes - Duke Energy Brasil
Geographic location	Close to municipalities: Chavantes and Ribeirão Claro. State: Sao Paulo (Brazil)
Area of restored or protected habitat	0,5808 ha
Area status at the end of period (compared to base line)	It is under restoration process with native species.
Verification by third party	EPR Soluções Ambientais Ltda
Type of action	Mandatory nature
Any collaboration with third parties?	No
Habitat 3	
Name of habitat	Sertãozinho road.
Geographic location	Municipality: Santo André. State: Sao Paulo (Brazil)
Area of restored or protected habitat	0,123 ha
Area status at the end of period (compared to base line)	It is under restoration process with native species.
Verification by third party	IBEC
Type of action	Mandatory nature
Any collaboration with third parties?	No
TRANSELCA	
Habitat 1	
Within the operation of lines and transmission substations of TRANSELCA, impacts are minimal, only affecting species located at easement areas, so there has been no need to restore habitats. In addition, no protected habitat has been affected.	

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Additional information on relevant aspect: Human Talent Resources Management

→ Employees whose performance and development are frequently evaluated [G4-LA11]

		ISA			INTERCOLOMBIA			REP			CTEEP			ISA BOLIVIA			TRANSELCA			INTERCHILE		
		Men	Women	%	Men	Women	%	Men	Women	%	Men	Women	%	Men	Women	%	Men	Women	%	Men	Women	%
Level 1	Vice presidents and subsidiaries' CEOs	5	4		1	0		1	0		1	0		1	0		1	0		NA	NA	
Level 2	Area managers and directors (senior staff)	9	2		15	6		13	8		76	12		1	1		9	8		NA	NA	
				94%			100%			99%			99%			100%			96%			-
Level 3	Specialists, analysts and professionals	87	66		208	103		142	38		42	78		11	4		58	27		NA	NA	
Level 4	Technicians, assistants and administrative staff	2	11		176	34		146	13		1.112	64		9	2		63	10		NA	NA	

→ Description of initial wage per gender and local minimum wage in places in which significant operations are developed [G4-EC5]

	ISA		INTERCOLOMBIA		CTEEP		REP		ISA BOLIVIA		TRANSELCA		INTERCHILE	
Topic	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Indicate the relationship between the initial wage described per gender and the local minimum wage in which significant operations are developed.	5.13	2.82	2.44	2.16	1.22	1.00	3.85	3.81	2.91	3.52	3.00	2.26	2.35	3.40

Provide the definition used for establishing "places with significant operations".

Colombia:

Minimum wage is the same in the entire territory.

REP:

All operations are significant. Company's wages are not established by operational sites but through a valuation of the position under HAY GROUP methodology.

Bolivia:

Minimum wage is the same in the entire territory.

Chile:

Minimum wage is the same at national level.

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→ Percentage of senior managers from local community in places where significant operations are developed [G4-EC6]

TOPIC	ISA	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE
Indicate what percentage of senior managers where significant operations are developed come from the local community.	100%	100%	100%	0%	67%	100%	50%
What are "senior managers"?	They are workers with a strategic perspective to provide guidance to the Company to comply with its vision.						
What is the meaning of "local" for the company?	"Local" means the country in which operations are executed.						
What are "significant operational sites"?	The company's operational sites correspond to headquarters. All operations are significant.						

→ Number and rate of recruitments and average rotation of employees described by age, gender and region [G4-LA1]

TOPIC	ISA	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE
Total number of new recruitments	22	25	107	35	1	5	6
Rate of new recruitments described by age (under 30 years old) and estimated on the total number of recruitments.	9%	44%	61%	62%	0%	100%	67%
Rate of new recruitments described by age (from 30 to 40 years old) and estimated on the total number of recruitments.	55%	52%	26%	29%	100%	0%	33%
Rate of new recruitments described by age (from 41 to 50 years old) and estimated on the total number of recruitments.	27%	4%	9%	9%	0%	0%	0%
Rate of new recruitments described by age (older than 51 years old) and estimated on the total number of recruitments.	9%	0%	4%	0%	0%	0%	0%
Rate of new recruitments described by gender (female) and estimated on the total number of recruitments.	45%	52%	25%	21%	0%	40%	0%
Rate of new recruitments described by gender (male) and estimated on the total number of recruitments.	55%	48%	75%	79%	100%	60%	100%

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→ Return-to-work and retention rates after maternity or paternity leaves, described by gender G4-LA3

	ISA		INTERCOLOMBIA		CTEEP		REP		ISA BOLIVIA		TRANSELCA		INTERCHILE	
Topic	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees that were entitled to a maternity or paternity leave.	5	7	7	3	0	5	0	3	3	1	3	1	0	1
Number of employees that exercised their right to a maternity or paternity leave.	5	7	7	3	0	5	0	3	3	1	3	1	0	1
Number of employees who returned to work after ending his/her maternity or paternity leave.	5	7	7	3	0	5	0	3	3	1	3	1	0	0
Number of employees who returned to work after ending his/her maternity/paternity leave and who remain in their job in the following 12 months.	1	2	7	3	0	5	0	3	ND	ND	3	1	0	0
Rate of employees that returned to work after a maternity or paternity leave.	100%	100%	100%	100%	NA	100%	NA	100%	100%	100%	100%	100%	NA	0%
Rate of employee retention after a maternity or paternity leave.	100%	100%	100%	100%	NA	100%	NA	100%	100%	100%	100%	100%	NA	0%

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→ **Company profile** G4-10 G4-11

	2015					2016				
	Energy transport	Telecommunica- tions	Road concessions	Real-Time System Management	Total	Energy transport	Telecommuni- cations	Road concessions	Real-Time System Management	Total
Total number of male employees (direct employees in the company and external workers)	2,280	259	228	137	2,904	2,334	265	260	149	2,978
Total number of women employees (direct in the company and external workers)	540	127	105	103	875	570	138	99	91	898
Number of male employees directly recruited with the company	2,177	218	228	140	2,763	2,214	226	230	144	2,814
Total number of female employees directly recruited with the company	486	103	105	88	782	483	93	99	85	760

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→ Total number of workers per type of contract [G4-10]

BUSINESS	TYPE 1: UNDEFINED		TYPE 2: FIXED TERM		TYPE 3: LEARNING		TYPE 4: WORK DEADLINE		GRAN TOTAL
	Male	Women	Male	Women	Male	Women	Male	Women	
Energy transmission	2,169	463	45	20	32	45	19	28	2,821
Telecommunications	226	93	0	0	2	1	45	39	406
Road concessions	230	99	0	0	0	0	0	0	329
Real-Time Systems Management	136	82	8	3	5	6	0	0	240
Total workforce	3796								

→ Indicate if a substantial part of the company's work is performed by legally recognized workers on their own, or if work is performed by people who are not employees or external employees [G4-10]

ENERGY TRANSMISSION	ROAD CONCESSIONS	REAL-TIME SYSTEMS MANAGEMENT	TELECOMMUNICATIONS
100 % of workers perform their activities according to the individual labor contract entered into with the Company and in accordance with their position. Such activities are carried out in a personal manner and within the Company's facilities, at different headquarters.		A substantial part of the Company's work is performed by legally recognized workers on their own.	

→ Indicate the percentage of employees covered by collective agreements [G4-11]

ENERGY TRANSMISSION	ROAD CONCESSIONS	REAL-TIME SYSTEMS MANAGEMENT	TELECOMMUNICATIONS
70.8%	0%	57%	61.0%

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→ Retirement projection (within 5 and 10 years) [EU15]

LEVEL	ISA*	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE
Level 1	2%	0.2%	-	-	100%	1%	4%
Level 2	4%	1.1%	3.4%	2%		5%	-
Level 3	17%	17.9%	9.2%	5%		16%	-
Level 4	3%	20.4%	24.3%	25%		19%	-

Level 1: VP and subsidiary CEOs
Level 2: Business area managers and directors (senior managers)
Level 3: Specialists, analysts and professionals
Level 4: Technicians and administrative assistants
* In 2015, data presented inconsistencies.

→ Activity of contractors and subcontractors in construction, operation and maintenance activities [EU17]

of days

ISA	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE
NA	746,450	ND	365,583	1,148	30,501	10,374

→ Contractors trained in Occupational Health and Security [EU18]

%

ISA	INTERCOLOMBIA	CTEEP	REP	ISA BOLIVIA	TRANSELCA	INTERCHILE
NA	100%	85%	100%	100%	38%	50%

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→ Management of Ethics Line

CONSOLIDATED CASES BY COMPANIES	ISA	CTEEP	REP	INTERCOLOMBIA	TRANSELCA	PDI	INTERVIAL	INTERNEXA	XM	OVERALL TOTAL
Categorization										
Enquiries	0	0	0	0	0	0	0	0	6	6
Conflict of interest									1	1
Acceptance of gifts and presents									5	5
Reports under procedure or processed	3	1	1	13	7	0	11	0	9	45
Harassment at work	2			1	2		5		2	12
Fraud and corruption	1	1		1	4		1			8
Improper working conditions			1	1			2		1	5
Bribery					1					1
Unfair treatment							1		5	6
Violation of laws and regulations				8						8
Breach of duty									1	1
Anomalous conducts				2			2			4
Overall Total	3	1	1	13	7	0	11	0	15	51
Open cases				4						4
Closed cases	3	1	1	9	7		11		15	47
Effective cases			1	1	4		10			

Note: ISA Bolivia and INTERCHILE are implementing their ethics line.

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We are convinced that,
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