

Separate Financial Statements



Codensa S.A. E.S.P.

For the years ending on December 31 of 2017 and 2016,
with the Statutory Auditor's Report

Report From The Statutory Auditor

**To the Codensa S.A. E.S.P.
shareholders:**

Report on the Financial Statements

I have audited the Codensa S.A. E.S.P. attached separate financial statements including the financial situation as of December 31, 2017, and the respective income statement, the comprehensive statement, the equity changes statement, and the cash flow statement for years ending on such dates, together with the summary of significant accounting policies and other explanatory notes.

Administration Responsibilities Regarding the Financial Statements

The administration is responsible for preparing and properly submitting the financial statements, according to the Colombian IFRS, and for designing, implementing, and keeping relevant internal controls for preparation and proper submittal of the financial statements, with no material errors either from fraud or mistakes, and for selecting and applying adequate accounting policies and making reasonable accounting estimates according to the circumstances.

Auditor Responsibility

My responsibility is providing an opinion on the financial statements, based on my audit. I have performed my audit according to international audit norms accepted in Colombia. These norms require me to meet ethical requirements and to plan and perform my audit in order to obtain reasonable assurances as to the financial statements being free of material errors.

An audit includes developing procedures in order to obtain audit evidence supporting the financial statements' figures and disclosures. The selected procedures depend on the auditor and include evaluating the risk of material errors contained in the financial statements. During this audit, the auditor considers relevant internal controls for preparation and submittal of the financial statements, in order to design appropriate audit procedures according to the circumstances. Also, it includes an evaluation of accounting policies and of significant estimates made by the Administration, as well as for submitting the financial statements as a whole.

I believe the audit evidence provides a reasonable basis for my opinion.



Opinion

In my opinion, the attached separate financial statements, taken from the accounting books, reasonably present in all significant aspects the Company financial situation as of December 31, 2017, the results of its operations, and its cash flows for the year ending on such date, according to the Colombian IFRS.

Other Issues

The financial statements as of December 31, 2016, prepared according to the Colombian IRS, which are part of the comparative information of the attached financial statements, were prepared by another statutory auditor appointed by Ernst & Young Audit S.A.S., regarding which he expressed his opinion with no remarks on February 24 of 2017.

Other Legal and Regulatory Requirements

Based on the scope of my audit, I am not aware of any situation suggesting noncompliance with the following Company obligations: 1) keeping the meeting minutes, the shareholders book, and the accounting books according to legal norms and the accounting technique; 2) performing the operations according to the Shareholders Assembly and the Board of Directors' regulations and decisions, also according to norms related to integral social security; and 3) keeping correspondence and account vouchers. Additionally, the attached financial statements and the accounting information included in the management report prepared by the Company administration - which includes the administration's confirmation of the free circulation of invoices endorsed by the vendors or suppliers - are in agreement. The report, prepared according to article 1.2.1.2 of Decree 2420 of 2015, was issued separately on February 15 of 2018.

Angela María Guerrero Olmos

Statutory Auditor

Professional Card 104291-T

Appointed by Ernst & Young Audit S.A.S. TR-530

Bogotá, Colombia,
February 15, 2018

Codensa S.A. E.S.P.

Separate Financial Statements

(in thousand pesos)

	Note	As of December 31 of 2017	As of December 31 of 2016
Assets			
Current assets:			
Cash and cash equivalents	4	\$ 548,070,988	\$ 619,647,372
Other financial assets	5	20,020,044	4,729
Other nonfinancial assets	6	5,871,175	5,997,900
Commercial accounts and other accounts receivable, net	7	518,146,366	517,537,433
Accounts receivable from related companies	9	16,624,900	13,620,148
Inventories, net	10	93,794,805	81,187,893
Total current assets		1,202,528,278	1,237,995,475
Noncurrent assets:			
Other financial assets	5	27,660	43,101
Other nonfinancial assets	6	14,035,258	12,318,795
Commercial accounts and other accounts receivable, net	7	93,089,428	70,085,462
Investments in subsidiaries, joint deals, and associates	8	2,276	2,370
Intangible assets other than goodwill, net	11	158,176,554	118,955,312
Properties, plant, and equipment, net	12	4,716,326,295	4,280,943,213
Assets from deferred taxes	13	-	14,055,340
Total noncurrent assets		4,981,657,471	4,496,403,593
Total assets		6,184,185,749	5,734,399,068
Liabilities and equity			
Current liabilities:			
Other financial liabilities	14	334,820,847	454,403,098
Commercial accounts and other accounts receivable	15	1,030,149,051	885,903,343
Accounts receivable from related companies	9	123,544,915	138,792,891
Provisions	16	8,473,708	27,057,664
Taxes payable	18	91,384,638	94,684,519
Employee benefits provisions	17	72,112,889	80,820,798
Other nonfinancial liabilities	19	8,716,178	9,800,513
Total current liabilities		1,669,202,226	1,691,462,826
Noncurrent liabilities:			
Other financial liabilities	14	1,502,255,612	1,167,729,581
Provisions	16	50,056,695	26,828,095
Deferred taxes liabilities, net	13	19,649,837	-
Employee benefits provisions	17	261,120,766	272,323,501
Other nonfinancial liabilities	19	33,081,908	29,877,512
Total noncurrent liabilities		\$ 1,866,164,818	\$ 1,496,758,689
Total liabilities		\$ 3,535,367,044	\$ 3,188,221,515

Codensa S.A. E.S.P.
Separate Financial Statements (Continuation)

(in thousand pesos)


	Note	As of December 31 of 2017	As of December 31 of 2016
Equity			
Issued capital	20	\$ 13,487,545	\$ 13,487,545
Issuance premiums		190,553,196	190,553,196
Other reserves	20	236,340,012	197,441,861
Other comprehensive income		(58,196,019)	(63,822,077)
Year profits		623,485,951	542,879,556
Absorbed companies' year profits		-	8,976,342
Profits withheld		123,965,716	137,478,826
Losses withheld		(37,859,236)	(37,859,236)
Profits withheld on account of the transition to the IFRS		31,681,781	31,681,781
Profits withheld on account of the conversion to IFRS		1,789,210,510	1,789,210,510
Equity changes from the business combination		(263,850,751)	(263,850,751)
Accumulated gains		2,266,633,971	2,208,517,028
Total equity		2,648,818,705	2,546,177,553
Total liabilities and equity		\$ 6,184,185,749	\$ 5,734,399,068

See the attached notes.


The undersigned Legal Representative and Accountant certify that we have previously verified statements contained in these financial statements and that they have been accurately taken from the Company accounting books.



David Felipe Acosta Correa
 Legal representative



Luz Dary Sarmiento Quintero
 Public accountant
 Professional card 65450-T



Angela María Guerrero Olmos
 Statutory auditor
 Professional card 104291-T
 Appointed by Ernst & Young Audit S.A.S. TR-530
 (See my February 15 of 2018 report)

Codensa S.A. E.S.P.
Financial Statements, by Nature - Separate

(in thousand pesos, except for per-share profits)


	Note	Year ending on December 31 2017	Year ending on December 31 2016
Revenues from ordinary activities	21	\$ 4,535,091,978	\$ 4,150,152,829
Other EBITDA revenues	22	21,516,127	39,543,094
Total revenues from ordinary activities and other EBITDA revenues		4,556,608,105	4,189,695,923
Supplies and services	23	(2,577,173,222)	(2,401,953,990)
Contribution margin		1,979,434,883	1,787,741,933
Work for fixed assets		54,562,582	36,471,315
Personnel expenses	24	(183,501,743)	(161,132,541)
Other EBITDA fixed expenses	25	(300,419,446)	(253,601,377)
Gross EBITDA income		1,550,076,276	1,409,479,330
Depreciation and amortization	26	(313,504,221)	(264,056,382)
Impairment losses (reversals)	26	(9,174,751)	(6,075,377)
EBITDA income		1,227,397,304	1,139,347,571
Financial income		30,425,572	29,030,066
Financial expenses		(193,185,738)	(186,337,032)
Exchange differences		(1,899,740)	(903,072)
Financial income	27	(164,659,906)	(158,210,038)
Other income from investments	28	69	(16,834,293)
Income from the sale and disposal of assets	29	(11,238,857)	(10,835,474)
Income before taxes		1,051,498,610	953,467,766
Expense from taxes on gains	30	(428,012,659)	(410,588,210)
Year profits		\$ 623,485,951	\$ 542,879,556
Per basic and diluted share profits			
Per basic share and diluted profits in continuing operations (*)	31	\$ 4,578,41	\$ 3,980,52
Weighted average number of ordinary outstanding shares		134,875,450	134,875,450

(*) In Colombian pesos

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified representations contained in the financial statements and that they have been accurately taken from the Company accounting books.


David Felipe Acosta Correa
Legal representative


Luz Dary Sarmiento Quintero
Public accountant
Professional card 65450-T


Angela Maria Guerrero Olmos
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(See my February 15, 2018 report)


Codensa S.A. E.S.P.
Comprehensive Financial Statements - Separate
(in thousand pesos)


	Note	Year ending on December 31 2017	Year ending on December 31 2016
Year profits		\$ 623,485,951	\$ 542,879,556
Components of other comprehensive income not reclassified to the period income, before taxes			
Profit/loss of new measurements of defined benefit plans		9,058,500	(34,284,141)
Losses in new measurements of financial instruments measured at fair value with changes in the ORI		(15,441)	18,080
Losses from cash flow hedges		-	29,247
Other comprehensive income not reclassified to the period income, before taxes		9,043,059	(34,236,814)
Components of other comprehensive income reclassified to the period income, before taxes			
Profit/losses from cash flow hedges		15,314	64,570
Other comprehensive income reclassified to the year income, before taxes		15,314	64,570
Taxes on gains related to components of other comprehensive income not reclassified to the period income			
Tax effect of new measurements of defined benefit plans		(3,426,791)	10,646,567
Tax effect of cash flow hedges		-	(11,699)
Total gain taxes related to components of other comprehensive income not reclassified to the period income		(3,426,791)	10,634,868
Taxes on gains related to components of other comprehensive income reclassified to the period income			
Tax effect of cash flow hedges	13	(5,524)	(25,828)
Total taxes on gains related to components of other comprehensive income reclassified to the period income		(5,524)	(25,828)
Total other comprehensive income	32	5,626,058	(23,563,204)
Total comprehensive income		\$ 629,112,009	\$ 519,316,352

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified representations contained in the financial statements and that they have been accurately taken from the Company accounting books..


David Felipe Acosta Correa
Legal representative


Luz Dary Sarmiento Quintero
Public accountant
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(See my February 15, 2018 report)


Codensa S.A. E.S.P. Statement of Changes in Equity - Separate (in thousand pesos)


	Reserves				Other comprehensive result				Total equity	
	Issued capital	Insurance Premium	Legal reserve	Occasional reserves	Total reserves	Cash flow hedges	Profits and losses in new measurements of financial instruments	Profits and losses for defined benefit plans		Accumulated profits
Initial equity as of 31-12-2016	13,209,327	13,333,540	6,604,664	122,958,144	134,562,808	(53,453)	(1,0339)	(2,875,352)	2,191,103,876	2,232,268,707
Changes in equity										
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Year profits	-	-	-	-	-	56,230	18,080	(23,637,574)	542,879,556	542,879,556
Other comprehensive income (Note 32)	-	-	-	-	-	56,230	18,080	(23,637,574)	542,879,556	542,879,556
Comprehensive income	-	-	-	-	-	56,230	18,080	(23,637,574)	542,879,556	542,879,556
Declared dividends	-	-	-	-	-	-	-	-	(473,905,380)	(473,905,380)
Increases (decreases) due to business combination (See Notes 1.5.1 and 1.5.6)	166,838	105,365,631	19,849,817	-	19,849,817	-	-	(11,320,029)	(8,529,788)	105,532,469
Increases for other contributions from shareholders	111,360	71,654,025	-	-	-	-	-	-	-	71,965,405
Increases/decreases due to other changes, equity	-	-	-	43,029,236	43,029,236	-	-	-	(43,029,236)	-
Total increase/decrease in equity	278,218	177,219,656	19,849,817	43,029,236	62,879,053	56,230	18,080	(34,957,603)	17,415,152	222,905,846
Final equity as of 31-12-2016	\$ 13,487,545	\$190,553,196	\$ 26,454,481	\$ 170,987,380	\$ 197,441,861	\$ 2,837	\$ 8,041	\$ (63,832,955)	\$ 2,208,517,028	\$ 2,546,177,553
Changes in equity										
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Year profits	-	-	-	-	-	9,730	(15,441)	5,631,709	623,485,951	623,485,951
Other comprehensive income (Note 32)	-	-	-	-	-	9,730	(15,441)	5,631,709	623,485,951	623,485,951
Comprehensive income	-	-	-	-	-	9,730	(15,441)	5,631,709	623,485,951	623,485,951
Declared dividends	-	-	-	-	-	-	-	-	(526,470,857)	(526,470,857)
Increases/decreases due to business combination (See notes 1.5.1 and 1.5.6)	-	-	-	-	-	-	-	-	-	-
Increases for other contributions by the shareholders	-	-	-	-	-	-	-	-	-	-
Increases/decreases due to other changes, equity	-	-	-	38,898,151	38,898,151	-	-	-	(38,898,151)	-
Total equity increase/decrease	-	-	-	38,898,151	38,898,151	9,730	(15,441)	5,631,709	58,116,943	102,641,152
Final equity as of 31-12-2017	\$ 13,487,545	\$190,553,196	\$ 26,454,481	\$ 209,885,531	\$ 236,340,012	\$ 12,827	\$ (7,400)	\$ (63,201,246)	\$ 2,266,633,971	\$ 2,548,818,705

See the attached notes.

The undersigned Legal Representative an Accountant certify that we have previously verified representations contained in the financial statements and that they have been accurately taken from the Company accounting books.


David Felipe Acosta Correa
Legal Representative


Luz Dary Sarmiento Sultiero
Public Accountant
Professional card 65450-T


Angela Maria Guerrero Olmos
Statutory Auditor
Revisor Fiscal
Professional card 104291-T
Appointed by Ernst & Young Audit S.A.S. TR-530
(See my February 15, 2008 report)

Codensa S.A. E.S.P. Cash Flow Statement, Direct Method – Separate

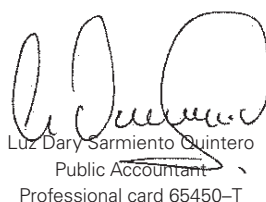
(in thousand pesos)


	Year ending on December 31 2017	Year ending on December 31 2016
Cash flow from (used in) operational activities:		
Types of collections from operational activities:		
Collections from the sale of goods and provision of services	\$ 4,459,778,207	\$ 3,868,586,348
Collections from royalties, fees, commissions, and other income from ordinary activities	110,598,534	134,681,600
Collections from premiums and benefits, annuities, and other benefits from subscribed policies	-	2,551,000
Other collections from operational activities	1,841,605,935	1,735,528,093
Types of cash payments from operational activities:		
Payments to suppliers for goods and services	(2,825,877,909)	(2,566,959,346)
Payments to and on account of employees	(161,325,243)	(153,728,344)
Payments of royalties, fees, commissions, and other income from ordinary activities	(3,567,878)	(6,412,376)
Other payments for operational activities	(1,799,745,506)	(1,499,949,051)
Income taxes refunded/paid	(400,390,282)	(370,561,692)
Other cash inflows/outflows	(73,394,351)	(69,293,616)
Net cash flows from operational activities	1,147,681,507	1,074,442,616
Cash flows from (used in) investment activities:		
Cash flows from absorbed companies in the business combination	-	27,638,878
Other collections for the sale of equity or debt instruments of other companies	7,500,000	47,200,000
Other payment to acquire equity or debt instruments of other companies	(27,500,000)	(47,200,000)
Loans to related companies	(46,808,489)	-
Purchases of properties, plant and equipment	(734,714,575)	(681,008,817)
Payments from future contracts, term agreements, option agreements, and financial barter agreements	(310,588)	(34,735)
Collections from future contracts, term agreements, option agreements, and financial barter agreements	-	-
Collections from related companies	46,808,489	-
Dividends received	-	1,129,958
Interests received	12,777,040	12,021,947
Net cash flows used in investment activities	(742,248,123)	(640,252,769)
Cash flows from (used in) financing activities:		
Amounts received from share issuances	-	71,965,405
Amounts received from long term loans	630,000,000	452,000,000
Amounts received from short term loans	100,000,000	-
Loans to related companies	-	55,000,000
Dividends paid	(550,181,269)	(435,048,975)
Interests paid	(122,056,627)	(147,032,371)
Payments of bank loans	(139,782,607)	(9,945,652)
Payments of bond loans	(391,500,000)	(145,000,000)
Payments of liabilities from financial leases	(3,489,265)	(2,750,562)
Payment of loans to related companies	-	(55,000,000)
Other cash inflows/outflows	-	(1,203,627)
Net cash flows used in financing activities	(477,009,768)	(217,015,782)
Net cash and cash equivalents increase/decrease	(71,576,384)	217,174,065
Start of year cash and cash equivalents	619,647,372	402,473,307
End of year cash and cash equivalents	\$ 548,070,988	\$ 619,647,372

See the attached notes.

The undersigned Legal Representative and Accountant certify that we have previously verified representations contained in the financial statements and that they have been accurately taken from the Company accounting books.


David Felipe Acosta Correa
Legal Representative


Luz Dary Sarmiento Quintero
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(See my February 15, 2008 report)

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

Índice

1.	General information	12
2.	Presentation Bases	20
3.	Accounting policies	32
4.	Cash and cash equivalents	54
5.	Other financial assets	56
6.	Other nonfinancial assets	57
7.	Commercial accounts and other accounts receivable, net	58
8.	Investments in subsidiaries, joint businesses, and Associates	64
9.	Balances and transactions with related parties	65
10.	Inventories, net	71
11.	Intangible assets other than capital gains, net	72
12.	Properties, plant, and equipment, net	75
13.	Deferred taxes, net	81
14.	Other financial liabilities	85
15.	Commercial accounts and other accounts payable	92
16.	Provisions	94
17.	Employee benefit provisions	108
18.	Taxes payable	116
19.	Other nonfinancial liabilities	119
20.	Equity	122

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

21.	Revenues from ordinary activities	125
22.	Other operational revenues	127
23.	Supplies and services	128
24.	Personnel expenses	129
25.	Other fixed operational expenses	130
26.	Depreciation, amortization, and impairment loss expenses	131
27.	Net financial income	132
28.	Income from other investments	134
29.	Income from the sale and disposal of assets	135
30.	Gains tax expense	135
31.	Per-share profits	137
32.	Other compressive income	138
33.	Assets and liabilities in foreign currency	139
34.	Sanctions	140
35.	Other insurance policies	141
36.	Commitments and contingencies	142
37.	Risk management	144
38.	Information on reasonable values	148
39.	Subsequent events	149
40.	Financial statements' approval	149

1. General Information

1.1. Economic Entity

Codensa S.A. E.S.P. is a household public utilities stock Company according to Law 142 of 1994. The Company's term is indefinite.

The Company was established with public deed No. 4610 of Notary 36 of Bogotá on October 23 of 1997 and registered before the Chamber of Commerce on the same day with No. 607668, with contributions from the Grupo de Energía de Bogotá S.A. E.S.P. distribution and trading asset contributions with 51.32% of the shares, and cash contributions from the remaining investors with 48.48% of the shares.

The Company is of a Colombian origin and is headquartered in Carrera 13A No. 93-66, Bogotá D.C.

Codensa S.A. E.S.P. is an affiliate of Enel Américas S.A., with a majority control by Enel S.P.A. (hereinafter Enel).

The Bogotá Chamber of Commerce includes a record of the corporate group situation by the parent Company Enel SpA with respect to Codensa, currently being updated, no changes existing regarding the parent company information.

The corporate purpose of the Company is distribution and trading of electric power and execution of all activities similar, related, supplementary, and related to electric power trading and distribution; execution of work, designs, and consultancy in electrical engineering, and trading of products in benefit of its clients. The Company may additionally perform other activities related to the provision of public utility services in general, manage and operate other public utility companies, execute special management agreements with other public utility companies, and sell or provide goods or services to other economic agents inside and outside the country, as related to public utilities.

Upon performing its corporate object, the Company provides financing services for goods and services to its clients, including the "Crédito Fácil Codensa" facility, subscriptions, and insurance, some of which were transferred to Banco Colpatría Red Multibanca Colpatría S.A. on November 27 of 2009.

1.2 Corporate Collaboration Agreements

As part of the loan portfolio sale process of the Crédito Fácil Codensa deal and the transfer of its ongoing business, a corporate collaboration agreement was executed with Banco Colpatría Red Multibanca Colpatría S.A., whose main purpose is regulating the terms and conditions among the parties for the promotion, administration, invoicing, and collection of financial services exclusive to the Codensa users of the Crédito Fácil Codensa facility and in general management of the ongoing Crédito Fácil Codensa deal, for 10 years plus 4 years required for its cancellation. The remuneration basis is directly associated to current interests, late interest charges, and handling charges. The agreement contains certain indemnification clauses, mainly associated to regulatory changes applicable to the transferred deal, including economic sanctions as indicated in the agreement.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

1.3 Correspondent Bank

As an integral part of the Company corporate object, it may participate with financial entities in its condition of correspondent bank in benefit of its clients. According to Decree 2233 of 2006 from the Ministry of Finances and Public Credit, operations carried out through correspondent banks can only and exclusively be made through electronic terminals connected to the technological platforms of the respective credit establishments. Such terminals must meet minimum requirements established by the Colombian Financial Superintendence. The Company is currently updating the electronic mechanism.

1.4 Contract with Mapfre Seguros

A contract was executed with Mapfre Colombia Vida Seguros on July 2010, providing access to the market channel for the Company's electric power clients, in order to allow Mapfre to sell insurance policies with an 8-year term. On December 1, 2016, Mapfre Colombia Vida Seguros, Mapfre Seguros Generales de Colombia S.A, and Mapfre Servicios Exequiales S.A.S accepted the new Codensa mercantile offer, whose purpose is providing services related to promotion, invoicing, and collection of the insurance premiums and payments of contracts authorized by Codensa and sold by Mapfre to the Codensa clients, among others. The contract term is 8 years.

On February 1, 2017, Mapfre and Codensa executed an amendment on the mercantile offer accepted on December 2016, eliminating the marketing fund created with Mapfre contributions, whose purpose was performing promotional activities allowing to commercially develop the insurance product. From that moment on, Codensa assumed the promotional activities and the advertising deployment, according to the latter the remuneration percentage increasing by 6.81% on the collected amounts.

1.5 Business Combination

Codensa S.A. E.S.P, Empresa de Energía de Cundinamarca S.A. ESP, and Distribuidora Eléctrica de Cundinamarca S.A. ESP.

Through public deed 4063 of Notary 1 of the Bogotá Circle, registered before the Bogotá Chamber of Commerce on that same day, on September 30 of 2016 the merger by absorption between Codensa S.A. ESP (absorbing company), Empresa de Energía de Cundinamarca S.A. ESP (hereinafter EEC), and Distribuidora Eléctrica de Cundinamarca S.A. ESP (hereinafter DECSA) (absorbed companies) was formalized.

The operation was carried out after complying with all legal requirements, including the following: 1) approval by the shareholders assemblies of the companies involved in the process and by the general assemblies of the Codensa bondholders; 2) a statement of no objections existing from the Superintendence of Industry and Trade, as attested by Resolution 16027 of April 4 of 2016; and 3) the merger authorization issued given by the Superintendence of Companies with Resolution No. 300-2988 of August 18 of 2016.

Regarding the absorbed companies, the EEC was a commercial stock company established as a stock company and organized as a household public utilities company according to the Colombian laws. The company was created with public deed 972 of March 21 of 1958 of Notary 3 of Bogotá and was registered before the Chamber of Commerce of the city with number 26813, with an indefinite term. The main company corporate purpose included performance of electric power

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

trading, distribution, and generation activities. As of September 30 of 2016 it had 13 clients in the nonregulated market and 297,716 in the regulated market.

Since March 2009 and up until the merger date, Distribuidora Eléctrica de Cundinamarca S.A. ESP was an EEC majority shareholder with 82.34% of its outstanding shares as a result of a process carried out by the Nation - Ministry of Mines and Energy, according to which the EEC shares were sold to the Department of Cundinamarca and DECSA. DECSA was a company in which Codensa had a 48.99% shareholding participation and with which Codensa had an indirect 40.34% participation in EEC.

The purchased company revenues from ordinary activities between the purchase date and December 31, 2016 are \$74,974,933. Revenues from energy sales by the merged company as of the date of these financial statements are \$3,440,663,178.

For 2017, the revenues from ordinary activities and operational costs associated to the Department of Cundinamarca are an integral part of the Codensa operation.

1.5.1. Transferred Consideration

The merger agreement sets a trade ratio of 0.000691636463474128 Codensa shares for each EEC share and 0.0000109067464256447 Codensa shares for each DECSA share, equivalent to the issuance of 1,668,377 Codensa shares.

As a result of the merger, the new Codensa subscribed and paid capital increased from \$13,209,327 to \$13,376,165, divided into 133,761,651 shares with a face value of \$100.

In 2016, the following was the reasonable value of the consideration:

Codensa valuation	Number of shares issued	Participation percentage, new shares	Value of transferred consideration
8,461 million	1,668,377	1,247%	\$ 105,532,469

1.5.2. Adjustment to Reasonable Value of the Prior Participation

In its financial statements, Codensa reported the investment in DECSA at cost, amounting to \$104,247,500; the prior participation value was adjusted to reasonable value as follows:

Item	As of September 30 of 2016
DECSA assets and liabilities (reasonable value)	\$ 3,506,181
Prior participation in DECSA (%)	48,99999%
Prior participation in DECSA reasonable value	1,718,029
EEC assets and liabilities (reasonable value)	209,556,454
Prior participation in EEC (%)	40,35564%
Prior participation in EEC, reasonable value	84,567,849
Prior participation in DECSA and EEC, reasonable value	86,285,878
Prior participation, book value	104,247,500
Profit/loss of prior participation in DECSA and EEC (*)	\$ (17,961,622)

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(*) The prior participation loss is shown in the absorbing company's income statement as a result of other investments (See Note 28).

1.5.3. Transaction Costs

In 2016, the Company incurred in costs of \$1,075,597 related to the business combination on account of consultancy services. These costs were entered to the other EBITDA fixed expenses line in the comprehensive income statement by nature.

1.5.4. Acquired Assets and Assumed Liabilities

Following are values recognized in 2016 for acquired assets and assumed liabilities in the business combination with EEC and DECSA:

Financial situation statement item	Detail	Book value, EEC and DECSA as of September 2016	Reasonable value adjustment	Reasonable value as of September 2016
Cash and cash equivalents		\$ 27,647,706	\$ -	\$ 27,647,706
Commercial accounts receivable and other current and noncurrent accounts receivable	a	59,792,387	(2,263,169)	57,529,218
Current and noncurrent accounts receivable from related companies		6,777,651	-	6,777,651
Inventories		7,256,858	-	7,256,858
Properties, plant and equipment	b	544,336,579	(122,438,839)	421,897,740
Intangible assets other than goodwill	b	2,444,882	(587,022)	1,857,860
Other non-financial assets current and noncurrent		2,993,275	-	2,993,275
Income tax assets		15,824,943	-	15,824,943
Deferred tax assets	f	26,139,026	53,551,077	79,690,103
Assets		\$ 693,213,307	\$ (71,737,953)	\$ 621,475,354
Other current and noncurrent financial liabilities	c	139,188,732	(10,677,679)	128,511,053
Commercial accounts and other current and noncurrent accounts payable		58,378,405	-	58,378,405
Current and noncurrent accounts payable to related companies		4,795,190	-	4,795,190
Current and noncurrent provisions for employee benefits	d	94,233,728	(1,496,247)	92,737,481
Other current and noncurrent provisions	e	7,172,755	29,482,974	36,655,729
Current taxes liabilities		13,485,655	-	13,485,655
Deferred taxes liabilities	f	68,891,449	4,957,757	73,849,206
Liabilities		386,145,914	22,266,805	408,412,719
Equity		307,067,393	(94,004,758)	213,062,635
Equity		\$ 307,067,393	\$ (94,004,758)	\$ 213,062,635

a) Commercial accounts receivable and other current and noncurrent accounts receivable

The following adjustments were made in this item:

- > *Impairment:* A recalculation was made of the accounts receivable reserve, making a detailed analysis of each account and applying the Codensa policy for portfolio impairment calculation purposes. The adjustment value was (\$1,311,912).
- > *Agreements:* EEC had short and long-term payment agreements, mainly related to institutional clients to whom the Company is not legally able to suspend the electric power service (hospitals, mayors' offices, public lightning, among others). The calculation was adjusted to a market rate according to the methodology used by Codensa. The adjustment value was (\$741,871).

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

> *Employee loans:* EEC had been adjusting its loans to employees according to the IFRS at TES rates. For the purpose of the business combination, the calculation methodology matched the Codensa methodology using market rates for similar loans. The adjustment value was (\$209,386).

b) Properties, plant, equipment, and intangible assets

The following adjustments were made:

> *Properties, plant, equipment, and intangible assets:* In order to establish the property, plant, equipment, and intangible assets reasonable value, the EEC's discounted operational free cash flow valuation was used as the basis, together with the appraisal made by Consultores Unidos S.A. as of September 30 of 2016, considering the market value for land and buildings. The properties, plant, and equipment adjustment was (\$122,438,839), for intangible assets (\$587,022).

c) Other current and noncurrent financial liabilities

Each EEC financial obligation was valued as of September 30 of 2016, finding that they had effective interest rates lower than the market, such as loans subsidized by Finagro, consequently adjusting them to reasonable value. The adjustment value was (\$10,677,679).

d) Reserves on account of benefits to current and noncurrent employees

The value was adjusted according to the pension liability actuarial calculation provided by Aon Hewitt México. The adjustment value was (\$1,496,247).

e) Other current and noncurrent reserves

The following adjustments were made:

> *Contingencies:* The EEC included in its financial statements labor and civil contingencies for processes considered probable (high probability) in case of a decision against the company. Contingencies with a possible condition (low probability) are included, considering a business combination according to the IFRS 3 guidelines. Additionally, all fiscal contingencies were included based on their nature.

The value of these contingencies has been updated taking into account 1) a 5-year period with the projected Colombian inflation, considering that this time is prudent according to the Colombian judicial system's operational framework; 2) future cash flows were deducted to present value, with government bonds' interest rates (TES) and with maturity terms similar to those of the equivalent obligation, at 3.377% each. The adjustment value was \$18,028,670.

> *PCH Rio Negro dismantling:* Negro dismantling: In the business combination, Codensa received an electrical generation plant Codensa cannot operate due to circumstances described in Law 143 of 1994 regarding the electric power distribution and trading sector. Consequently, the Company executed a usufruct agreement with EMGESA, starting

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

on 2017, establishing that the asset will be delivered so that the beneficiary will perform the station's exploitation and maintenance operations. The situation does not affect the determination of reasonable values associated to the asset. However, officials from the Codensa and EEC legal and environmental areas found a probable requirement from the environmental authorities to dismantle the installations in the long term, despite having been built prior to 1993, consequently at the time no environmental license being required.

The value was calculated by projecting it to 20 years and discounting it to present value at a TES rate of 5.617% each. The adjustment value was \$12,453,350.

- > *Dismantling of transformers polluted with PCB*: according to the Colombian environmental legislation, the EEC had a recognized asset liquidation reserve for transformers contaminated with PCB. The Company updated the reserve by deducting future cash flows to net present value at a TES rate of 6.99% each. The adjustment value was \$1,559,517.
- > The EEC office dismantling reserve was recalculated according to existing market conditions. The adjustment value was (\$2,558,563).

f) Assets and liabilities from deferred taxes

The deferred tax assets and liabilities position was updated based on adjustments made, resulting from the differences between the book value and the reasonable value of acquired assets and assumed liabilities during the merger process.

1.5.5. Negative Goodwill

The business combination generated a negative goodwill since the reasonable value of acquired assets and assumed liabilities exceeded the total reasonable value of the consideration transferred and the reasonable value of the prior participation in DECSA and EEC.

Item	As of September 30 2016
Transferred consideration value	\$ 105,532,469
Reasonable value of prior participation in DECSA and EEC	86,285,878
Reasonable value of assets acquired and liabilities assumed	(213,062,635)
Negative Goodwill (See Note 22)	\$ (21,244,288)

The corresponding revenue was entered to "Other EBITDA Revenues" in the income statement, by nature.

1.5.6. Business Combination Equity Effect

Following is the absorbed companies' capital structure as a result of the business combination:

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

Item	Before the business combination				Elimination	Capital structure integrated into Codensa
	EEC	Note	DECSA	Note		
Subscribed and paid capital	\$ 39,699,633	(a)	\$ 212,750,000	(a)	\$ (252,449,633)	\$ -
Legal reserve	19,849,817	(e)	15,507,417	(f)	(15,507,417)	19,849,817
Other comprehensive income	(11,320,029)	(g)	(9,323,002)	(f)	9,323,002	(11,320,029)
Profits withheld	137,478,826	(c)	-	-	-	137,478,826
Losses withheld	(37,859,236)	(d)	-	-	-	(37,859,236)
Year profits	8,987,217	(b)	7,390,859	(b)	(7,401,734)	8,976,342
Occasional reserves	-	-	106,853,838	(f)	(106,853,838)	-
Profits withheld on account of the conversion to IFRS	146,725,031	(g)	(79,664,574)	(f)	79,664,574	146,725,031
Equity effect from the business combination	\$ 303,561,259		\$ 253,514,538		\$ (293,225,046)	\$ 263,850,751

The following was taken into account in order to recognize each line at the equity level:

- (a) Elimination of the DECSA and EEC subscribed and paid capital, taking into account the established exchange ratio and the share issue as indicated in item 1.5.1.
- (b) The transfer to the Company equity of the DECSA and EEC annual profits after eliminating the participation method for the period between January 1 and September 30 of 2016.
- (c) The transfer to the Company equity of the EEC withheld profits pending distribution according to the established merger agreement.
- (d) The transfer to the Company equity of the EEC withheld loss between January 1 and February 28 of 2009.
- (e) The transfer of the EEC legal reserve to Company equity, resulting in an excess of the Company's legal reserve.
- (f) Elimination of occasional and legal reserves, withheld profits from the conversion to the IFRS, and other integral DECSA results, taking into account that these entries originated from the EEC profits and other integral results, mostly from the application of the equity participation method.
- (g) The transfer to the Company equity of withheld profits generated by the conversion and transition to the IFRS and the other EEC integral results.

Considering that the recognition of these entries to equity directly relates to maintaining the equity structure of the absorbed companies and not to the valuation process mentioned above, the effects were charged to the "Business Combination Equity Effect" line, considered being an integral part of accumulated gains.

Consequently, the effect of the 2016 accumulated profits as a result of the equity structure conservation corresponds to (\$8,529,788), as follows:

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Item	As of 30 de September of 2016
Merger equity effects	\$ (263,850,751)
Profits withheld due to the effect on the conversion and transition to IFRS	146,725,031
Profits withheld	137,478,826
Year profits of absorbed companies	8,976,342
Losses withheld	(37,859,236)
Equity effect of business combination on accumulated gains	\$ (8,529,788)

1.6 Legal and Regulatory Framework

The Public Household Utilities Law (Law 142 of 1994) and the Electric Law (Law 143 of 1994) were issued to implement the new framework ordered by the Constitution, providing general criteria and policies applicable to the provision of household public utility services in the country and the procedures and mechanisms to control, follow-up, and regulate them.

The Electric Law applies the constitutional approach, regulates electrical generation and transmission, distribution, and trading activities, creates a market and competition environment, strengthens the sector, and limits State intervention. Considering the characteristics of each activity or business, a general guideline was prepared to implement the regulatory framework and create and implement rules allowing for free competition in the electric power trading and generation business. The guidelines for the transmission and distribution business focused on treating such activities as monopolies, in any case looking for proper competition conditions inasmuch as possible.

The main entity in the electric sector is the Ministry of Mines and Energy, which through the Mining-Energy Planning Unit prepares the National Energy Plan and the Reference Generation-Transmission Expansion Plan. The Energy and Gas Regulatory Commission (CREG) and the Superintendence of Public Household Utilities (SSPD) are responsible for regulating and supervising the sector companies; in addition, the Superintendence of Industry and Trade is the national authority regarding competition issues.

The electric sector takes into account the fact that trading companies and large consumers trade energy through bilateral agreements. The sector agents may trade energy through a short-term market called the "energy pool", which operates freely according to offer and demand conditions.

In January 2017, the Regulatory Commission approved unifying the Codensa and the EEC markets, resulting in a single regulated rate being applied thereon to all users in the Codensa market.

The Codensa and EEC integrated market rates were calculated and published on January 20 of 2017. Considering the current norms, this new rate was included in the electric bills starting February 7 of 2017.

2. Presentation Bases

The Company submits its general-purpose financial statements in Colombian pesos, values being rounded to the closest thousand, unless otherwise indicated.

The separate financial statements include comparative information corresponding to the previous year.

Following are the accounting principles applied:

2.1 Accounting Principles

The Company's general-purpose separate financial statements as of December 31, 2017 have been prepared according to the Colombian Financial Information and Accounting Norms (IFRS), which consider the International Financial Reporting Standards - IFRS, the International Accounting Norms (NIC), the SIC interpretation, the CINIIF interpretation, and the applicable conceptual framework for financial obligations, issued and approved by the International Accounting Standards Board (IASB) as of December 31, 2014, published in Spanish in August 2015 and included in the Colombian accounting technical framework according to Law 1314 of July 13 of 2009, regulated by Regulatory Decree 24200 of 2015 and by changes to Decrees 2496 of 2015, 2131 of 2016, and 2170 of 2017.

The Company belongs to Group 1 according to the definitions contained in Decrees 2784 of December 28 of 2012 and 3024 of December 27, 2013, according to which the Company issued its first comparative financial statements according to the IFRS as of December 31, 2015.

These general-purpose financial statements have been prepared following the ongoing businesses principle and applying the cost method, with the exception - according to the IFRS - of assets and liabilities entered at reasonable value.

Preparing the financial statements according to the IFRS requires the use of certain critical accounting estimates and for management to exercise good judgment upon applying the accounting policies.

2.2 Accrual Accounting Base

The Company prepared its financial statements applying the accrual accounting base, except for information related to cash flows.

2.3 Accounting and Financial Information Norms Accepted in Colombia, Issued However not yet Applicable

Decrees 2496 of December 2015, 2131 of December 2016, and 217 all of December 2017 brought new norms to the financial information technical framework, or amendments made by the IASB to the International Financial Reporting Norms between 2014 and 2016, in order to evaluate their application to financial years starting after January 1 of 2018, although they could be applied earlier.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

2.3.1. New Norms included in the Accounting Framework Accepted in Colombia, Effective as of January 1 of 2018

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments, which replaces NIC 39 - Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 includes the three aspects of the financial instruments' accounting project: classification and measurement, impairment, and hedge accounting.

IFRS 9 applies to annual periods as of January 1 of 2018, however allowing for its earlier application. A retrospective application is required, albeit the comparative information not being mandatory. The norm considers an exception for hedge accounting, whose requirements generally apply prospectively with a few exceptions.

The Company plans to adopt the new standard on the required effective date, with retrospective application, without re-expressing comparative information. The effect of the transaction will be seen in the annual period's initial accumulated gains being reported, which includes the initial application date.

During 2017, the Company made a detailed assessment of the effect of the three aspects of IFRS 9. This evaluation is based on currently available information and could be subject to changes should reasonable and sustainable information become available at the time IFRS 9 is adopted.

The following effects have been identified from the preliminary evaluation:

(a) Classification and measurement

The Company expects no effects in its financial situation or equity upon applying the IFRS 9 classification and measurement policies.

Capital participations in non-listed companies will be kept in the foreseeable future. The Company will exercise its option to report changes in reasonable value in ORI, consequently the application of the IFRS 9 having no effect.

In general, commercial loans and accounts receivable are kept in order to collect contractual cash amounts. It is expected that generated cash flows will only represent principal and interest payments. The Company analyzed the contractual cash flows characteristics of these instruments and concluded that they meet the amortized cost measurement criteria according to IFRS 9. Financial asset sales include the substantial transfer of risks and benefits and the corresponding disposal of assets. Consequently, no changes will be made to their classification and measurement.

(b) Impairment

IFRS 9 requires that the Company enters expected loan losses in all its debt titles, loans, and commercial accounts receivable, either for 12 months or for the assets' service life. The Company will apply the simplified approach by collectively and individually analyzing the counterparts, entering the expected losses corresponding to each commercial account receivable. The Company currently foresees no material effects.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(c) Hedge accounting

The Company has established that all current hedging designed for effective hedging will continue classifying for hedge accounting under IFRS 9. The Company has decided not to apply the IFRS 9 retroactively in hedging activities. IFRS 9 does not affect general principles pertaining to the manner in which an entity will enter effective hedging, so that application of the IFRS 9 hedging requirements will have no significant effects in the Company financial statements.

IFRS 15 Revenues from Ordinary Activities Originating from Agreements with Clients

The May 2014 edition of the IFRS 15 - Revenues from Ordinary Activities Originating from Contracts with Clients, and the United States analysis norm (SAC606), are the result of the joint work of the IASB and the FASB in order to clarify the principles required to recognize revenues from ordinary activities and improve the presentation of the financial statements by creating a common revenue recognition standard for the IFRS and the PCGA in the United States.

The purpose of the IFRS 15 is providing a unique and integral model to recognize revenues for all contracts with clients, except leasing, financial instruments, and insurance agreements, and improve comparability within the industries and between industries and capital markets, the basic principle being that an entity recognizes revenues from ordinary activities in a manner representing the transfer of goods or services committed before clients in exchange for a payment that reflects the consideration the entity expects to receive in exchange for such goods or services.

The IFRS 15 establishes a model to recognize revenues from ordinary activities generated by contracts with clients, based on 5 phases:

1. Identify contracts with clients.
2. Identify contract performance obligations.
3. Establish the transaction price.
4. Assign the transaction price among the contract performance obligations.
5. Recognize the revenue from ordinary activities whenever (or inasmuch as) the entity meets a performance obligation.

The IFRS 15 replaces the following international accounting and interpretation norms: NIC 11: Construction Contracts, NIC 18: Revenues from Ordinary Activities, CINIIF 13 Client Loyalty Programs, CINIIF 15: Real Property Construction Agreements, CINIIF 18: Transfer of Assets Originating from Clients, and SIC 31: Revenues-Exchanges of Advertising Services.

The IFRS 15 replaces current requirements regarding recognition of revenues from ordinary activities, allowing for a complete retrospective or modified retrospective approach for its implementation. It is effective for periods starting on or after January 1 of 2018. Early implementation is allowed. The Company plans to implement the norm using the modified retrospective approach, which means that the cumulative effect of such implementation will be reflected in the 2018 accumulated profits opening balance and that the comparative financial information will not be re-expressed.

During 2017, the Company concluded the review of the potential effects caused by implementing the IFRS 15 in its financial statements, finding that there will be no significant effects regarding the opportunity and the value of the recognition of Company revenues.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

According to the analysis, no changes were identified that could affect the current ordinary activities' revenue recognition policy.

The Company has considered the following upon preparing to implement the IFRS 15:

Portfolio approach:

The Company obtains its main revenue flows from the sale of goods and/or the provision of services based on electric power trading and distribution in the regulated market, from similar, related, and supplementary activities, and from trading of products in benefit of its clients.

Paragraph 4 of IFRS 15 allows applying this norm to a portfolio of contracts. For this, by identifying its revenue flows the Company identified groups of contracts with clients with similar characteristics according to contractual cluster terms and conditions. The clusters were established by applying the following typical elements: 1) types of goods or services offered (electricity, value added services), 2) types of markets (regulated, nonregulated), or 3) types of clients (type, size, sector), which following the 5-step model and special IFRS 15 issues allow identifying goods and/or services considered in the contracts.

Contracts with multiple goods and/or services:

In paragraphs 26 through 30, the IFRS 15 indicates that, for contracts with multiple goods and services, should the Company identify various performance obligations related to the transfer of goods and/or services offered to the clients, they should be met independently.

Following is the analysis on the various contracts related to the provision of goods and/or services by the Company to its clients:

Energy distribution and trading, clients from the regulated market. The most significant cluster, comprised of the uniform conditions contract and to which all clients belong, provided meeting characteristics required for belonging to the regulated market. The performance obligations for this cluster are the provision of the energy service, the connection service, reconnections, and maintenance checks of electric meters, which represent different goods and services not being essentially the same and having various transfer patterns. Consequently, it is considered that the uniform conditions contract considers the provision of multiple goods and/or services.

Public lighting service with the Bogotá District: This cluster is comprised of the public lighting service supply and payment contract with the Capital District and includes leasing of the infrastructure covered by other norms. Two performance obligations have been identified: the provision of the energy service and the maintenance service, so that the contract includes the provision of two committed services.

Supply of public lighting to municipalities: Corresponds to public lighting service agreements and/or infrastructure lease agreements executed with the municipalities. The public lighting infrastructure leasing services are covered by other norms, the public lighting service by the IFRS 15, so that two performance obligations have been identified: the provision of the energy service and the maintenance service, so that this contract could include more than one committed service.

Energy transportation - Tolls and transmission: This cluster includes the energy distribution service related to the use of the Company distribution grids by other traders. This service is considered in Resolution 156 of 2011, issued by the

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Colombian Energy and Gas Commission, and sets forth the electric Power Public Service Trading Regulation as part of the Operation Regulation. The Company acts as principal and has identified the use of the distribution grid as its exclusive performance obligation, so that there are no multiple goods and/or services associated to this cluster.

Corporate and government services: This cluster includes various contracts executed for the sale of goods and/or the provision of services to corporate or government clients, divided according to the promised goods or services as follows:

- > **a) Goods and services collaboration and financing agreement:** The performance obligation consists in promotion, origination, administration, invoicing, and collection of financial services exclusive to the Company users, so that it is not a contract involving multiple goods and/or services committed before the clients, the Company acting as an agent.
- > **b) Connection, administration, operation, and maintenance:** The identified performance obligations are 1) supply, testing, and commissioning of the communications network, 2) review of connection designs and construction inspection, erection, testing, and commissioning, 3) administration, operation, and maintenance of the line module, and 4) supervision of the connection point signals from the Company control station. As a result of this, there are multiple goods and/or services committed before the clients, controlled and met by the Company.
- > **c) Mercantile - commercial management agency offer:** The commercial management of products, work, and/or services is the only performance obligation. Consequently, the contract has no multiple goods and/or services committed before the clients, the Company acting as an agent.
- > **d) Collaboration agreements - insurance:** The performance obligation is trading and disposal of trading channels. The Company acts as an agent and the contract has no multiple goods and/or services committed before the clients.
- > **e) Electric work:** The performance obligations involve providing access to the Company clients for electric work, the supply of serial material, and financing services. The contract has multiple goods and/or services committed before the clients. The Company acts as a principal, whenever controlling the goods and/or services and meeting the performance obligations by itself, otherwise acting as an agent.
- > **f) Insurance and publications:** The following are the performance obligations: promotion, invoicing, and collection services through the electric bills and delivery of policies and contracts; the contract includes multiple goods and/or services committed before the clients and the Company does not control the goods and/or the services and does not meet the performance obligations by itself, acting as an agent.
- > **g) De-energizing activities:** The performance obligation is the provision of operation services to de-energize the Company grids. The contract does not involve multiple goods and/or services committed before the clients and the Company acts as principal.
- > **h) Other electrical work and projects:** The performance obligations are electric work and projects related to the transfer of high-voltage lines and lighting (graphic design and constructive design of Christmas lighting). There are multiple goods and/or services committed before the clients, the Company acting as principal.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

- > **i) Electric grids cooperation agreement:** The performance obligations are the work and electric projects related to installation, protection, moving, replacement, and relocation of electric grids. The contract has no multiple goods and/or services committed before the clients and the Company acts as principal.
- > **j) Advertising ads:** The performance obligation is printing, including, and delivering advertising information in the electric bill. The contract has no multiple goods and/or services committed before the clients and the Company acts as principal.
- > **k) Measurement equipment:** The performance obligation is the supply of serial material (meters, current and power transformers, and seals). The contract has no multiple goods and/or services committed before the clients and the Company acts as principal.

Other revenues: This cluster consists mainly of operation agreements with related parties and does not include multiple services and goods.

Compliance with performance obligations:

In paragraph 31 and 35, IFRS 15 states that the performance obligations are met in time or °at some point in time according to the transfer pattern of the goods' control and/or services committed before the clients.

The analysis made to this effect includes the following 1) distribution and trading of client energy, regulated market, 2) public lighting to the Bogotá District, 3) public lighting to municipalities, 4) energy transportation - tolls and transmission, and 5) corporate and government services. These obligations are met in time considering that the clients simultaneously receive and use the goods or services, in their benefit inasmuch as the contracts are executed.

For the "other revenues" cluster, performance obligations are met at a certain time, considering that the goods and/or services offered to the clients are not subject to future commitments.

Variable considerations:

In paragraph 50, IFRS 15 states that, should the promised consideration included in a contract involve a variable value, the Company will estimate the value it will be entitled to in exchange for the transfer of goods and/or services to the clients. Following is the analysis:

Energy distribution and trading. Clients from the regulated market and energy transfer - tolls and transmission: the consideration is regulated for the provision of the energy service. For the other performance obligations there are free prices subject to surveillance, published by the Company and being subject to surveillance by the Superintendence of Public Household Utility Services. Consequently, there are no variable considerations since clients belonging to these clusters have no expectations regarding the Company commercial practices or its advertised or declared policies, since no discounts are given and no returns, credits, reductions or similar aspects exist.

Service Supply. Public lighting to the Bogotá District, public lighting supply to municipalities, and corporate and government services: the consideration corresponds to prices offered or negotiated by the Company with its clients, so that there are no variable considerations since the prices have been previously agreed and there are no discounts, refunds, incentives, performance bonuses, or any other type of benefit affecting the amounts the clients will be receiving.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Contracts with amendments:

In paragraph 18, IFRS 15 states that there will be contracts with amendments whenever there are changes to the scope or to the price approved by the parties creating new rights and obligations under the contract in exchange for the goods or services offered to the clients.

Based on the analysis made to the revenue flows and the associated clusters, the Company established that there are no effects since there are no changes resulting from the provision of new goods or services or making changes to the prices outside previously agreed or regulated conditions. The identified changes relate to contract starting or termination dates, or to prices, without affecting the consideration agreed to between the parties for the supply of goods and/or the provision of services.

Consideration as principal or agent:

Paragraphs B34 through B38 of the IFRS 15 state that, should a third party be involved in the provision of goods and/or services to a client, the Company should establish whether the commitment to meet the performance obligations is its own or such third party's. Should the Company control the goods and/or services, and should it meet the performance obligations by itself, it will be acting as principal, otherwise as an agent.

Should the Company control and meet its performance obligations with the clients, it will be acting as principal and will recognize, as revenues, the gross value of the consideration it is entitled to in exchange for the goods and/or services transferred. Should a third party be responsible for controlling and meeting the performance obligations, the Company will be acting as an agent and will recognize the revenues for the net value of the consideration it is entitled to.

Contract costs:

In paragraphs 91 to 98, the IFRS 15 allows recognizing an asset for the cost of obtaining or performing a contract.

In contracts falling under the scope of the analyzed clusters, the Company established that it will not be incurring in costs related to the award of the contracts. Consequently, it does not recognize incremental costs related to contract award or execution.

Concession agreements:

In the analyzed contracts there are no concession agreements or possible effects from them, under the IFRS 15.

CINIIF 22: Transaction in foreign currency and early consideration

This interpretation refers to the exchange rate to be used in foreign currency transactions, whenever the consideration is paid/received before recognizing revenues, expenses, or assets. It will apply from January 1 of 2018 on.

Amendments to NIC 7 – Disclosures

This amendment is included in Annex 1.2 of Decree 2420 of 2015, through Decree 2131 of 2016, effective as of January 1 of 2018. It is part of the IASB disclosure initiative and requires that the Company discloses information allowing the users of the financial statements to evaluate changes in liabilities arising from financing activities, including changes arising or not from cash disbursements/collections. In its initial application, the companies will not be required to include comparative information for previous years. The application of this amendment will result in additional disclosures in the Company financial statements.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Recognition of assets from taxes deferred due to non-realized losses-amendments to NIC 12

This amendment is included in Annex 1.2 of Decree 24200 of 2015, through Decree 2131 of 2016, effective as of January 1 of 2018. This amendment sets forth the need for a company to consider whether the tax laws restrict fiscal gain sources compared to those that can be charged to temporary deductible differences, in addition providing guidelines as to how a company should establish its future fiscal gains and explaining the circumstances according to which the fiscal gain could include recovery of certain assets for values greater than their book value.

The Company should apply these amendments retroactively. However, upon being first used the change in the opening equity in the first comparative period may be recognized in withheld opening profits (or in any other equity line, as appropriate), without distributing the change among the opening withheld profits and other equity components. Should the Company apply this exemption, it will be required to disclose this fact. It is expected that this amendment will have no effects on the Company.

2.3.2 New norms, modifications, and interpretations included in the accounting framework accepted in Colombia, effective as of January 1 of 2019:

IFRS 16 - Leasing

The IASB issued IFRS 16, effective as of January 1, 2019.

The IFRS 16 supersedes existing guidelines for leasing accounting, including NIC 17 - Leases, CINIIF 4 Determination on whether or not a contract includes leasing, SIC 15 - Incentives for the operation of operational leases, and SIC 27 - Evaluation of the substance of transactions involving the legal form of a lease.

IFRS 16 includes a single accounting record model of lease agreements in lessees' financial statements. Lessees recognize assets according to the use right, representing the right to use the leased asset, and a lease liability representing its obligation to pay the rent. There are optional exemptions for short-term leases or for leases of low value goods. The accounting treatment of lease agreements for lessors is similar to the current accounting norms, according to which the lessor considers the lease agreements as financial or operational leases.

The nature of expenses corresponding to operational lease agreements changes in IFRS 16 from lease expenses to depreciation charges with respect to the right to use the asset and financial expenses in liabilities. To date, the Company has not identified any effect caused by the adopting this new norm that could significantly affect its financial statements. The Company does not expect to adopt this norm in the near future.

CINIIF 23 Uncertainty regarding the effect of the tax on gains

The interpretation relates to tax gains in cases in which fiscal treatments include uncertainties affecting the application of NIC 12, not applying to taxes beyond the scope of this CINIIF and not including specific requirements related to interests and sanctions associated to uncertain fiscal treatments. The interpretation relates to the following:

- > Should the entity consider uncertain fiscal treatments in a separate manner.
- > Assumptions made by the entity regarding the examination of fiscal treatments by the corresponding authorities.
- > The manner in which the entity establishes fiscal profits or losses, fiscal bases, unused fiscal losses or credits, and fiscal rates.
- > The manner in which the entity considers changes to facts and circumstances.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

This interpretation has not been included in the Colombian accounting system. The interpretation applies as of January 1 of 2019. Since the Company operates in a complex tax environment, the interpretation application could affect its financial statements and disclosures. The Company should establish processes and procedures necessary to obtain the information required to apply this interpretation in a timely manner.

Transfer of investment properties, amendments to NIC 40

These amendments provide some clarifications for those cases in which a company is required to transfer properties, including construction or investment properties. These amendments state that a change in use will exist should the property start meeting, or no longer meet, the definition of investment property and should there be evidence of such change. A simple change in the intention to use the property by the administration does not constitute evidence of change of use. The Company should apply the amendments prospectively to the equipment being used, from the moment the amendments goes into force. The Company should reevaluate the classification of the property kept as of such date and, as applicable, reclassify it to reflect conditions existing at the time. This amendment is included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 1 of 2019. The Company will apply such amendments upon such changes going into effect, however taking into account that the Company is currently in line with these clarifications and that it is expected that they will have no effects on its financial statements.

Classification and measurement of transactions with payments based on shares, amendments to the IFRS 2

These amendments were issued by the IASB to respond to three main aspects: the effect of conditions for the irrevocable condition of the concession for the measurement of payment transactions based on shares and agreed in cash, classification of payment transaction based on shares with net liquidation characteristics for tax withholding obligations and the accounting whenever a change to the terms and conditions of the payment transaction based on shares changes their cash liquidation classification to equity liquidations. Upon such adoption, companies are required to apply the amendments without including previous years, however being allowed to apply them retroactively if required by the three amendments and provided meeting other criteria. These amendments are included in Annex 1.3 of Decree 2420 of 2015, through Decree 2170 of 2017, effective as of January 1 of 2019. The Company is evaluating the potential effect of these amendments on its financial statements.

Amendment to NIC 1: Initiative on information to be disclosed

The IASB issued amendments to the NIC 1 "Presentation of Financial Statements" as part of its main initiative to improve presentation and disclosure of the financial statements' information. These changes are designed to encourage the companies to use their professional discretion to establish what type of information they should disclose in their financial statements.

Amendment to IFRS 10, NIIF 12, and NIC 28: Investment entities, application of the consolidation exception.

These changes to the NIIF 10 "Consolidated Financial Statements, NIIF 12 "Information to be Disclosed Regarding Participations in other Entities" and NIC 28 "Investments in Associates and Joint Businesses" clarify the application of the consolidation exception for investment entities and their subsidiaries. In addition, they reduce requirements in specific circumstances, bringing down the cost of applying the norms.

Improvements to the IFRS (cycle 2014-2016)

These are a number of minor changes that clarify, correct, or eliminate redundancies in the following norms: IFRS 1 "First Time Adoption of the IFRS", IFRS 12 "Information to be Disclosed Regarding Participation in Other Entities", and NIC 28

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

"Investments in Associated Companies and Joint Businesses". Application is distributed as follows: NIIF 12: January 1, 2017, NIIF 1: January 1, 2018, NIC 28: January 1, 2018.

Amendment to IFRS 10 and NIC 28: Sale and contribution of assets

The change corrects an inconsistency existing between the IFRS 10 "Consolidated Financial Statements" and the NIC 28 "Investments in Associated Companies and Joint Businesses" regarding the sale accounting treatment and contributions between an investor and its associates or joint business.

The IASB indefinitely postponed the effective application of this change and decided to wait for the results of its investigation projects on the participation method.

The Company is evaluating the effect that the IFRS 16 will have on the day of its effective application. The administration considers that other pending norms and changes will have no significant effects on the Company financial statements.

2.4 Accounting and financial information norms not included in the accounting framework accepted in Colombia, issued however not yet in force

IFRS 17 - Insurance Contracts

On May 2017, the IASB issued IFRS 17, a new internal accounting standard for insurance contracts covering measurement, recognition, presentation, and disclosure. Once in force, it will replace IFRS 4 issued in 2005. It applies to all types of insurance contracts, regardless of the types of entities issuing them, and to certain guaranties and financial instruments with discretionary participation characteristics. This norm has few exceptions.

Its general purpose is providing an accounting model for insurance companies that will be more useful and consistent for insurance companies. As opposed to the IFRS requirements, which mainly seek protecting previous local accounting policies, IFRS 17 provides an integral model for these contracts, including all relevant issues. The essence of this norm is a general model supplemented by:

- > a specific adaptation for contracts with direct participation characteristics (variable rate approach).
- > a simplified approach (the assignment premium approach), mainly for short-term contracts.

IFRS 17 has not been included in the Colombian accounting system with any decree. The Company is evaluating the potential effect of this norm on its financial statements.

Application of IFRS 9 "Financial Instruments" with the IFRS for "Insurance Contracts" - Amendment to IFRS 4

The changes are addressed to resolving issues arising as a result of the implementation of the new financial instruments norm, IFRS 9, prior to the implementation of IFRS 17 "Insurance Contracts", which replaces IFRS 4. These changes provide two options to entities issuing insurance contracts: a temporary exemption related to the application of IFRS 9 and a superimposing approach. A Company may opt for the superimposing approach upon adopting IFRS 9, applying this approach retroactively to financial assets indicated in the transition to IFRS 9. The Company will re-express the comparative information, reflecting the superimposing approach if and only if it has decided to re-express the comparative information upon applying the IFRS 9.

These changes should be applied retroactively and have not been introduced into the Colombian accounting system with any decree. They do not apply to the Company.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

2.5 Relevant Accounting Estimates and Criteria

Upon preparing the financial statements, certain estimates made by Company management, the business lines, and the support areas have been used to quantify some assets, liabilities, revenues, expenses, and commitments herein contained.

The estimates basically relate to:

- > Hypotheses used for actuarial calculations of assets and obligations with employees, such as discount rates, mortality tables, salary increases, and others.
- > The service life of properties, plant, equipment, and intangible assets (see Notes 3.7 and 3.8).
- > Hypotheses used to calculate the reasonable value of financial instruments (see Notes 3.1.2 and 3.1.3).
- > Certain magnitudes of the electric system, including those corresponding to other companies, such as production, invoicing, used energy, etc., which allow estimating the electric system's global liquidation, which should take place upon the final liquidation being made, pending invoicing as of the date of issuance of the financial statements which could affect the balance of assets, liabilities, revenues, and costs contained in them.
- > The probability of occurrence and the value of liabilities with uncertain or contingent values (see Note 3.11).
- > Future disbursements made on account of restorations and dismantling, as well as discount rates to be used (see Note 3.8).
- > Fiscal results to be reported to the respective tax authorities in the future, used to record the various balances related to taxes on gains in these financial statements (see Notes 3.12.1 and 3.12.2).

Estimates have been made based on the best information available as of the date of issuance of these financial statements. It is possible that future circumstances will require increasing or decreasing them, which would be made prospectively recognizing the effects of changes to estimates in the respective future financial statements.

3. Accounting Policies

The following are the main accounting policies used upon preparing these general-purpose financial statements:

3.1 Financial Instruments

3.1.1. Cash and Other Equivalent Liquid Means

This line records available cash, cash in banks, term deposits, and other short-term investments (equal to or less than 90 days from their investment date), with high liquidity and with quick encashment characteristics and low risk of value changes.

3.1.2 Financial Assets

The Company classifies its financial assets as follows: those measured at reasonable value and those measured at amortized cost. This classification depends on whether the financial asset is a debt instrument or an equity instrument.

3.1.2.1. Debt Instruments

(a) Financial assets at amortized cost

A debt instrument is classified as being measured at "amortized cost" only should the following criteria be met: i) the Company business model purpose is maintaining the asset in order to secure contractual cash flows and ii) the contractual terms allow for specific dates when cash flows are to be received, being only principal and interest payments on the outstanding principal.

The nature of derivatives implied in a debt investment is considered to establish whether the cash flows are only payments related to principal and interests on the outstanding principal, in which case they will not be entered separately.

(b) Financial assets at reasonable value

Should either asset mentioned for financial assets at amortized cost not be met, the debt instrument will be classified as being measured at "reasonable value with changes in income".

3.1.2.2. Equity instruments

All variable income instruments are measured at reasonable value. Equity instruments used for negotiation purposes are valued at reasonable value with changes in income. For other equity instruments, the Company may irrevocably opt for the initial recognition in order to recognize changes in reasonable value against other integral income in equity, instead of income.

3.1.2.3 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at reasonable value on the day the contract is executed, being permanently re-measured at their reasonable value.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Should derivative financial instruments not qualify to be recognized using the hedging accounting method, they will be entered at reasonable value in the income statement. Any change to the reasonable value will be immediately recognized in the income statement as "other gains (losses), net". If used for hedging purposes, the method to recognize the gain or loss resulting from the changes in the reasonable values will depend on the nature of the risk and on the item being hedged.

The Company assigns certain derivatives as:

- (a) Hedging to the recognized assets or liabilities' reasonable value (reasonable value hedging);
- (b) Hedging of a particular risk associated to a recognized asset or liability, or a highly probable foreseen transaction (cash flows hedging)
- (c) Hedging to net investments in a foreign operation (net investment hedging)

At the start of the hedging operation, the Company documents the relationship between the hedging instruments and the hedged lines, as well as their purposes and risk management strategies supporting its hedging transactions. The Company also documents its evaluation, both at the start of the hedging activity and periodically, regarding whether the derivatives used in the hedging transactions will be highly effective to offset changes in reasonable values or in the hedged items' cash flows.

The total reasonable value of derivatives used as hedging instruments is classified as noncurrent assets or liabilities should the maturity date of the covered line's remaining portion be greater than 12 months, as a current assets or liabilities if less than 12 months. Derivatives not used for hedging purposes or being kept for negotiation purposes are classified as current assets or liabilities.

- (a) Reasonable value hedging

Changes in reasonable value of derivatives assigned and classified as reasonable value hedging are entered in the income statement, the gain or loss of the covered line attributable to the covered risk adjusting the book value of the hedged line being recognized in the year's income statement. Gains (losses) related to the effective part of derivatives are entered in the income statement as "financial expenses", the ineffective part being entered as "other gains (losses), net". Should the hedging no longer meet the necessary criteria in order to be recognized using the hedging accounting method, the book value adjustment of the hedged line will be amortized in income using the effective interest method during the remaining time prior to its maturity date.

As of the date of these financial statements, the Company has no reasonable value hedging.

- (b) Cash flow hedging

The effective part of the changes in the reasonable value of derivatives assigned to and qualified as cash flow hedging is entered in equity. Gains (losses) related to the ineffective part are immediately entered in the income statement as "other gains (losses), net"

Amounts accumulated to net equity are entered in the income statement during the time the hedged line affects them.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

However, should the hedged transaction result in the recognition of a nonfinancial asset, gains (losses) previously recognized in equity are transferred from equity to the asset's initial cost. Capitalized amounts are finally recognized in sale costs once the products are sold, if being inventories, or in depreciation if being properties, plant, and equipment

Whenever a hedging instrument expires or is sold, or should it no longer meet the necessary criteria to be recognized as hedging, any gain (loss) accumulated to equity as of such date will remain in equity and will be recognized once the projected transaction affects the income statement. Once it is expected that no projected transactions will occur, the accumulated gain (loss) will be transferred immediately to the income statement as "other gains (losses), net".

(c) Hedging of foreign net investments

Hedging of net investments made abroad is entered in a manner similar to the cash flow hedges. Any gain or loss from the hedging instrument related to the effective part of the hedging is entered to equity. Gains (losses) related to the ineffective part of the hedging are immediately entered to income as "other gains (losses), net".

Accumulated gains (losses) in equity are transferred to the income statement once the foreign operation is sold or is partially disposed of.

As of the date of these financial statements, the Company has no hedging for foreign investments.

3.1.2.3. Debts (financial obligations and bonds)

Debts are initially entered at reasonable value, net of costs incurred during the transaction. Debts are subsequently entered at their amortized cost. Any difference between the funds received (net of transaction costs) and the redemption value is entered to the income statement during the loan period, using the effective interest method.

Costs incurred to obtain debts are entered as transaction costs, inasmuch as being probable that part or all the debt will be collected. In this case, fees are deferred until the loan is paid. Provided there is no evidence that part or all the debt will be paid, fees are capitalized as expenses paid in advance for services provided to obtain liquidity, being amortized during the term of the loan they relate to.

Loans are classified in current liabilities, unless the Company is unconditionally entitled to defer payment of the obligations during at least 12 months from the date of the general balance sheet. As of the date of these financial statements, the Company has debts represented by bonds and loans. Upon being immaterial, transaction costs have been entered to the income statement upon the titles being issued.

The costs of general and specific debts directly attributable to the acquisition, construction, or production of apt assets, i.e. those requiring of a significant time in order to be ready for use or sale, are added to the cost of such assets until the moment they are essentially ready for use or sale. Revenues from investments from the temporary investment of resources obtained from specific debts not yet invested in qualified assets are deducted from costs by interests subject to capitalization. All other costs are entered to the income statement as incurred.

3.1.4. Financial Assets and Financial Liabilities with Related Parties

Loans and debts with related parties are initially entered at reasonable value, plus transaction costs directly attributable.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Subsequent to the initial recognition, these loans and debts are measured at amortized cost using the effective interest rate method. The interest rate amortization is entered to the income statement as revenues or financial costs, or as other revenues or operational expenses, depending on the nature of the respective asset or liability.

3.1.5. Commercial Accounts Payable

Commercial accounts payable are payment obligations on account of goods or services purchased/obtained from suppliers during the ordinary course of business. Accounts payable are classified as current liabilities should the respective payment have to be made in one-year periods or less. Otherwise, they will be entered as noncurrent liabilities.

Commercial accounts payable are initially entered at reasonable value, the subsequent measurement being at amortized cost using the effective interest method.

3.1.6. Recognition and Measurement

Conventional purchases and sales of financial assets are entered on the negotiation date, i.e. the day the Company undertakes to acquire or sell the asset. Financial assets are disposed of once the right to receive cash flows has expired or has been transferred and once the Company has essentially transferred all risks and benefits related to their ownership.

During the initial recognition, the Company evaluates financial assets at reasonable value plus - in the case of financial assets not measured at reasonable value and with changes in income - transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at reasonable value, with changes in income, are directly entered to the income statement.

Gains (losses) of a debt instrument subsequently valued at reasonable value and not being part of hedging activities are entered to income and are shown in the income statement as "other gains (losses), net" at the time they occur.

Gains (losses) of a debt instrument subsequently valued at amortized cost and not being part of hedging activities are entered to the year's income once the financial asset is disposed of or is impaired, applying the amortization method involving the effective interest method.

Thereafter, the Company measures all equity instruments at reasonable value. Should management decide to present reasonable value unrealized and realized gains (losses), or losses in equity instruments, in other integral income, reasonable value gains (losses) will not be entered to the year's income. Dividends of equity instruments are entered to income provided representing return on investment.

The Company should reclassify all debt instruments if and only if its business model for management of financial assets changes.

Offsetting of Financial Instruments

Financial assets and liabilities will be offset and their net value presented in the financial statements should there be a legal enforceable right to offset amounts recognized and should management intend to liquidate the net amount or realize the asset and cancel the liability simultaneously.

3.1.7. Reasonable Values

Reasonable values of investments with stock listings are based on their current list prices. Should the market of a financial instrument not be active, or should the instrument not be listed in the stock market, the Company will establish its

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

reasonable value using adequate valuation techniques according to the circumstances. These techniques include the use of values seen in recently made transactions under free competition terms, references to other instruments being essentially similar, analysis of discounted cash flows, and option models, maximizing the use of the market information and assigning the highest level of reliance to the Company's specific internal information.

3.2 Inventories

Inventories include materials regarding which risks and benefits typical of their ownership have been assumed. These include materials such as those handled in the Company's logistics operator warehouses.

Inventories are shown in current assets, even if sold after 12 months, inasmuch as it is considered that they will be part of the ordinary course of business.

The cost of inventories includes the cost of purchase and all costs directly or indirectly attributable to inventories, such as transportation, customs duties, insurance, non-recoverable indirect taxes, etc., net of commercial discounts, bonuses, and premiums.

The cost is measured using the weighted average method, which considers the number of units of an article purchased on different dates, and costs such as those arising from belonging to a set in which individual purchases are no longer identifiable, however all being equally available.

The weighted average cost should include additional charges such as ocean freight costs, customs expenses, insurance, etc., attributable and incurred during the respective period of time.

The cost of inventories might not be recoverable should inventories be damaged, should they be fully or partially obsolete, or in case of low turnover rates.

Obsolete materials are those that possibly cannot be sold or used during the ordinary course of business, such as scrap and technologically outdated materials. Low turnover materials are surpluses of stock levels that can be considered reasonable, based on their normal use during the Company's ordinary course of business. Obsolete and low turnover inventories have use or sale possibilities that in some cases represent their value as scrap materials.

Inventory elements used for maintenance purposes affect the Company income.

As of the date of these financial statements, the value of inventories does not exceed their recoverable value.

3.3 Noncurrent Assets Kept for Sale and Discontinued Activities

The Company classifies, as noncurrent assets maintained for sale, properties, plant, and equipment, intangible assets, investments in associated companies, joint businesses, and groups subject to sale (assets that will be sold together with their associated liabilities), for which as of the date of these financial statements activities have been started for their highly probable sale.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

These assets or groups are entered at the lowest of the book value and the reasonable value minus costs up to the sale, no longer being amortized once being classified as noncurrent assets kept for sale.

Noncurrent assets kept for sale, and components of groups subject to sale classified as being kept for sale, are entered to the financial statements as follows: assets in a single line called "noncurrent assets or groups of assets for disposal, classified as kept for sale", liabilities also in a single line called "liabilities included in groups of assets for disposal classified as kept for sale".

The Company considers as discontinued activities significant and separable business lines that have been sold or disposed of in any other manner, or those that meet the necessary conditions to be classified as being kept for sale, including other assets that, together with the business line, are part of the same sales plan. Entities exclusively acquired in order to be resold are also considered discontinued activities.

Income after taxes of discontinued activities is entered to a single line in the integral income statement called "gains (losses) from discontinued operations".

As of the date of these financial statements, the Company has no noncurrent assets kept for sale, or discontinued activities.

3.4 Investments in Subsidiaries

A subsidiary is an entity controlled by the Company. Such control exists whenever the faculty exists to direct the subsidiary's relevant activities, which in general are operation and financing activities, in order to obtain benefits from its activities and being exposed, or entitled, to its variable yields.

Investments in subsidiaries are initially entered at cost, thereafter applying the participation method in the separate Company financial statements according to Decree 2420 of 2015, amended by Decree 2496 of 2015.

Dividends received from these companies are entered by reducing the investment values and income obtained from them, corresponding to the Company according to its participation, in the line "Participation/losses in gains of associates, accounted using the participation method". The participation method measurement is evaluated according to the materiality of the figures and taking into account participation in each subsidiary.

3.5 Investments in Associates and Joint Businesses

An associate is an entity over which the Company has significant influence regarding financial policy and operation decisions, without having individual or joint control.

A joint business is an entity which the Company controls jointly with other participants, in which they have a contractual agreement establishing joint control over the entity's relevant activities. On the date of acquisition, the acquisition cost surplus on the participation in the net reasonable value of identifiable assets, liabilities, and contingent liabilities assumed from the associate or joint business is recognized as a mercantile credit. The mercantile credit is included according to its investment book value, not being amortized and individually being subject to individual value impairment tests.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Joint operation: an agreement under which parties exercising joint control are entitled to assets and obligations related to liabilities related to the agreement.

Joint control: the distribution of control contractually decided under an agreement, which only exists should the decisions on the relevant activities require of the unanimous consent of the parties that share control.

A joint operator will recognize, with respect to its participation in a joint operation: a) its assets, including its participation in assets jointly maintained, b) its liabilities, including its participation in liabilities jointly incurred, c) its revenues from ordinary activities from the sale of its participation in the product generated by the joint operation, d) its participation in revenues of ordinary activities generated by the sale of the product by the joint operation, and e) its expenses, including its participation in expenses jointly incurred.

As of the date of the financial statements, the Company has no investments in associates and has no mercantile credits risks resulting in investments in associates and joint businesses, or in joint agreements.

3.6 Business Combinations

In a business combination, the Company enters, at reasonable value, assets acquired and liabilities assumed from the affiliate on the day control is achieved, except for some assets and liabilities that are entered according to valuation principles established in other IFRS. Should the reasonable value of the consideration transferred, plus the reasonable value of any non-controlling participation, exceed the reasonable value of the net assets acquired from the affiliate, such difference will be entered as a capital gain. In case of a low price purchase, the resulting gain is entered to income after reevaluating whether all assets acquired and liabilities assumed have been properly identified and after reviewing the procedures used to measure the reasonable value of such items.

For each business combination, the Company decides on whether to evaluate non-controlling participations of the acquired entity at reasonable value or the proportional portion of the acquired Company's net identifiable assets. Otherwise, the Company will report the provisional values entered. During the measurement period, which will not exceed 8 years from the acquisition date, the entered provisional values will be adjusted retroactively, also recognizing additional assets or liabilities in order to reflect new information obtained regarding facts and circumstances existing on acquisition day that were not known by the administration at the time. In case of phased business combinations, on acquisition day the participation previously maintained in the acquired Company's equity is measured at reasonable value, gains (losses) being entered in the income statement.

Acquisition costs are charged to expenses and entered to administrative expenses in the income statement.

3.7 Intangible Assets

Intangible assets are initially entered at acquisition or production cost, subsequently being valued at the net cost of the respective accumulated amortization and of impairment losses which, as applicable, exist.

Intangible assets are amortized linearly during their service life, from the moment they are ready for use. The Company initially evaluates whether the intangible assets' service life is defined or undefined, together with the amortization period, which is reviewed at the end of each year.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

The criteria to recognize these assets' impairment losses and, as applicable, impairment loss recoveries entered in previous year's, are explained in the assets' value impairment policy.

(a) R&D expenses

The Company enters as intangible assets in its financial statements the costs of projects during their development phase, provided their technical feasibility and economic profitability are reasonably guaranteed.

Investigation expenses are directly entered to the year's income.

(b) Other intangible assets

These assets basically corresponded to IT programs, easements, and rights of way. They are entered initially at their acquisition or production cost, subsequently being valued at the net cost of their corresponding accumulated amortization and impairment losses that, as applicable, could exist.

The amortization service lives are:

Item	Years, as of December 31, 2017	Years, as of December 31, 2016
Studies and projects	2	2
Licenses	3	3
Easements	50	50
Software	4	4

Losses/gains upon an intangible assets being disposed of are entered as the difference between the net value received from their disposal and the book value of the assets.

3.8 Properties, Plant, and Equipment

Properties, plant, and equipment are valued at acquisition cost, net of their respective accumulated depreciation and impairment losses, additionally at the price paid for the acquisition of each element. Costs also include the following:

- > Costs of general and specific interests directly attributable to the acquisition, construction, or production of apt assets - i.e. those requiring of a significant time before being ready for their foreseen use or sale - are added at the cost of these assets until the moment they are essentially ready for their intended use or sale. The Company defines as "substantial time" that exceeding 12 months. Interest rates used are those corresponding to the specific financing or, should there be none, the average financing rate of the company making the investment.
- > Personnel expenses directly related to constructions in progress.
- > Future payments the Company will be making regarding the closing of its facilities are entered at the assets' updated value, recognizing the respective dismantling or restoration reserve. The Company annually reviews its estimates on such future payments, increasing/reducing the asset value based on the results of such estimate (see Note 16).

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

- Included in properties, plant, and equipment are spare parts meeting the assets' recognition characteristics; these parts are not part of the materials inventory.

Constructions in progress are transferred to assets under exploitation at the end of the testing period, i.e. once they are available for use, after which their depreciation will be started.

Expansion, modernization, or improvement costs involving goods increases in productivity, capacity, efficiency, or service life extensions are capitalized as greater costs of the respective goods.

Substitutions or renewals of complete elements increasing their useful life or economic capacity are entered as a greater value of the respective goods, deleting from the records the substituted or renewed elements.

Periodical maintenance, conservation, and repair costs are entered directly to the income statement as costs of the year they are incurred.

Based on the result of the impairment tests, the Company considers that the accounting value of the assets does not exceed their recoverable value.

Properties, plant, and equipment, net of their residual value, are depreciated by linearly distributing the cost of the various elements comprising them among the estimated service life years, i.e. the period of time during which the Company expects to use them. The estimated service life and the residual values are periodically revised and, as applicable, adjusted prospectively. As of the date of these financial statements, the Company considers insignificant the residual value of its fixed assets.

Following are the main types of properties, plant, and equipment, and their respective estimated service lives.

Types of properties, plant, and equipment	Years, as of December 31,	Years, as of December 31,
	2017	2016
Constructions and buildings	46	46
Plant and ducts	20	18
Grids, lines, and cables	17	15
Hydraulic stations	43	39
Machinery and equipment	19	18
Office equipment	10	10
Transportation fleet and equipment	5	5
Communications equipment	7	7

Electric assets, such as substations, lines, and grids, were entered in the accounting system in 2014, changing their average remaining service lives, applied as of January 1, 2015.

The service life change corresponds to the average of each category, which could change from one year to the next as a result of fully depreciated assets.

Land properties are not depreciated upon having an indefinite service life.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Gains (losses) from sales or disposal of properties, plant, and equipment are entered as other gains (losses) in the integral income statement, calculated by deducting the value received from the sale, the asset's net accounting value, and the sale expenses.

The excess of the fiscal depreciation on the accounting depreciation generates a tax effect that is entered as a passive deferred tax.

3.9 Asset impairment

(a) Nonfinancial assets (except for inventories and assets from deferred taxes).

During the year, and essentially on closing day, an evaluation is made on whether there are indications of any asset having been subject to impairment losses. If so, an estimate is made on the recoverable value of such assets in order to establish their impairment value. In case of identifiable assets not independently generating cash flows, the possibility to recover the Cash Generating Unit (UGE for its Spanish acronym) the asset belongs to is estimated, i.e. the smallest identifiable group of assets generating independent cash flows.

There are currently two UGEs identified in Codensa: that of distribution assets, comprised of transmission lines, substations, distribution grids, and equipment allowing to jointly provide the electric power distribution service to the end users, located in certain explicitly limited geographical areas, and that of the generation assets, represented by the small PCH hydroelectric station received from Empresa de Energía de Cundinamarca S.A. E.S.P. during the merger carried out on October 1, 2016.

The recoverable value is the greater of the reasonable value minus the cost required for its sale and the value in use, i.e. the current value of estimated future cash flows. To calculate the property, plant, and equipment, the capital gain, and the intangible asset recovery value, the value in use is the criterion used by the Company in practically all cases.

To estimate the value in use, the Company prepares future cash flow estimates before taxes, based on the most recent budgets. These budgets include the best management estimates on the UGEs revenues and costs, using sectorial projections, past experience, and future expectations.

These projections in general cover the following 10 years, estimating cash flows for the following years by applying reasonable growth rates, which in no case are bullish or exceed the long-term average growth rates for the applicable sector. These flows are deducted in order to calculate their current value, at a rate before taxes that includes the cost of the business' capital cost. For its calculation, the actual cost of the money and risk premiums used in general by the business analysts are taken into account.

Should the recoverable value of the UGE be lower than the asset's net book value, the respective reserve for impairment losses is entered according to the difference, in the line "value/reversion of impairment losses" in the income statement. Such reserve is first assigned to the UGE capital gain value, if any, then to other assets comprising it, prorated based on their accounting value and within the limit of its reasonable value minus sale costs or its use value, without this resulting in a negative value.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Impairment losses recognized for an asset during previous years are reverted should there be a change in the estimates related to its recoverable value, increasing the asset value against income with the limit of the book value the asset would have had should such accounting adjustment had not been made, in the case of capital gains accounting adjustments that could have been made not being reversible.

(b) Financial assets

At the end of each year, the Company evaluates whether objective evidence exists regarding the impairment of the value of a financial asset or group of financial assets measured at amortized cost. A financial asset, or group of financial assets, is/are impaired, and impairment losses incurred, should there be objective evidence of such impairment as a result of one or more circumstances occurring after the initial asset recognition (a "loss event") and should the loss event affect the future estimated cash flows of the financial asset or group of financial assets that can be reliably calculated.

The following procedure is applied to determine the need to make impairment adjustments to financial assets:

For assets with a commercial origin, the Company follows enters impairment reserves based on the time in arrears of the outstanding value, applied in general except in cases in which there are specific circumstances making advisable to specifically analyze the collection possibility.

The Company made an analysis based on the payment nature, impairment, and behavior, by type of portfolio and nature of the clients, establishing the following impairment percentages:

Energy Portfolio

Class of portfolio	Age	Residential	Comercial	Industrial	Official	Public lighting, municipalities
Energy portfolio	Between 1 and 180 days	2,7%	3,4%	4,3%	2,8%	4,5%
	Between 180 days and 360 days	32,3%	20,7%	17,7%	38,5%	11,9%
	More than 360 days	100%	100%	100%	77,1%	100%
Agreed portfolio	With 3 or less late payments	24,6%	24,3%	42,0%	0,3%	17,9%
	With more than 3 late payments	100%	100%	100%	77,1%	100%
Frozen portfolio	Creditors' agreements	100%	100%	100%	100%	100%
	Less than 360 days	77,7%	77,2%	76,9%	96,9%	96,9%
	More than 360 days	100%	100%	100%	100%	100%

The impairment percentage to be applied to the tolls, distribution areas, and non-regulated clients is 100% of the portfolio with more than 360 days in arrears, in special cases making individual analyses as indicated above.

The impairment percentage analysis is revised every two years.

Other Businesses

The following reserve percentages will be applied to the Codensa services, electric work, work to private persons, infrastructure, and electric companies' reserves.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Reserve	Age
1,42%	Current portfolio - 1-30 days
2,96%	Portfolio between 39 and 90 days in arrears
8,15%	Portfolio between 91 and 180 days in arrears
20,48%	Portfolio between 181 and 360 days in arrears
100%	Portfolio more than 360 days in arrears

Write-offs are entered once there is legal or material certainty of the loss of the debt. For this to apply, the debtor's insolvency, the lack of real guaranties, or any other circumstance demonstrating the inability to recover the loss has to be demonstrated.

In the case of financial accounts receivable, the impairment need is established by specifically analyzing each case, as of the date of these financial assets there being no expired financial assets of significant values not having a commercial origin.

3.10 Leasing

In order to establish whether a contract is or contains a lease, the Company analyzes the agreement's economic background and evaluates whether contractual compliance depends on the use of a specific asset and whether the agreement transfers the right to use it. If so, at contract initiation and based on reasonable values, payments and considerations related to the lease are separated from those corresponding to other elements included in the agreement.

Leases according to which all risks and benefits inherent to the property are essentially transferred are classified as financial leases. Others are classified as operational leases.

Financial leases in which the Company acts as lessee are recognized at contract initiation, entering an asset depending on its nature, a liability for the same value and equal to the reasonable value of the leased good, or at the present value of minimum lease payments, if lower. Subsequently, minimum lease payments are divided between financial expenses and the debt reduction. The financial expense is entered as an expense, distributed among the lease years, so that a constant interest rate is obtained for each year for the balance of the outstanding debt. The asset is depreciated in a manner similar to the rest of similar assets subject to depreciation, should there be reasonable certainty that lessee will become the owner of the asset at the end of the lease. Otherwise, the asset is depreciated in the shortest of the asset's service life and the lease term.

For operational leases, payments are entered linearly during the lease term as expenses if being a lessee, as revenues if being a lessor, unless another distribution base is more representative.

3.11 Reserves; Contingent Liabilities and Assets

Obligations existing as of the date of the financial statements and arising as a result of past events, from which equity and probable damages can result for the Company and whose payment values and times are uncertain, are entered to the financial statement as reserves, for the actual value of the most probable value it is estimated the Company will have to pay in order to cancel the obligation.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Reserves are quantified considering the best available information on the date of the financial statements regarding the consequences of the originating event, re-estimating them at the end of each subsequent accounting period.

As part of its reserves, the Company includes its best estimate of civil, labor, and fiscal litigation risks, so that it is not expected that liabilities additional to those considered will arise. Considering the nature of risks covered by these reserves, it is not possible to establish a certain day when the estimated obligation will be paid. Upon evaluating the loss probability, the available evidence, the jurisprudence, and the legal evaluation should be taken into account.

Risks related to civil, labor, and fiscal litigations that are considered eventual are disclosed in the Notes to the financial statements.

Contingent liabilities are obligations generated by past events, whose existence is subject to the occurrence or non-occurrence of future events not fully under Company control, or current obligations arising from past events for which the value of the obligation cannot be reliably quantified or for which resources may not be available. Contingent liabilities are not entered to the financial statements but are disclosed in their respective notes, except for those being individually included in purchase price reports or arising under a business combination and whose reasonable value can be reliably established.

A contingent asset exists based on the occurrence or non-occurrence of one or more future uncertain events that are not fully under the entity's control. It is disclosed once the profit generation becomes likely; it will be entered to the financial statements should the revenue generation be almost certain. The Company will not recognize any contingent asset.

3.12 Taxes

They include the value of general mandatory liens in favor of the State and against the Company on account of private liquidations established on the fiscal year tax basis, according to national and territorial tax norms applicable in places where the Company operates.

3.12.1 Income Tax and Deferred Tax

The annual tax on gains includes the income tax, the income surtax, and the deferred tax resulting from application of the lien to the year's tax base after applying admissible tax deductions, plus the change of assets and liabilities on account of deferred taxes and tax credits. The difference between the assets and liabilities' accounting value and their tax base generate the asset or the liability deferred tax balances, calculated using tax rates that should apply once the assets and liabilities are realized, for this considering rates that at the end of the tax year have been approved or for which the approval process is all but finished.

The income tax reserve is calculated at the official rate of 40% as of December 31, 2017 (it includes the 34% income tax and the 6% income tax surcharge), using the accrual method and established based on the net commercial profit according to the current tax norms in order to properly correspond the period revenues with their corresponding costs and expenses, entered at the estimated liability value.

According to Law 1819 of 2016, the 2018 income tax rate will thereafter be 33%, applicable to taxable profits obtained during each year. Additionally, the law established the 4% income surcharge for 2018.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Deferred tax assets are recognized according to all deductible temporary differences, losses, and unused tax credits, inasmuch as being probable that there will be sufficient future tax gains to recover the deductions on account of temporary differences and make effective tax credits, unless the deferred tax asset related to the deductible temporary differences results from the initial recognition of an asset or liability in a transaction that:

- (a) is not a business combination and
- (b) at the time did not affect the accounting gain or the tax gain (loss).

Regarding temporary deductible differences related to investments in subsidiaries, associates, and joint agreements, deferred tax assets are only recognized inasmuch as it is probable that the temporary differences will revert in the foreseeable future and that tax gains will be available in order to use such temporary differences.

Deferred tax liabilities are recognized for all temporary differences, except for those arising from the initial recognition of capital gains and those resulting from the valuation of affiliate investments in affiliates, associates, and joint businesses in which the Company is able to control their reversion and for which it is probable that they will not revert in the foreseeable future.

The effect of temporary differences involving payments of lower or higher income taxes during the following year are entered as credit or debit deferred taxes, at the current tax rates once the differences are reverted, according to rates included in Law 1819 of 2016 (40% for 2017, 37% for 2018, and 33% for the following years), provided there are reasonable expectations that such differences will revert in the future and, additionally for the assets, that at that time there will be sufficient taxable income.

The income tax expense is entered according to NIC 12 "Gains Tax".

The current tax, and the changes in asset or liability deferred taxes, are entered to income or to total equity in the financial statements, based on how the originating gains (losses) have been entered.

Deductions that can be applied to the value established as current tax liability are entered to income as a credit to "Gains Tax Expense", unless there are doubts regarding their tax realization, in which case they will not be entered until their effective materialization or should they correspond to specific tax incentives, in the latter case being entered as subventions.

At the end of each accounting period, registered deferred taxes - both assets and liabilities - are reviewed in order to confirm that they are current, making the necessary corrections according to the analysis.

The income tax is net, after deducting advance payments and withholdings.

Deferred tax assets and deferred tax liabilities are shown net in the financial statements should there be a legal right to offset assets from current taxes with liabilities from current taxes and only should such deferred taxes relate to taxes on gains corresponding to the same fiscal authority.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

3.12.2 Wealth Tax

Law 1739 of December 2014 created the wealth tax for 2015 through 2018 for legal persons. The rates are 1.15%, 1%, and 0.4 % for 2015, 2016, and 2017, respectively, for capital stocks in excess of \$5 million, annually calculated on net equity as of January 1 of each tax year reduced by 5 million.

This tax applies to taxpayers being legal persons as of January 1 of 2015, 2016, and 2017.

Codensa recognizes the tax liability annually, against the income statement.

3.12.3 Income Tax

Electric power trading and distribution are excluded from the sales tax (VAT). Consequently, the VAT on purchases and services is entered as a greater value of the cost or expense. Additionally, Law 1819 of 2016 raised the tax from 16% to 19% from January 1 of 2017 on.

3.13 Employee Benefits

(a) Pensions

The Company has commitments regarding pensions, both related to contributions and payments, that apply basically through pension plans. For defined payments, the Company enters the respective expense according to their accrued value during the employees' work contract term. On the date of the financial statements there are actuarial studies applying the projected credit unit method. Costs of past services corresponding to changes in payments are immediately recognized, commitments from defined payments representing the current value of the accrued obligations. The Company has no assets related to these plans.

(b) Other obligations subsequent to the labor relationship

The Company provides educational subsidies, energy subsidies, and health subsidies to retired employees with pension plans. These rights depend in general on whether or not the employee has worked until his retirement age. The expected costs of these benefits accrue during the employment time and use a methodology similar to that of the defined benefits plans. Actuarial gains (losses) arising from experienced adjustments and changes to actuarial assumptions are charged or credited to other integral income results during the respective period of time. These obligations are valued annually, or as required by the parent company, by independent qualified actuaries.

Retroactive severances - i.e. postemployment benefits - are paid to workers belonging to the labor system that existed before Law 50 of 1999 and having decided not participate in the system change. The social benefit is calculated for the entire time the employee has worked, based on the most recent salary, and in this case only to a limited number of workers, actuarial gains (losses) arising from the adjustments being charged or credited to other integral income.

The Company has implemented a voluntary retirement plan that, included in the employee benefits, considers a temporary income for employees participating in it and with less than 10 years remaining to be entitled to old age pension. This obligation is calculated by independent actuaries using the projected credit unit method.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(c) Long-term benefits

The Company provides to its employees benefits associated to their time in service, such as every 5 years. Expected costs from these benefits accrue during the employee's employment time, using a methodology similar to that used for the defined benefit plans.

Actuarial gains (losses) arising from adjustments and changes to actuarial assumptions are charged or credited to the respective period income. These obligations are valued annually, or by request of the parent company, by independent qualified actuaries.

(d) Benefits from credits to employees

The Company makes loans to its employees, at rates lower than the market's, their present value being calculated by deducting future cash flows at the market rate, recognizing as benefits paid in advance the difference between the market rate and the adjusted rate, against accounts receivable. The benefit is amortized during the term of the loan as a greater value of personnel expenses, the accounts receivable being updated at the amortized cost reflecting their financial effect in the income statement.

3.14 Estimate of the Reasonable Value

The reasonable value of an asset or a liability is defined as the price that would be received upon selling an asset or paid upon an asset being transferred in an ordered transaction among market participants on measurement day.

Measurement at reasonable value assumes that the transaction, according to which an asset is to be sold or a liability is to be transferred, takes place in the main market, i.e. the market with the greatest volume and level of activity for the asset or liability. In absence of a main market, it is assumed that the transaction will take place in the most advantageous market the entity has access to, i.e. the market maximizing the value to be received upon the asset being sold or minimizing the value that would be paid upon the liability being transferred.

In order to establish the reasonable value, the Company uses adequate valuation techniques regarding which there is sufficient measurement data, maximizing the use of relevant observable elements and minimizing the use of non-observable entry data.

Considering the hierarchy of entry data used in valuation techniques, assets and liabilities measured at reasonable value are classified as follows:

Level I: Quoted unadjusted price in an active market for identical assets and liabilities;

Level II: Entry data different to quoted prices included in Level I and being observable for assets or liabilities, either directly (i.e. as a price) or indirectly (i.e. arising from a price). Methods and hypotheses used to establish Level II reasonable values by class of financial assets or financial liabilities consider the estimate of future cash flows, deducted with zero coupon curves of types of interests for each foreign currency. All such valuations are carried out using external tools such as "Bloomberg"; y

Level III: Entry data for assets or liabilities not based on observable market information (non-observable inputs).

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Upon measuring the reasonable value, the Company takes into account the characteristics of the asset or liability, particularly:

- For nonfinancial assets, a reasonable value measurement takes into account the capacity of the market participant to generate economic benefits by making the best and maximum use of the asset or by selling it to another market participant that would be using the asset in the same manner;
- For own equity liabilities and instruments, the reasonable value assumes that the liability will not be liquidated and that the equity instrument will not be canceled and that they will not be extinguished in any other manner on measurement day. The liability reasonable value reflects the effect of a default risk, i.e. the risk of an entity not meeting an obligation, including without limitation the credit risk typical of the Company;
- In the case of financial assets and liabilities with positions offset with respect to market risks or the counterpart credit risk, the reasonable value may be measured on a net basis according to the manner in which the market participants would assign a price to the net risk exposure on measurement day.

3.15 Foreign currency conversion

(a) Functional and presentation currency

Items included in the financial statements are valued using the main economic environment currency in which the entity operates (Colombian pesos).

The financial statements are presented in "Colombian pesos", the Company functional and presentation currency. Figures are expressed in thousand Colombian pesos, except for net profits per share and the market representative rate, expressed in Colombian pesos, and foreign currency (e.g. American dollars, euros, sterling pounds, etc.), which are expressed in units.

(b) Transactions and balances in foreign currency

Operations performed by the Company in currencies other than its functional currency are entered at current exchange rates at the time the transaction is carried out. Differences arising between the accounted exchange rate and the rate existing on payment or collection day are entered as exchange differences in the integral income statement.

At the end of the year, conversions of payable or receivable balances in currencies other than the functional currency of each company are entered at the closing exchange rate. Valuation differences are entered as exchange differences in the integral income statement.

Balances in foreign currency are expressed in Colombian pesos, applying the representative exchange rates of December 31 of 2017 and 2016 of \$2,984.00 and \$3,000.71 per USD and \$3,583.18 and \$3,165.44 per Euro.

3.16 Classification of balances in current and noncurrent

The Company includes in its financial statements assets and liabilities classified as current and noncurrent, after excluding assets and liabilities available for sale. Assets are classified as current should the intention be to realize, sell, or use them during the normal course of Company businesses, or within the following 12 months after the reporting period; all other

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

assets are classified as noncurrent. Current liabilities are those the Company expects to liquidate during its normal course of business or within the following 12 months after the reporting period; all other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are always classified as noncurrent assets and liabilities.

3.17 Recognition of revenues

Revenues are assigned based on accrual criteria. Ordinary revenues are recognized once the economic benefits' gross entry is generated, as originating during the normal course of Company businesses, provided such entry results in an increase of total equity not related to contributions made by the owners of such equity and provided such benefits can be appraised reliably. Ordinary revenues are valued at the reasonable value of the consideration received or to be received, resulting from them and assigned based on accrual criteria.

The following criteria are used for such recognition:

Electric power trading and distribution: revenues are entered based on the amounts of energy supplied to the clients during the period, at prices indicated in the respective agreements or at prices indicated for the electric market by current regulations, as applicable. These revenues include an estimate of the energy provided and not yet read in the client meters.

Ordinary revenues generated by the provision of the services are recognized only should it be possible to estimate them reliably based on the degree of realization of the service provision as of the date of the financial statements.

Exchanges of goods or services for other goods or services with a similar value and nature are not considered ordinary revenue-generating transactions.

The Company enters, at net value, purchase/sell agreements of nonfinancial elements, calculated according to their net cash value or in other financial instruments. Contracts executed and kept in order to receive or deliver such nonfinancial elements are entered according to contractual purchase or sale requirements, or according to the utilization requirements expected by the entity.

Gains (losses) from changes in the reasonable value of the financial asset category at reasonable value with changes in income are presented in the income account in other gains (losses), net, during the originating period.

Revenues from dividends of financial assets at reasonable value, with changes in income, are entered to the income account as part of other revenues once the Company right to receive payments has been established. Changes in the reasonable value of monetary and nonmonetary titles classified as available for sale are entered to other integral income.

Revenues/expenses from interests are entered taking into account the effective interest rate applicable to the principal pending amortization during the corresponding accrual period.

3.18 Recognition of costs and expenses

The Company recognizes its costs and expenses as the economic facts occur, so that they will be systematically entered during

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

the corresponding accounting period regardless of the flow of monetary or financial resources. Expenses are comprised of expenditures not classifying to be entered as costs or as investments.

Costs include energy purchases and personnel or third party costs directly related to the sale or the provision of the services, as well as depreciation, amortization, and others.

Expenses include asset maintenance, transmission system costs, taxes, public utilities, and others incurred by processes responsible for the sale or provision of the services.

Investments are costs directly related to the creation or acquisition of an asset requiring of a significant amount of time to be ready for use and sale. Among others, costs of personnel directly related to the construction of projects, costs from interests of the debt used to finance projects, and major maintenance costs increasing the service life of existing assets, among others, are capitalized as constructions in progress.

3.19 Capital Stock

Common shares with or without preferential dividends are classified in equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction of the net amount received from taxes.

3.20 Reserves

Reserves are appropriations authorized by the General Shareholders Assembly against the year's income in order to comply with legal conditions or to cover expansion plans or financing requirements.

The legal norm considering the creation of reserves applicable to the Company is the following:

- The Trade Code requires the Company to appropriate 10% of its annual net profits, established according to local accounting norms as legal reserves until the balance of such reserve is the equivalent to 50% of the subscribed capital. The mandatory legal reserve is not distributable prior to Company liquidation, but can be used to absorb or reduce annual net losses. Balances of the reserve in excess of 50% of the subscribed capital are freely available to the shareholders.

3.20.1. Legal norms considered in 2016 and not effective on 2017.

Article 130 of the Tax Code considers appropriation of net profits equivalent to 70% of the greater value of the fiscal depreciation over the accounting depreciation, calculated according to local accounting norms. This article was revoked by Law 1819 of 2016, article 376, so that this reserve was not created in 2017.

3.21 Per-share Profits

The basic per-share profit is calculated as the quotient between the net gain of the period, attributable to the Company

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

shareholders, and the average weighted number of outstanding ordinary shares during this period, after appropriating preferential dividends corresponding to 20,010,799 shares as of December 31 of 2017 of Grupo Energía de Bogotá S.A. E.S.P. Preferential dividends have a value of US \$0.10 per share.

3.22 Distribution of Dividends

The Colombian mercantile laws set forth that, once appropriations have been made for the legal reserve, the regulatory reserve, or other reserves and once taxes have been paid, the balance will be distributed among the shareholders according to the shares distribution project presented by the Company administration and approved by the General Assembly. Dividends will be paid, in cash and at times agreed by the General Assembly, to those being Company shareholders at the time of such payment.

Should losses have to be absorbed, they will be paid with reserves especially created for this purpose, otherwise with the legal reserve. Reserves whose purpose is absorbing certain losses will not be used to cover other events, unless otherwise decided by the General Assembly.

The value of the obligation before the shareholders is established at the end of the year, net of temporary dividends approved during the year, entering it to the line "commercial accounts payable and other accounts payable" and the line "accounts payable to related companies", as applicable, charged against total equity. Temporary and final dividends are entered as a lower value of "total equity" upon being approved by the competent body, which is in general the Company Board of Directors, the General Ordinary Shareholders Assembly being responsible otherwise.

3.23. Operation Segments

An operation segment is an entity component:

- (a) that performs business activities from which revenues can be obtained and expenses incurred from ordinary activities, including revenues from ordinary activities and expenses from transactions with other components of the same entity.
- (b) whose operation results are regularly reviewed by the highest authority responsible for decisions related to the entity operation, deciding on resources that should be assigned to the segment and evaluating its performance.
- (c) regarding which there is differentiated financial information available.

For all purposes and according to the IFRS 8 guidelines, the Company has a single operation segment associated to the energy business..

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

4. Cash And Cash Equivalents

	<u>As of December 31 of 2017</u>	<u>As of December 31 of 2016</u>
Balance in banks	\$ 492,194,410	\$ 580,231,679
Term deposits (1)	27,800,000	30,000,000
Other cash and cash equivalents (2)	28,018,755	9,384,484
Cash	57,823	31,209
	<u>\$ 548,070,988</u>	<u>\$ 619,647,372</u>

The equivalent detail presented in the upper part, in pesos per type of currency of cash and cash equivalents, is the following:

	<u>As of December 31 of 2017</u>	<u>As of December 31 of 2016</u>
Colombian pesos	\$ 476,994,319	\$ 617,481,907
American dollars	71,057,281	2,147,286
Euros	19,388	18,179
	<u>\$ 548,070,988</u>	<u>\$ 619,647,372</u>

(1) Term deposits correspond to fixed-term deposit certificates with maturity dates equal to or shorter than 3 months from their acquisition date and accruing market interests typical to these types of short-term investments, as follows:

As of December 31 of 2017:

<u>Company</u>	<u>Amount</u>	<u>Objective</u>	<u>Purchase date</u>	<u>Due date</u>	<u>Term (Days)</u>	<u>EA Rate</u>
GNB Sudameris	20,000,000	Dividends	17/10/2017	15/01/2018	90	5,60%
Banco Av Villas	7,800,000	Interest bonds	16/11/2017	15/02/2018	89	5,30%
Total	<u>\$ 27,800,000</u>					

As of December 31, 2016:

<u>Company</u>	<u>Amount</u>	<u>Objective</u>	<u>Purchase date</u>	<u>Due date</u>	<u>Term (Days)</u>	<u>EA Rate</u>
Corpbanca	30,000,000	Intereses Bonos	14/12/2016	14/03/2017	90	8,23%
Total	<u>\$ 30,000,000</u>					

(2) Trust accounts and collective portfolios correspond to normal operations involving additions and reductions made by treasury each day to these entities in order to channel resources from collection activities and use them to handle the Company short-term liquidity, as follows:

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

	As of December 31 of 2017	EA Rate	As of December 31 of 2016	EA Rate
Corredores Asociados	\$ 25,496,763	5,16%	\$ 47,373	7,52%
Fiduciaria Bogotá 378	1,586,628	1,00%	-	
Fondo Abierto Alianza	279,661	4,38%	12,798	6,64%
Fiduciaria Corficolombiana	206,024	3,98%	4,848	7,86%
Fiduciaria Occidente	186,210	5,19%	816,807	7,17%
Valores Bancolombia	116,889	4,44%	24,997	7,77%
Alianza Valores	92,906	4,58%	87,774	7,43%
BBVA Fiduciaria	40,321	4,78%	52,481	8,04%
Fiduciaria Bogotá	9,467	3,43%	94,268	6,35%
Credicorp	3,886	4,74%	8,243,138	7,45%
Total	\$ 28,018,755		\$ 9,384,484	

As of December 31, 2017, there are no cash restrictions or limitations shown in the financial statements.

5. Other Financial Assets

	As of December 31 of 2017		As of December 31 of 2016	
	Current	Non Current	Current	Non Current
Investments held until maturity (1)	\$ 20,000,000	\$ -	\$ -	\$ -
Financial investments - companies not listed or with low liquidity levels (2)	-	27,660	-	43,101
Forwards (3)	20,044	-	4,729	-
	\$ 20,020,044	\$ 27,660	\$ 4,729	\$ 43,101

(1) Term deposits are fixed term deposits maturing 3 months after their acquisition date and accruing market interests for these types of investments, as follows:

As of December 31, 2017:

Company	Amount	Objective	Purchase date	Due date	Term (Days)	EA Rate
GNB Sudameris	20,000,000	Dividendos	12/10/2017	15/01/2018	95	5,60%
Total	\$ 20,000,000					

(2) Corresponds mainly to the following financial investments in non-listed companies, as follows:

Share participation titles	Economic activity	Ordinary shares	% Participation	As of December 31 of 2017	As of December 31 of 2016
Electrificadora del Caribe S.A E.S.P (a)	Energía	714,443	0,0014%	\$ 21,341	\$ 36,782
TranSelca S.A E.S.P	Energía	12,026	0,0665%	4,781	4,781

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

(a) As of December 31 of 2017 and 2016, gains (losses) from the investment in Electricaribe S.A E.S.P as a result of the evaluation were entered in other integral income for (\$15,441) and \$18,080, respectively. The value of the losses is directly transferred to accumulated gains and not reclassified to the equivalent period income.

(3) As of December 31 of 2017 and 2016, the Company acquired an active valuation forward with BBVA for obligations assumed before Seguros Mapfre. This hedge covers all corporate material risk insurance policies. Following are the main characteristics of these forwards:

As of December 31, 2017:

Underlying	Risk factor	Active notional	Currency	Rate	MTM
Insurance coverage	Exchange rate	USD 1,258	USD	\$ 2,974,17	\$ 20,044

As of December 31, 2016:

Underlying	Risk factor	Active notional	Currency	Rate	MTM
Insurance coverage	Exchange rate	USD 1,040	USD	\$ 2,988,60	\$ 4,729

6. Other Nonfinancial Assets

	As of December 31 of 2017		As of December 31 of 2016	
	Current	Non current	Current	Non current
Advance payments for goods and services (1)	\$ 4,366,358	\$ -	\$ 4,504,479	\$ -
Employee benefits from loans (2)	1,323,974	13,956,592	1,432,404	12,240,129
Other	127,551	78,666	20,453	78,666
Travel advance payments	53,292	-	33,618	-
Expenses paid in advance	-	-	6,946	-
	\$ 5,871,175	\$ 14,035,258	\$ 5,997,900	\$ 12,318,795

(1) As of December 31 of 2016 and 2017, the net composition of this item corresponds to advance payments for stock transactions and international energy transactions to XM for \$2,313,103 and \$1,535,801 and for the purchase of goods and services from local creditors for \$2,053,255 and \$2,968,678, respectively.

(2) Corresponds to the recognition of the benefit paid in advance related to loans made to employees and agreed at a rate of zero or lower than the market rate, so that the Company discounts future cash flows at market rate, recognizing as benefits paid in advance the difference between the market rate and the awarded rate, amortizing them during the life of the loan.

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

7. Commercial Accounts And Other Accounts Receivable, Net

	As of December 31 of 2017		As of December 31 of 2016	
	Current	Non current	Current	Non current
Commercial accounts, gross, (1)	\$ 608,833,396	\$ 77,533,684	\$ 597,325,959	\$ 57,856,378
Other accounts receivable, gross, (2)	11,216,856	26,947,247	12,809,236	24,679,852
Total commercial accounts and other accounts receivable, gross	620,050,252	104,480,931	610,135,195	82,536,230
Provision for impairment of commercial accounts	(101,614,087)	(11,391,503)	(92,311,609)	(12,450,768)
Provision for impairment of accounts receivable	(289,799)	-	(286,153)	-
Total commercial accounts and other accounts receivable, net	\$ 518,146,366	\$ 93,089,428	\$ 517,537,433	\$ 70,085,462

(1) As of December 31, 2017 the composition of commercial accounts is the following:

	Current portfolio	Nonperforming portfolio			Total current portfolio	Noncurrent portfolio (c)
		1-180	181-360	>360		
Energy portfolio (a)						
Non-agreed portfolio (a)	\$ 407,717,783	\$ 26,217,295	\$ 5,735,046	\$ 79,083,980	\$ 518,754,104	\$ 48,509,984
Massive clients	164,453,132	7,869,673	1,886,337	8,749,411	182,958,553	-
Large clients	160,959,933	13,248,398	3,443,809	25,012,310	202,664,450	-
Institutional clients (b)	82,304,718	5,099,224	404,900	45,322,259	133,131,101	48,509,984
Agreed portfolio (c)	11,961,624	3,978,834	163,219	64,982	16,168,659	12,478,889
Massive clients	3,829,400	374,757	55,406	30,414	4,289,977	803,671
Large clients	5,568,495	1,501,040	107,813	34,568	7,211,916	3,746,580
Institutional clients	2,563,729	2,103,037	-	-	4,666,766	7,928,638
Energy portfolio, gross	419,679,407	30,196,129	5,898,265	79,148,962	534,922,763	60,988,873
Energy portfolio impairment	(6,576,774)	(4,184,583)	(1,681,819)	(77,869,595)	(90,312,771)	(10,596,982)
Energy portfolio, net	\$ 413,102,633	\$ 26,011,546	\$ 4,216,446	\$ 1,279,367	\$ 444,609,992	\$ 50,391,891

	Current portfolio	Nonperforming portfolio			Total current portfolio	Noncurrent portfolio (e)
		1-180	181-360	>360		
Portfolio of supplementary business and others (d)						
Massive clients	20,682,285	9,063	964	2,398,207	23,090,519	10,065,909
Large clients	35,309,103	2,430,511	971,578	8,137,510	46,848,702	6,478,901
Institutional clients	3,971,412	-	-	-	3,971,412	-
Supplementary business portfolio, gross	59,962,800	2,439,574	972,542	10,535,717	73,910,633	16,544,811
Supplementary business portfolio impairment	(978,948)	(76,988)	(403,124)	(9,842,256)	(11,301,316)	(794,521)

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

Supplementary business portfolio, net	58,983,852	2,362,586	569,418	693,461	62,609,317	15,750,290
Total commercial accounts, gross	479,642,207	32,635,703	6,870,807	89,684,679	608,833,396	77,533,684
Commercial accounts impairment	(7,555,722)	(4,261,571)	(2,084,943)	(87,711,851)	(101,614,087)	(11,391,503)
Total commercial accounts, Net	\$ 472,086,485	\$ 28,374,132	\$ 4,785,864	\$ 1,972,828	\$ 507,219,309	\$ 66,142,181

As of December 31, 2016, following is the composition of commercial accounts:

	Nonperforming portfolio					
	Current portfolio	1-180	181-360	>360	Total current portfolio	Noncurrent portfolio (c)
Energy portfolio (a,f) Not agreed portfolio	\$ 419,791,990	\$ 23,017,710	\$ 5,958,912	\$ 72,166,146	\$ 520,934,758	\$ 33,002,363
Massive clients	164,015,471	8,012,150	1,231,387	6,562,586	179,821,594	-
Large clients	218,141,191	10,587,857	4,205,458	21,218,878	254,153,384	-
Institutional clients (b)	37,635,328	4,417,703	522,067	44,384,682	86,959,780	33,002,363
Agreed portfolio(c)	7,250,026	5,976,009	509,417	59,117	13,794,569	14,263,020
Massive clients	2,822,133	801,228	173,895	30,214	3,827,470	723,223
Large clients	1,647,363	3,643,112	335,522	28,903	5,654,900	3,808,391
Institutional clients	2,780,530	1,531,669	-	-	4,312,199	9,731,406
Energy portfolio, gross	427,042,016	28,993,719	6,468,329	72,225,263	534,729,327	47,265,383
Energy portfolio impairment	(5,954,061)	(2,165,482)	(1,893,010)	(71,777,161)	(81,789,714)	(12,298,431)
Energy portfolio, net	\$ 421,087,955	\$ 26,828,237	\$ 4,575,319	\$ 448,102	\$ 452,939,613	\$ 34,966,952

	Nonperforming portfolio					
	Current portfolio	1-180	181-360	>360	Total current portfolio	Noncurrent portfolio (e)
Portfolio of supplementary business and others (d)						
Massive clients	\$ 24,366,945	\$ 13,420	\$ 41,952	\$ 2,501,505	\$ 26,923,822	\$ 4,236,398
Large clients	21,323,033	4,299,185	813,028	7,006,243	33,441,489	6,354,597
Institutional clients	2,231,321	-	-	-	2,231,321	-
Supplementary business portfolio, gross	47,921,299	4,312,605	854,980	9,507,748	62,596,632	10,590,995
Supplementary business portfolio impairment	(716,092)	(174,243)	(175,100)	(9,456,460)	(10,521,895)	(152,337)
Supplementary business portfolio, net	47,205,207	4,138,362	679,880	51,288	52,074,737	10,438,658
Total commercial accounts, gross	474,963,315	33,306,324	7,323,309	81,733,011	597,325,959	57,856,378
Commercial accounts impairment	(6,670,153)	(2,339,725)	(2,068,110)	(81,233,621)	(92,311,609)	(12,450,768)
Total commercial accounts, net	\$ 468,293,162	\$ 30,966,599	\$ 5,255,199	\$ 499,390	\$ 505,014,350	\$ 45,405,610

(a) As of December 31 of 2017 and 2016, correspond mainly to the regulated market clients' portfolio, for \$364,352,232 and \$352,965,113, toll portfolio \$27,870,432 and \$28,075,323, and public lighting portfolio for \$98,420,375 and \$96,359,955, respectively.

Of the above, as of December 31 of 2017 and 2016 \$101,386,135 and \$107,668,691, respectively, are subject to claims by clients, mainly the Special Public Utilities Administrative Unit (hereinafter the "UAESP" for its Spanish acronym).

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(b) The main institutional Company client is the UAESP. As of December 31 of 2017 and 2016, the main non-impaired items being claimed by the UAESP are the following:

VAT portfolio, public lighting infrastructure.

On November 14 of 2013 the Company made a question to DIAN regarding applicability of article 19 of Decree 570 of 1984 in order to establish the special taxable base in the lease of personal properties. The DIAN response failed to answer the question made by the Company. On November 4 of 2014, DIAN issued a new opinion that again failed to answer the Company question, so that on December 16 of 2014 a new letter was sent requesting clarification on this.

Concurrently, and in order to clarify whether the lease of the public lighting infrastructure is subject to the VAT, on December 5 of 2014 the Company raised another question before DIAN.

On June 5 of 2016 the Company submitted a conciliation request with the UAESP to the Attorney General's Office, which was initially rejected arguing that it was inapplicable. However, the pertinent remedy was availed of, which was favorably resolved on July 1, 2015, the conciliation audience being scheduled for August 5 of 2015. The conciliation audience took place on said date, however the parties having decided not to conciliate.

Concurrently, on June 17 of 2015 a petition was filed against the UAESP in order to prevent the entity from arguing expiration of the time allowed to initiate a legal process should a claim be filed after the conciliation audience. The Company requested a precautionary measure on October 2 of 2015, whose purpose was for the UAESP to pay in advance the outstanding value, which was rejected by the third section of the Cundinamarca Administrative Court alleging that this would be decided in the ruling.

With opinion No. 100202208-0808 of September 1 of 2015, DIAN issued a statement regarding the application of the VAT to infrastructure leases for the public lighting service, clarifying that the public lighting service is not a household public utility service and that, as such, this service is subject to the VAT. This supports the fact that the Company has been charging this tax to the UAESP.

Based on the above and according to communications sent by the Company to the UAESP, in November 2015 current interests and late interest charges calculated on this entity's outstanding values were invoiced. As of December 31, 2017 and 2016, current interests are \$5,059,734, late interest charges \$1,148,266. Interests have not increased since February 2016 since the Company no longer invoices them as a result of the work of task forces jointly created with the UAESP.

On October 6 of 2016 the Company was informed of a first-instance ruling issued on September 28 of 2016 by the Cundinamarca Administrative Court rejecting the claim filed by the Company regarding the VAT payment obligation applicable to the lease of the public lighting service provision infrastructure by the UAESP. The ruling mainly stated that i) the Company is a public lighting service provider in the Bogotá District and that as such is responsible for the tax, ii) Annex 1 of the January 25 of 2002 agreement does not include the VAT in the liquidation of a) the energy supply, b) the lease of the infrastructure, c) the administration, operation, and maintenance, so that it is understood that the VAT is included in the service provision cost, and iii) it denaturalizes the lease agreement considering that agreement No. 766 of 1997 does not meet its requirements.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

On October 21, 2016, the Company filed an appeal against the decision made by such body before the Cundinamarca Court. Subsequently, a priority petition was filed before the State Council regarding such decision, in order to expedite the appeal and properly consider the importance and the effect of the process.

On March 17 of 2017, the Company was informed by Section 3 of the State Council the acceptance of the appeal regarding the decision made by the Cundinamarca Administrative Court. For this, and in order to expedite the process related to the decision, the Company requested expediting the decision, request that was entered on April 7.

On September 4 of 2017 and with opinion No. 100202208-0881 addressed to the UAESP, DIAN confirmed the contents of document No. 25652 of September 3 of 2015, which concludes that the public lighting service is not included in exclusions contained in article 476 of the Tax Code, i.e. that the public lighting service is not a household public service and as such is subject to the VAT.

On September 29 of 2017, the office indicated that it would be refraining from accepting the ruling priority during the procedural phase the process is in, requesting the parties to submit their closing allegations. On October 11, the Company submitted the closing allegations, the UAESP on October 13.

Included in the process evidence, a document containing the above opinion was submitted on October 23 of 2017, again requesting to prioritize the ruling.

To date, the UAESP has not paid the public lighting service VAT corresponding to 2005 and previous years, except for November and December 2015 which were paid on March 2016 for \$1,987,355. Additionally, the UAESP paid the period between January and July 2016 for \$7,104,425. However, as a result of the above ruling the UAESP stopped its payments from the August of 2016 invoice on.

As of December 31, 2017 and 2016, unpaid amounts payable to the UAESP on account of the public lighting infrastructure lease VAT, invoiced but not collected since July 2013 and excluding the above interests, are \$45,113,690 and \$31,064,850, respectively.

Based on the opinion of the external Company lawyers regarding the process' response time of approximately 3 years, the Company reclassified the UAESP VAT portfolio from short to long-term and deducted the portfolio plus present value interests, resulting in a final balance as of December 31 of 2017 and 2016 of \$48,509,984 and \$33,002,363, respectively. Based on the interpretation from its external lawyers, the administration considers the value of this portfolio as being recoverable.

Public lighting energy service portfolio.

During 2015, the UAESP requested clarifications regarding the energy supply calculation in the March and November 2015 electric bills, with a total value of \$17,226,438. In response to this, the Company made the respective clarifications. Based on the replies, on July 17 of 2015 the UAESP paid \$8,690,946 in advance, on December 31 of 2015 \$8,535,492, \$652,264 on account of outstanding late interest charges.

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

On December 19 of 2016 the UAESP paid \$8,535,492.

As of December 31, 2016, the UAESP had \$835,052 payable to Codensa on account of late interest charges, which the Company condoned late 2017 as a result of the payment received in 2016.

(c) The agreed portfolio corresponds to agreements between the Company and its clients to pay a certain amount, with pre-established times and interest rates. These agreements apply to clients applying for financing on account of late energy use or being doubtful debts. Following is the detail, by maturity, of the noncurrent portfolio:

Year	As of December 31 of 2017	As of December 31 of 2016
Between 1 and 2 years	\$ 3,950,008	\$ 4,419,151
More than 3 years	6,720,768	7,542,847
Between 2 and 3 years	1,808,113	2,301,022
	\$ 12,478,889	\$ 14,263,020

(d) As of December 31 of 2017 and 2016, it corresponds mainly to work done for private persons for \$26,772,653 and \$17,144,370, electric work \$27,265,747 and \$22,479,404, infrastructure \$5,314,830 and \$7,209,280, Codensa Services \$12,705,539 and \$8,725,477 and collection assignments for \$6,186,810 and \$5,751,814, respectively.

(e) The supplementary business portfolio corresponds to agreements between the Company and its clients in order to pay a certain amount of money, with pre-established times and interest rates, such clients applying for financing for installations, customizations, fines for losses, and other services provided by the Company. Following is the detail, by maturity, of the noncurrent portfolio:

Year	As of December 31 of 2017	As of December 31 of 2016
Between 1 and 2 years	\$ 10,660,896	\$ 7,401,797
Between 2 and 3 years	4,748,484	2,894,473
More than 3 years	1,135,431	294,725
	\$ 16,544,811	\$ 10,590,995

The increase between January 1 and December 31 of 2017 corresponds mainly to execution of agreements in the Codensa Services line, including agreements with Universidad Inca for \$1,549,487 and Uniaguas E.S.P S.A for \$1,326,815.

(f) Energy savings scheme.

On September 12 and 29 of 2016, the audit report issued by SER Servicios Públicos SAS and the certification issued by the statutory auditor regarding the savings scheme through differential rates applicable to electricity established with Resolution 29 of 2016 from the CREG (supplemented by Resolutions 39 and 49 of 2016) was filed before the ASIC. As of December 31, 2016, the ending balance shows an accounts payable before XM of \$20,001,714 and \$4,593,833 corresponding to the Company and to the former EEC integrated to the Company, respectively. In January and February 2017, XM recognized, as an adjustment to the pool sales invoicing, \$20,001,714 and \$4,593,833, paying the outstanding balance.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Portfolio Impairment

The following are activities related to the commercial accounts impairment reserve:

Debtors on account of sales made but not paid, with impairment	Amount
Balance as of January 1, 2016	65,598,821
Increases from business combination (iv)	40,267,788
Year increases (decreases) (i)	6,001,927
Written-off values (ii)	(7,298,817)
Other (iii)	192,658
Balance as of December 31, 2016	\$ 104,762,377
Year increases (decreases) (i)	9,156,601
Written-off values (ii)	(1,431,851)
Other (iii)	518,463
Balance as of December 31, 2017	\$ 113,005,590

- i. During 2017, the Company had a \$9,156,601 increase resulting from its portfolio ageing in the following categories: a) public lighting for \$3,456,496, mainly by the Agua de Dios municipality for \$1,576,212 and the municipality of Sopo for \$1,457,986; b) industrial clients for \$2,355,071, mainly by Tocagua ESP for \$898,305; c) residential clients \$2,138,815; d) work for private clients for \$1,206,219, mainly by Prodesa S.A. for \$784,116, originated from work done to the Chía-Cota housing project which has not been approved by CAR (Corporación Autónoma Regional de Cundinamarca).

Consequently, the Company made an analysis during 2016 based on the nature, impairment, and behavior of payments by type of portfolio and the nature of the clients, as a result of which new provision percentages were established and applied from December of 2016. As a result of this change, the energy portfolio reserve was reduced in (\$942,203).

During 2016 there was a \$5,059,724 increase, mainly due to a) ageing of the public lighting portfolio for \$2,279,370, b) the individual analysis of the Puerto Salgar municipality portfolio for \$1,014,864, c) the recognition of the adjustment due to the effects of the merger on the portfolio reserve for \$1,311,912 as a result of the application of the Company impairment policy to the EEC portfolio as of September 30 of 2016.

- ii. The nonperforming debtors write-off is carried out once all collection possibilities have been exhausted and once all legal activities have been carried out and the debtors insolvency has been demonstrated, such as their financial difficulties, infractions, contractual defaults, and financial reorganization.

As of December 31, 2017, write-offs resulting mainly from the debts statute of limitations correspond to the following clients: municipality of Coello \$217,232, Constructora RMG SAS \$115,161, and others of lesser values.

As of December 31, 2016, after the above process the main write-offs made by the Company correspond to Supercable Telecomunicaciones S.A. for \$2,658,919, the municipality of Puerto Salgar for \$1,217,821, Enermont for \$1,149,186, and the massive energy portfolio write-offs.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

iii. As of December 31 of 2017 and 2016, corresponds to the energy portfolio reactivations, mainly of massive clients.

iv. Corresponds mainly to loading of the energy massive portfolio reserve balances from the EEC.

(2) As of December 31, 2017 and 2016, corresponds mainly to accounts receivable from employees for a present value of \$32,795,453 and \$30,074,803, accounts receivable from retired personnel for a present value of \$3,286,835 and \$3,574,273 on account of housing, appliance, and education loans, among others, respectively. Loans to employees are awarded at rates between 0% and 4.75%, for retired personnel between 0% and 7%, so that the Company discounts future cash flows at the market rate, recognizing as benefits paid in advance the difference between the market rate and the awarded rate and amortizing them during the life of the loan.

Guarantees granted by debtors

For clients with payment agreements and for financing of products other than energy, the Company backs these debts with blank promissory notes. For employee debts, personal guarantees are required (promissory notes and instruction letters) as well as security interests (mortgages and pledges).

8. Investments In Subsidiaries, Joint Businesses, And Associates

The participations the Company has in other associated entities and subsidiaries are entered following the cost method and the participation method, according to the defined policies (see Notes 3.4 and 3.5), as follows:

Share participating titles	Economic activity	Relation	Ordinary shares	% Participation	As of December 31 of 2017	As of December 31 of 2016
Inversora Codensa (1)	Inversión	Subsidiaria	5,000	100,00%	2,276	2,370
					\$ 2,276	\$ 2,370

(1) Article 2.1.2 of part 1 of book 2 of Decree 2420 of 2015, appended by Decree 2496 of 2015, establishes the application of article 35 of Law 222, which sets forth that participations in subsidiaries should be entered in the separate financial statements using the participation method, according to which this method has been applied since 2016. The amendment to NIC 27 came into force in January 2017, which allows recognizing investments with the participation method in the separate financial statements, eliminating the exception to the IFRS that existed in the local system with respect to norms issued by the ISAB.

9. Balances And Transactions With Related Parties

Accounts receivable from related companies

Company	Type of related company	Country of origin	Transaction type	As of December 31 of 2017	As of December 31 of 2016
Emgesa	Other(*)	Colombia	Energy sales(1)	\$ 11,223,241	\$ 10,801,226
		Colombia	Other services	922,669	-
Enel SPA	Controller	Italy	Expatriates	2,741,774	989,775
Enel Green Power Col	Other (*)	Colombia	Other services (3)	706,994	-
Enel Energía	Other (*)	Italy	Expatriates	258,650	-
EOSC	Other (*)	España	Other services (2)	222,797	280,431
Endesa Energía	Other (*)	España	Other services (2)	104,630	58,701
Enel Iberia	Other (*)	España	Expatriates	95,450	65,620
Enel Distribuzione	Other (*)	Italy	Expatriates	93,182	-
Energía Nueva	Other (*)	México	Expatriates	86,472	87,428
Enel Américas	Controller	Chile	Other services	64,573	-
Enel Chile S.A.	Other (*)	Chile	Expatriates	47,958	-
Enel Distribución Perú S.A.	Other(*)	Perú	Other services	11,683	-
Grupo Energía Bogotá	(**)	Colombia	Other services	44,827	-
	**)	Colombia	Energy sales	-	43,863
	(**)	Colombia	Christmas lighting	-	1,293,104
				\$ 16,624,900	\$ 13,620,148

(*) Corresponds to companies over which Enel SPA has a significant influence or control.

(**) Grupo Energía Bogotá S.A. E.S.P is a Codensa shareholder. As a result of the October 6 of 2017 Empresa de Energía de Bogotá S.A. E.S.P. General Shareholders Assembly extraordinary meeting, the corporate name was changed to Grupo Energía Bogotá S.A. E.S.P.

(1) As of December 31 of 2017 and 2016, the balance is comprised of toll estimates, regional transmission system, and invoicing by distribution areas, for \$10,688,689 and \$10,424,758, use of lines and grids for \$365,619 and \$163,714 and energy invoicing for \$168,933 and \$212,754.

(2) Corresponds to services provided by CAT (call center).

(3) Corresponds to administrative services provided to Enel Green Power Colombia.

The accounts receivable with related companies show no impairment.

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

Accounts payable to related companies

Company	Type of related company	Country of origin	Transaction type	As of December 31 of 2017	As of December 31 of 2016
Grupo Energía Bogotá	(**)	Colombia	Dividends	\$ 48,009,432	\$ 60,237,760
		Colombia	Other services	-	19,526
Enel Américas	Controller	Chile	Dividends	45,185,349	56,694,364
Enel Italia	Other (*)	Italy	Other services (1)	19,414,128	14,728,237
		Italy	Expatriates	1,748,418	-
Enel Chile	Other (*)	Chile	Other services (2)	3,611,602	-
Enel Distribuzione	Other (*)	Italy	Other services (3)	2,432,212	3,267,737
		Italy	Expatriates	245,856	285,854
Emgesa	Other (*)	Colombia	Other services	950,237	202,479
		Colombia	Energy purchases	651,439	-
Enel SPA	Controller	Italy	Expatriates	692,549	959,229
		Italy	Other services	-	578,046
Enel Iberia	Other (*)	España	Expatriates	243,051	192,245
		España	Other services	-	629,072
Enel Green Power	Other (*)	Italy	Expatriates	182,306	874,427
Enel Distribución Chile	Other (*)	Chile	Expatriates	178,336	123,915
				\$ 123,544,915	\$ 138,792,891

(*) Corresponds to companies over which Enel SPA has significant influence or control.

(**) Grupo Energía Bogotá is a Codensa shareholder (see Note 20).

(1) Corresponds mainly to 1) the E4E SAP system's convergence implementation project supporting accounting, asset management, and company operation models and other technology and IT management infrastructure services, and ii) IT services associated to the implementation of the Cloud service.

(2) Corresponds to IT and technology expenses related to support, maintenance and Oracle software licenses. Enel Chile merged with SIEI on September 2017.

(3) Corresponds to the purchase of meters for the Smart Metering project.

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

Effects on income with related companies

Company	Transaction type	As of December 31 of 2017	As of December 31 of 2016
Income			
Emgesa S.A. E.S.P.	Tolls and use of lines and grids	\$ 133,204,648	\$ 119,914,972
	Energy and other services	760,367	627,894
	Other income	790,009	391,185
	Interests (loans) (1)	108,149	-
Enel Spa	Expatriates	1,751,999	466,755
	Exchange differences	8,921	-
Endesa Operaciones y Servicios	Other services	764,505	706,228
	Exchange differences	83,987	132,058
Enel Green Power Colombia	Other services	569,862	-
Endesa Energía	Other services	267,209	198,065
	Exchange differences	29,460	24,700
Enel energía	Expatriates	258,650	-
Enel Italia	Exchange differences	355,227	-
Enel Distribuzione Spa	Expatriates	93,182	-
	Exchange differences	143,842	31,712
Enel Chile S.A.	Expatriates	47,958	-
	Exchange differences	35,101	2,699
Enel Américas	Other services	54,263	-
Enel Distribución	Exchange differences	1,137	-
Enel Iberia	Expatriates	29,830	12,384
	Exchange differences	15,744	72,411
Energía Nueva Energía Limpia	Expatriates	15,663	15,664
	Exchange differences	7,633	7,236
Edelnor	Exchange differences	47	-
Grupo Energía Bogotá	Christmas lighting	1,293,103	1,293,104
	Substation operation, others	-	-27,084
	Leases	-	-9,717
EEC(2)	Energy and Other services	-	72,887
	Use of lines and grids	-	9,405,739
	Equipment rentals and commission	-	675,553
DECSA (2)	Dividends	-	1,129,958
		\$ 140,690,496	\$ 135,144,403

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Company	Transaction type	As of December 31 of 2017	As of December 31 of 2016
Costs and expenses			
Emgesa S.A. E.S.P.	Energy	\$ 789,958,065	\$ 643,194,763
	Other services	714,969	681,745
	Interests (loans)	-	195,109
Enel Italia Servizi (3)	Computer services	14,742,646	3,158,712
	Expatriates	1,748,418	-
	Exchange differences	674,031	-
Enel Spa	Expatriates	1,249,076	694,266
	Exchange differences	16,579	-
	Investigations and projects	-	578,045
Enel Distribuzione Spa	Expatriates	517,326	285,854
	Exchange differences	93,460	77,855
Enel Iberia	Expatriates	253,449	471,747
	Exchange differences	(5,367)	214
	Computer services	-	989,766
Enel Chile S.A.	Exchange differences	338,745	1,716
Enel Green Power Italia	Expatriates	229,649	585,749
	Exchange differences	40,601	-
Enel Distribución Chile S.A	Expatriates	178,536	188,407
Endesa Operaciones y Servicios	Exchange differences	45,916	174,912
Endesa Energía	Exchange differences	12,326	28,213
Energía Nueva Energía Limpia Mx	Exchange differences	8,589	3,931
EEC. (2)	Use of lines and grids	-	2,054,945
	Other services	-	20,185
		\$ 810,817,014	\$ 653,386,134

(1) In June 2017, the Company made two payments to Emgesa S.A. E.S.P for \$5,000,000 and \$41,808,489 on account of intercompany loans made under the June 16 of 2017 mercantile offer, whose purpose was complying with the purchasing company working capital obligations. The loan was paid on maturity day, on June 30 of 2017, at a rate of 7.55% EA.

(2) Corresponds to recognition of operations and transaction up to September 30 of 2016, after which the merger between Codensa, DECSA, and EEC was formalized.

(3) Corresponds to technology infrastructure and IT systems management services.

Sales and purchases among related parties are carried out under conditions equivalent to those existing for transactions and independent parties.

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

Board of Directors and key management personnel

Board of Directors

The Company has a Board of Directors comprised of 7 principal members, each of them with a personal alternate member, elected by the General Shareholders Assembly using the electoral quotient system. According to the Company bylaws, during the time the Company is a securities issuer 25% of the members will be independent according to the law. Their appointment is made for 2-year periods, being subject to indefinite reelection without prejudice to the faculty the Shareholders Assembly has to freely remove them at any time.

According to the Shareholders General Assembly Minutes No. 67 of March 28 of 2017, the following directors list was approved:

Line	Principal	Alternate
First	Acosta David Felipe	Restrepo Molina Carlos Mario
Second	Vargas Lleras José Antonio	Lopez Vergara Leonardo
Third	Rubio Díaz Lucio	Pardo Gómez Juan Manuel
Fourth	Álvarez Hernández Astrid	Restrepo Moreno Ernesto
Fifth	Castilla Canales Felipe	Botero Valencia Alejandro
Sixth (independent)	Franco Reyes José Antonio	Rodríguez Rios Daniel
Seventh (independent)	Cabrales Martínez Orlando	Noero Arango Vicente

On December 18 of 2017, during extraordinary meeting No. 68 of the General Shareholders Assembly, the meeting was informed that Mr. Orlando Cabrales Martínez had submitted his resignation as a principal and independent member of the 7th line of the Board of Directors. The Assembly then appointed Mr. Andrés López Valderrama to fill the vacancy.

Line	Principal	Alternate
First	Acosta David Felipe	Restrepo Molina Carlos Mario
Second	Vargas Lleras José Antonio	Lopez Vergara Leonardo
Third	Rubio Díaz Lucio	Pardo Gómez Juan Manuel
Fourth	Álvarez Hernández Astrid	Restrepo Moreno Ernesto
Fifth	Castilla Canales Felipe	Botero Valencia Alejandro
Sixth (independent)	Franco Reyes José Antonio	Rodríguez Rios Daniel
Seventh (independent)	Andrés López Valderrama	Noero Arango Vicente

The Company appoints a chairman, elected by the Board of Directors among its members for a specific time, subject to indefinite reelection or free removal before the end of his time in this position. The Board of Directors has a secretary, who could or not be a Board member. The chairman's appointment was approved by the Board of Directors in May 26 of 2015. The secretary was appointed in November 11 of 2008.

According to Article 55 of the corporate bylaws, the General Shareholders Assembly is responsible for setting the directors' remuneration, which as of December 31 of 2017 and as approved by the Shareholders Assembly during its ordinary March 28 of 2017 meeting is USD \$1,000 after taxes, on account of their attendance to each Board of Directors' meeting.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Following are the fees paid to the directors:

Name	As of December 31 of 2017	As of December 31 of 2016
Rubio Díaz Lucio	\$ 46,850	\$ 45,331
Cabrales Martínez Orlando	43,415	38,379
Vargas Lleras José Antonio	40,092	45,104
Acosta David Felipe	40,092	41,746
Álvarez Hernández Gloria Astrid	40,056	34,622
Castilla Canales Felipe	30,197	-
Franco Reyes José Antonio	30,197	-
Angulo Gonzalez Maria Victoria	13,229	34,835
Eduardo Aguirre Jose Bernardo	13,229	3,368
Moreno Restrepo Ernesto	6,793	10,225
Restrepo Molina Carlos Mario	6,757	3,329
Lopez Vergara Leonardo	6,757	3,557
Noero Arango Vicente Enrique	3,435	6,914
Botero Valencia Alejandro	3,423	-
Rodríguez Rios Daniel	3,423	-
Bonilla González Ricardo	-	3,814
Herrera Lozano José Alejandro	-	3,814
Pardo Juan Manuel	-	3,585
Gómez Castañeda Iván Darío	-	3,368
Castillo Aguilar Maria Carolina	-	31,545
	\$ 327,945	\$ 313,536

Key management personnel

Following are the key management personnel:

Name	Position
Lucio Rubio Díaz	Country General Director
David Felipe Acosta Correa	Codensa CEO
Daniele Caprini (a)	Administrative and Financial Manager

(a) Daniele Caprini was appointed the new Administration and Finances Manager from June 26 on, replacing Aurelio Bustilho de Oliveira.

The key management personnel fees include salaries and short-term benefits, the most representative being the annual bonus for compliance with objectives.

Following are the fees:

	As of December 31 of 2017	As of December 31 of 2016
Remunerations	\$ 1,284,090	\$ 1,625,537
Short-term benefits	336,209	595,785
	\$ 1,620,299	\$ 2,221,322

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Key management personnel incentive plans

The Company has an annual bonus for compliance with objectives and level of contribution to the Company for its executives. It corresponds to a certain number of monthly gross fees.

As of December 31, 2017 and 2016, the Company has no outstanding payment benefits based on activities for key management personnel, not having established guaranties in their favor.

As of December 31, 2017, there are no outstanding indemnification payments on account of termination.

10. Inventories, Net

	<u>As of December 31 of 2017</u>	<u>As of December 31 of 2016</u>
Electrical materials, net (1)	\$ 84,995,774	\$ 71,070,103
Transformers	5,391,458	7,008,882
Non-electrical materials	2,915,072	2,428,665
Value added (2)	492,501	680,243
	<u>\$ 93,794,805</u>	<u>\$ 81,187,893</u>

(1) In 2017 the Company increased its purchases of materials based on projects such as the smart metering project, whose purpose is controlling readings by means of intelligent meters and networks, the lines, grids, and low and intermediate voltage infrastructure maintenance and modernization plan, strengthening the telecontrol grid and equipment, burying of low and mid voltage lines based on the Land Use Plan, and the high voltage capacity expansion plan, among others, whose purposes are improving the service quality and capacity indexes

Following are the activities related to the impairment reserve associated to electric materials:

Balance as of January 1 of 2016	<u>\$ (414,718)</u>
Reserve use	509,380
Reserve provision	(1,066,399)
Balance as of December 31 of 2016	<u>\$ (971,737)</u>
Reserve provision	971,737
Balance as of December 31 of 2017	<u>\$ -</u>

(2) Corresponds mainly to the induction stoves inventory, available for sale since November 2014. There are no impairment indications.

There are no inventories pledged as collateral for debt compliance.

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

11. Intangible Assets Other Than Capital Gains, Net.

	<u>As of December 31 of 2017</u>	<u>As of December 31 of 2016</u>
Licenses (1)	\$ 66,177,405	\$ 44,829,358
Computer programs (2)	56,955,792	46,801,441
Easements (3)	31,833,163	25,328,069
Development costs (4)	3,210,194	1,996,444
Intangible assets, net	\$ 158,176,554	\$ 118,955,312
Costs	143,110,407	149,184,009
Computer programs	96,950,609	82,407,580
Licenses	41,294,319	33,596,165
Easements	31,147,905	29,510,717
Intangible assets, gross	312,503,240	294,698,471
Amortization	(86,154,615)	(102,382,568)
Computer programs Licenses	(30,773,204)	(37,578,222)
Development costs	(27,937,711)	(27,514,273)
Easements	(9,461,156)	(8,268,096)
Intangible assets accumulated amortization	\$ (154,326,686)	\$ (175,743,159)

(1) Corresponds mainly to the E4E (Evolution for Energy) project for \$42.132.197, whose purpose is standardizing the SAP system that supports the accounting methods models, asset management, and the Company operation. The most significant costs associated to the project include consultancy fees incurred upon rolling out the system.

(2) Corresponds to the following IT programs:

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

	Net cost as of December 31 of 2017	Remaining service life (years)	Net cost as of December 31 of 2016	Remaining service life (years)
Administrative management systems	\$ 5,863,703		\$ 5,270,070	
SAP Software	2,578,046	2	3,365,069	2
Archibus System	866,650	4	432,252	3
Portal Institucional Latam Project	597,652	2	633,216	3
SAP RRHH Software	579,570	4	-	
Storia System	491,723	4	-	
ABC FlowCharter	441,110	3	453,713	3
Mercurio	308,952	3	317,779	3
Oracle license	-	-	68,041	1
Commercial management systems	21,844,917		26,147,617	
Fieldwork management E - Order	6,483,260	3	6,935,799	3
Evolución Epica CRM	5,849,844	4	4,099,396	3
Synergia 4J Project	5,227,520	3	7,409,560	4
Online services portal ICT	1,796,738	1	3,290,378	2
Business intelligence Software	1,095,713	2	1,736,484	2
On-site invoicing	989,860	3	1,180,077	3
Automated vehicle recharge system	364,829	1	738,646	2
Large clients commercial system ISU	-		499,146	1
Business associates operation system	37,153	1	162,952	2
Management Software Constructors	-		95,179	2
Distribution management system	29,247,172		15,383,754	
SIR-regulation information system	5,534,874	4	3,538,407	4
Scada STM Software	8,953,726	4	2,376,901	3
DMS / EMS Software	2,260,260	3	2,196,396	2
Scada - Fronten communication Software	6,774,463	4	2,140,948	3
Oracle License	733,858	3	970,876	3
IBM transformation project	699,953	3	753,627	3
Scada Software	77,224	1	390,148	1
Cas de Proyectos 2015	230,021	1	383,369	2
Effective monitoring of power	179,159	2	297,040	3
Linux License	279,910	3	285,625	3
Service Now project	236,643	3	243,404	3
Novel IDM licenses	66,447	1	110,744	2
Corporate Data Network Metrolan HA	817,851	4	-	
PIM system, power quality	470,480	4	-	
Big Data Analytics and Dashboards	413,787	4	-	
Other minor computer programs	1,518,516		1,696,269	
	\$ 56,955,792		\$ 46,801,441	

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(3) As of December 31, 2017 and 2016, corresponds to 36 and 33 easements, respectively, as follows:

	<u>As of December 31 of 2017</u>	<u>As of December 31 of 2016</u>
Bacatá AT/AT and AT/MT substation	\$ 13,941,939	\$ 14,619,286
Nueva Esperanza	10,146,170	2,873,184
North East substation AT/AT AT/MT	3,232,528	3,358,387
Other minor easements	2,843,211	2,724,712
Substation easements legalization AT/MT	1,669,315	1,752,500
	\$ 31,833,163	\$ 25,328,069

* AT (high voltage) and MT (mid voltage).

Following is a list of intangible assets:

	<u>Development costs</u>	<u>Ease-ments</u>	<u>Licenses</u>	<u>Computer programs</u>	<u>Intangible assets</u>
Ending balance 01/01/2016	\$ 2,168,003	\$ 24,975,750	\$ 6,240,569	\$ 40,008,482	\$ 73,392,804
Activities					
Additions	369,596	3,194,974	37,178,586	17,932,738	58,675,894
Additions on account of business combination	-	486,567	1,088,816	282,479	1,857,862
Transfers	(325,367)	(2,323,402)	1,838,674	810,095	-
Amortization (see note 26)	(215,788)	(1,143,409)	(1,517,287)	(12,232,353)	(15,108,837)
Other increases (decreases)	-	137,589	-	-	137,589
	(171,559)	352,319	38,588,789	6,792,959	45,562,508
Ending balance 31/12/2016	\$ 1,996,444	\$ 25,328,069	\$ 44,829,358	\$ 46,801,441	\$ 118,955,312
Additions	1,637,187	7,244,505	24,168,158	23,608,420	56,658,270
Withdrawals	-	-	(176,585)	(764,298)	(940,883)
Amortization (see Note 26)	(423,437)	(1,193,060)	(2,643,526)	(12,689,771)	(16,949,794)
Other increases (decreases)	-	453,649	-	-	453,649
Ending balance 31/12/2017	\$ 3,210,194	\$ 31,833,163	\$ 66,177,405	\$ 56,955,792	\$ 158,176,554

As of December 31, 2017 and 2016, the Company has no indefinite service life intangible assets.



12. Properties, Plant, And Equipment, Net

	As of December 31 of 2017	As of December 31 of 2016
Constructions in progress (1)	\$ 820,496,119	\$ 768,482,031
Buildings	187,193,449	118,197,959
Land properties	95,026,725	95,130,567
Improvements to third party properties	2,781,441	9,122,269
Plant and equipment	3,545,040,509	3,214,529,025
<i>Electrical distribution grids and installations</i>	2,698,392,975	2,475,571,542
<i>Substations and high voltage lines</i>	813,716,052	708,742,115
<i>Central hydraulic power plant</i>	32,931,482	30,215,368
Fixed installations and others	63,365,970	70,225,916
<i>Other installations</i>	38,112,395	45,181,612
<i>Fixed installations and accessories</i>	25,253,575	25,044,304
Financial leases	2,422,082	5,255,446
Properties, plant and equipment, net	\$ 4,716,326,295	4,280,943,213
Constructions in progress	820,496,119	768,482,031
Buildings	237,400,120	168,922,643
Land properties	95,026,725	95,130,567
Improvements to third party properties	10,128,371	10,128,371
Plant and equipment	7,676,179,899	7,086,532,384
<i>Electrical distribution grids and installations</i>	5,818,490,058	5,379,400,807
<i>Substations and high voltage lines</i>	1,818,748,396	1,671,556,045
<i>Central hydraulic power plant</i>	38,941,445	35,575,532
Fixed installations and others	175,236,459	199,048,696
<i>Other installations</i>	105,725,984	134,149,246
<i>Fixed installations and accessories</i>	69,510,475	64,899,450
Financial leases	14,695,992	14,573,574
Properties, plant and equipment, gross	9,029,163,685	8,342,818,266
Buildings	(50,206,671)	(50,724,684)
Improvements to third party properties	(7,346,930)	(1,006,102)
Plant and equipment	(4,131,139,390)	(3,872,003,359)
<i>Electrical distribution grids and installations</i>	(3,120,097,083)	(2,903,829,265)
<i>Substations and high voltage lines</i>	(1,005,032,344)	(962,813,930)
<i>Central hydraulic power plant</i>	(6,009,963)	(5,360,164)
Fixed installations and others	(111,870,489)	(128,822,780)
<i>Other installations</i>	(67,613,589)	(88,967,634)
<i>Fixed installations and accessories</i>	(44,256,900)	(39,855,146)
Financial leases	(12,273,910)	(9,318,128)
Properties, plant and equipment accumulated depreciation	\$ (4,312,837,390)	\$ (4,061,875,053)

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

(1) Other assets under construction correspond to the following projects:

Proyecto	As of December 31 of 2017	As of December 31 of 2016
Urban massive grids and lines connections	\$ 215,144,355	\$ 53,415,100
Telecontrol Latam – Codensa Project	126,935,371	133,425,582
Mid-voltage normalization and service quality	69,628,339	27,476,208
Mid-voltage capacity extension	50,298,420	12,957,090
High-voltage capacity extension	47,187,990	-
Construction of the Norte STN-115Kva Substation	37,044,989	26,803,219
Public lighting expansion	32,401,805	30,858,670
Land use plan IDU – municipalities	28,933,127	18,041,244
Bogotá public lighting modernizing	25,959,509	21,998,368
Substations equipment modernizing	25,966,849	-
High-voltage lines quality plan	24,550,189	15,300,973
Other minor projects	24,123,915	37,806,237
Smart Metering	20,287,401	17,053,266
Urban rural equipment and transformers replacement	19,876,756	27,457,757
Adjustment of loss control measurement equipment	15,603,239	55,613,158
Level 2 urban and rural infrastructure replacement	14,997,626	75,562,427
Expansion of MT - BT peripheral grids	7,103,314	-
Level 1 rural infrastructure replacement	6,971,291	65,796,277
Gran Sabana substation construction	6,054,769	-
Customization of commercial facilities	5,612,189	4,948,490
Construction of the Nueva Esperanza 500-115Kva substation	5,273,811	73,413,211
Mid-voltage line concessions	4,403,302	13,764,792
High-voltage service quality and normalization	3,156,800	27,540,487
Rural public lighting	1,766,867	6,054,487
Rionegro hydraulic station modernizing	830,909	5,215,734
Construction of the Compartir 115-11.4Kva substation	375,966	4,213,510
Extension of the Gorgonzola substation	7,021	4,644,508
Mobile substation	-	9,121,236
Total	\$ 820,496,119	\$ 768,482,031

Codensa S.A. E.S.P
Notes to Financial Statements – Separate
(In thousand pesos)

Following is a description of properties, plant, and equipment:

	Construction in progress	Land	Buildings	Improvements to third party properties	Plant and equipment			Other installations	Financial leases	Properties, plant and equipment
					Substations and high-voltage lines	Electrical distribution grids and installations	Central hydraulic power plant			
Final balance 01/01/2016	\$ 522,807,723	\$ 77,511,545	\$ 83,096,079	\$ 4,793,648	\$ 499,799,691	\$ 2,256,219,806	\$ -	\$ 61,127,638	\$ 2,510,146	\$ 3,507,866,276
Properties, plant and equipment activities										
Additions (a)	602,311,504	88,862	-	-	-	-	-	-	4,503,208	606,903,574
Additions on account of business combination	15,543,448	12,770,086	24,078,827	-	59,753,045	272,437,563	30,376,011	6,283,340	996,120	422,238,440
Transfers	(371,871,331)	4,917,278	14,332,672	5,334,725	194,403,561	135,810,161	-	17,073,021	(87)	-
Withdrawals	(309,313)	(19,615)	(11,685)	-	(1,823,463)	(4,690,406)	-	(1,280)	(124,181)	(6,979,943)
Depreciation expense (see note 26)	-	-	(3,297,934)	(1,006,104)	(43,390,719)	(184,205,582)	(160,643)	(14,256,803)	(2,629,760)	(248,947,545)
Other increases (decreases)	-	(137,589)	-	-	-	-	-	-	-	(137,589)
Year movements	245,674,308	17,619,022	35,101,880	4,328,621	208,942,424	219,351,736	30,215,368	9,098,278	2,745,300	773,076,937
Final balance 31/12/2016	\$ 768,482,031	\$ 95,130,567	\$ 118,197,959	\$ 9,122,269	\$ 708,742,115	\$ 2,475,571,542	\$ 30,215,368	\$ 70,225,916	\$ 5,255,446	\$ 4,280,943,213
Year movements										
Properties, plant and equipment activities										
Additions (a)	738,578,490	7,461	-	-	-	-	-	1,240,616	961,497	740,788,064
Transfers	(685,824,264)	(100,007)	73,516,699	(5,334,724)	151,726,474	451,735,443	3,365,914	10,914,465	-	-
Withdrawals	(286,489)	(11,296)	-	-	(1,400,979)	(6,093,844)	-	(442,890)	(161,408)	(8,396,906)
Depreciation expense (see note 26)	-	-	(4,521,209)	(1,006,104)	(45,351,558)	(222,820,166)	(649,800)	(18,572,137)	(3,633,453)	(296,554,427)
Other increases (decreases)	(453,649)	-	-	-	-	-	-	-	-	(453,649)
Year activities	52,014,088	(103,842)	68,995,490	(6,340,828)	104,973,937	222,821,433	2,716,114	(6,859,946)	(2,833,364)	435,383,082
Ending balance 31/12/2017	\$ 820,496,119	\$ 95,026,725	\$ 187,193,449	\$ 2,781,441	\$ 813,716,052	\$ 2,698,392,975	\$ 32,931,482	\$ 63,365,970	\$ 2,422,082	\$ 4,716,326,295

(a) As of December 31, 2017 and 2016, \$8,786,465 and \$11,927,334 were capitalized on account of financial expenses related to assets adequate for the projects, such as replacement and redesign, quality in rural mid-voltage, the Nueva Esperanza substation, and the Norte substation.

Additional information on properties, plant, and equipment, net

Main investments

As of December 31, 2017 and 2016, additions to properties, plant, and equipment correspond to investments made in customizing, modernizing, expanding, and construction of substations, high-, mid-, and low-voltage lines and grids, and in distribution transformers, in order to improve the service level efficiency and quality. The main additions to properties, plant, and equipment are:

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Additions by project	Type	As of December 31 of 2017	As of December 31 of 2016
Expansion of Lines and grids AT, MT and BT*	Lines and grids	\$ 255,353,584	\$ 267,102,161
Latam Telecontrol	Lines and grids	95,763,109	-
Customization and modernizing in lines and grids AT, MT and BT*	Lines and grids	79,850,462	111,443,607
Urban and rural public lighting modernizing and expansion	Lines and grids	63,376,178	61,369,210
Expansion of the Nueva Esperanza 550/115 Kva substation	Substations	29,886,061	15,861,414
Expansion and Customization of the MT and BT distribution transformers *	Lines and grids	22,944,382	11,808,467
Loss control equipment purchase MT and BT*	Lines and grids	15,018,781	9,642,844
Expansion of the Gran Sabana substation	Substations	13,085,640	-
Expansion of the Norte STN/115 Kva substation	Substations	7,557,888	20,822,455
Customization, modernizing and expansion of substations AT/MT and MT/MT*	Substations	4,032,792	74,667,303
Expansion of substation's second 550/115 Kva transformer Bacatá	Substations	-	9,111

As of December 31, 2017 and 2016, all labor directly related to constructions in progress was capitalized for \$54,562,582 and \$36,471,315. The change corresponds mainly to the greater execution of the mid-voltage lines, Norte substation, massive urban and rural connections to mid- and low-voltage grids, and compliance with the districts' Land Use Plan.

Main transfers to operation

As of December 31 of 2017, the main commissioned constructions in progress are:

Project	Bogotá urban	Cundinamarca	Total Activation
Modernizing, adjustment and expansion of mid-voltage lines and grids	\$ 197,076,665	\$ 116,367,138	\$ 313,443,803
Modernizing, adjustment compensation of high- and mid-voltage substations (1)	97,870,847	73,718,640	171,589,487
Public lighting modernizing, adjustment, and expansion	63,994,076	1,260,293	65,254,369
Modernizing, adjustment, and expansion of low voltage lines and grids	31,134,304	23,607,973	54,742,277
Modernizing, adjustment, and expansion of high-voltage lines and grids	17,433,723	11,676,368	29,110,091
Modernizing, adjustment, and expansion of distribution transformers	11,009,154	7,056,847	18,066,001

(1) On July 1 of 2017, the Company reported to XM the commissioning of the Nueva Esperanza 500/115 Kv project, comprised mainly of the Nueva Esperanza - Muña 115 Kv line, the reconfigurations to the Nueva Esperanza-Laguneta 115 Kv lines, Nueva Esperanza-Bosa 115 Kv, Nueva Esperanza-La Paz 115 Kv and Tunal - Veraguas 115 Kv, with the respective bays, 500/115 Kv – 450 MVA transformer, and STR lines. The request was approved and notified by the National Dispatch Center. With this communication and according to other requirements considered in the regulation, the Company will start processing the rate application before the CREG to assign charges remunerating the assets. The Company transferred constructions in progress to properties, plant and equipment in operation for an approximate value of \$101,000 million.

Currently, the Company is constructing the new Nueva Esperanza - Bosa 2 115 Kv and Nueva Esperanza - Techo 115 Kv lines.

As of December 31, 2016, the main commissioned constructions in progress are:

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Project	Bogotá urban	Cundina-marca	Total Activation
Modernizing, adjustment, and expansion of mid-voltage lines	\$ 73,006,619	\$ 88,367,142	\$ 161,373,761
Modernizing, adjustment, and expansion of low- voltage lines and grids	13,186,070	22,690,299	35,876,369
Modernizing, adjustment, and expansion of distribution transformers	12,483,997	26,344,485	38,828,482
Modernizing, adjustment compensation of high- and mid-voltage substations	4,583,893	36,962,420	41,546,313
Modernizing, adjustment, and expansion of public lighting	3,344,979	57,431,896	60,776,875
Modernizing, adjustment, and expansion of high-voltage lines and grids	2,034,899	8,189,935	10,224,834

Fully depreciated assets in use

As of December 31 of 2017 and 2016, the main fully depreciated assets in use are the following:

Fully depreciated	Type	As of December 31 of 2017	As of December 31 of 2016
Lines, grids and mid-voltage equipment	Lines and grids	63,763,502	\$ 25,991,755
Lines, supports and public lighting lights	Lines and grids	15,139,926	4,172,341
Substation civil works	Substations	15,098,684	15,119,493
Substation equipment	Substations	13,538,658	11,471,281
High-voltage lines and supports	Lines and grids	11,432,124	8,894,162
Transformers	Lines and grids	9,113,162	-

Financial leasing

As of December 31 of 2017 and 2016, properties, plant and equipment include \$2,422,082 and \$5,255,446, corresponding to the net accounting value of assets object of financial leasing agreements.

Financial leasing agreements correspond to financial lease agreements of vehicles established mainly with the Rentacol Joint Venture, Consorcio Empresarial, and Transportes Especializados JR S.A.S to support the Company operation, Mareauto Colombia S.A.S., Banco Corpbanca and Equirent for management transportation.

On August 9 of 2017, Codensa and Mareauto Colombia S.A.S. executed a 3-year agreement for \$ 11,669,434, whose purpose is using 150 vehicles under the financial leasing mode. The contract will be formalized upon delivery of the vehicles, estimated for February 2018, in order to replace the agreement ending on January 31 of 2018 with the Rentacol Joint Venture, with which close to 70% of the Company operation fleet had been rented.

Present values of future payments from these agreements are the following:

Minimum payments on account of leases, obligations for financial leases	As of December 31 of 2017			As of December 31 of 2016		
	Gross	Interest	Current value	Gross	Interest	Current value
Less than one year	\$ 1,754,959	\$ 171,013	\$ 1,583,946	\$ 3,789,325	\$ 355,841	\$ 3,433,484
Over one year but less than five years (See note 14)	1,036,970	101,299	935,671	2,161,448	173,878	1,987,570
Total	\$ 2,791,929	\$ 272,312	\$ 2,519,617	\$ 5,950,773	\$ 529,719	\$ 5,421,054

Operational leasing

The December 31 of 2017 and 2016 income statements include \$11,232,970 and \$8,167,119, respectively, mainly corresponding to accruals of real property operational leasing agreements, including:

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

	Initial date	Final date	Purchase option
Administrative headquarters			
North Point (a)	Jan 10	Jan 18	No
Oficina Q93	Jun-14	May-19	No
Calle 82 Piso 5y6	Jan 10	Dpc-20	No
Calle 82 Piso 7	April-13	Dpc-20	No
Calle 82 Of,801	Aug-11	Dec-20	No
Corporativo torre 93	Oct-09	Sept-18	No
Client services offices			
Calle 80	Jan 04	Dec-22	No
Chapinero	Sep-11	Sep-21	Yes
Suba 91	Oct-14	Oct-24	No
San Diego	Oct-10	Sep-20	No
Kennedy	Aug-13	Jul-23	Yes
Soacha	Oct-11	Oct-21	Yes

(a) The contract is extended for floors 3 and 5 until June 2018, until September 2018 for floors 4 and 6.

As of December 31, 2017, the related agreements are adjusted annually with the Colombian CPI, plus contractually defined points, also contracts establishing the Company purchase options, which it expects not to exercise.

As of December 31, 2017, future payments related to these agreements are the following:

Minimum future payments of of payments not subject to being canceled, leases	As of December 31 of 2017	As of December 31 of 2016
Less than one year	\$ 6,702,319	\$ 9,042,788
Over one year but less than five years	11,199,244	16,391,482
Over five years	1,034,199	2,060,749
	\$ 18,935,762	\$ 27,495,019

The above information does not include VAT

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

Insurance policies

The following are the Company property insurance policies:

Insured good	Risks covered	Insured value (figures in thousands)	Expiration	Insurance company
Company equity (*)	Extra-contractual civil liability	USD \$20,000	1/11/2018	Axa Colpatría
	Extra-contractual civil liability (cap of USD 200 million in excess of USD 20 million)	USD \$200,000	1/11/2018	Mapfre Seguros Colombia
Civil works, equipment, contents, warehouses and lost revenues (*)	All risk, material damage, earthquake, tsunami, HMACC – AMIT, lost revenues and machinery damage.	USD \$50,000	1/11/2018	Mapfre Seguros Colombia
Vehicles (a)	Extracontractual civil liability	\$ 900,000 per vehicle	01/01/2018	Seguros Mundial

(*) The Company policies are executed in American dollars.

(a) The Company renewed its 2018 vehicle policy with the following terms:

Insured good	Risks covered	Insured value (figures in thousands)	Expiration	Insurance company
Vehicles	Extracontractual civil liability	Damages to third-party property: \$ 300,000 death or injury 1 person: \$ 300,000 Death or injury 2 or more people: \$ 600,000	01/01/2019	Seguros Mundial



13. Deferred Taxes, Net

The recovery of deferred tax asset balances depends from achieving sufficient tax profits in the future. Management considers that the future fiscal profits projections include necessary elements to recover the assets.

Following is a description of deferred tax assets/liabilities, net, as of December 31, 2017:

	Ending balance 31-12-2016	Increase (decrease) on account of deferred taxes on income (i)	Increase (decrease) on account of deferred taxes on other comprehensive income (See item 1 note 32) (ii)	Ending balance 31-12-2017
Asset deferred tax				
Provisions and others (1)	\$ 70,446,499	(24,079,432)	-	46,367,067
Obligations of defined contribution	17,894,416	(4,463,071)	(339,311)	13,092,034
Total asset deferred tax	88,340,915	(28,542,503)	(339,311)	59,459,101
Liability deferred tax				
Excess of fiscal depreciation over the accounting value (2)	69,314,546	8,277,798	-	77,592,344
Others (3)	4,971,029	(3,459,959)	5,524	1,516,594
Total liability deferred tax	74,285,575	4,817,839	5,524	79,108,938
Asset (liability) deferred tax, Net	\$ 14,055,340	\$ (33,360,342)	\$ (344,835)	\$ (19,649,837)

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(i) As of December 31, 2017, the reduction in deferred tax income includes: i) the year's deferred tax (\$28,720,448) and ii) deferred taxes of previous years (\$4,639,893).

(ii) Deferred tax asset correspond to the difference in the actuarial pensions calculation in Decree 2496 of 2015 for fiscal purposes and the result under the IFRS. The passive deferred tax corresponds to forwards established to hedge the exchange rate risk.

(1) As of December 31, 2017, following are the assets' deferred taxes on account of other reserves:

	Ending balance 31-12-2016	Increase (decrease) on account of deferred taxes on income	Ending balance 31-12-2017
Provision for uncollectible accounts (a)	\$ 17,182,182	\$ (8,567,132)	\$ 8,615,050
Provisions for works and services (b)	14,526,743	(11,743,703)	2,783,040
Provision for Labor obligations	10,034,277	(3,346,873)	6,687,404
Provision for contingent liabilities	9,729,381	1,187,649	10,917,030
Provision for industry and trade (c)	7,487,994	(7,487,994)	-
Provision – claims with third parties	6,000,000	1,302,028	7,302,028
Provision for dismantling	2,831,593	(2,661,980)	169,613
Others (d)	2,654,329	7,238,573	9,892,902
	\$ 70,446,499	\$ (24,079,432)	\$ 46,367,067

(a) The change corresponds mainly to the reduction in the temporary difference between the fiscal portfolio reserve policy and the accounting portfolio reserve.

(b) The tax reform established for 2017 the deduction of the industry and trade tax at 100%, provided paid prior to submitting the income tax return. However, for 2016 only values actually paid during the year were considered deductible.

(c) For 2016, the deferred tax on outstanding invoices was calculated considering that there was an obligation of having a physical invoice on closing day in order to consider it deductible. However, based on the tax reform, services or goods acquired can be deducted even if the invoice has been issued during the following period.

(d) For 2017 and after, corresponds mainly to the calculation of the deferred tax on reserves for labor and civil litigations, which according to the tax reform are deductible.

(2) As of December 31, 2017, corresponds to the difference in the accounting and fiscal depreciation from i) depreciation requested in excess of additional shifts for 1998, ii) depreciation lower balances from 2014, iii) differences in the cost of the assets from technical re-rating, iv) accounting and fiscal differences from inflation adjustments for 2004, 2005, and 2006.

(3) As of December 31, 2017, corresponds mainly to the deferred tax for the difference in the evaluation of financial obligations.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

The deferred tax as of December 31, 2017, by rate, is the following:

	2018 Income and surcharge	2019 onwards Income and surcharge
Provisions and estimated liabilities	27,813,662	122,046,528
Properties, plant and equipment	-	(237,074,807)
Portfolio	12,307,215	13,148,550
Others	1,554,644	(6,338,825)
	41,675,521	(108,218,554)
Rate	37%	33%
	15,419,943	(35,712,123)
Occasional gains	6,423,430	
Rate	10%	
Tax	642,343	
Total	\$ (19,649,837)	

Following are assets by active deferred tax, net, as of December 31, 2016:

	Ending balance 31-12-2015	Increase (decrease) on account of deferred taxes on income (i)	Increase (decrease) on account of deferred taxes on other comprehensive income (See item 1 note 32) (iii)	Business combination effect	Increase by deferred taxes in the income due to the exchange rate differences (ii)	Ending balance 31-12-2016
Asset deferred tax						
Depreciation and inflation adjustments of properties, plant and equipment	\$ 90,780,856	\$ (139,341,155)	\$ -	\$ 48,560,299	\$ -	\$ -
Provisions and others (1)	49,645,729	(3,367,781)	-	24,996,752	(828,201)	70,446,499
Defined contribution obligations	2,148,565	(3,719,455)	14,459,139	5,146,805	(140,638)	17,894,416
Coverage instruments	35,635	(35,635)	-	-	-	-
Total asset deferred tax	142,610,785	(146,464,026)	14,459,139	78,703,856	(968,839)	88,340,915
Liability deferred tax						
Surplus of fiscal depreciation over the accounting value (2)	107,974,694	(104,935,464)	-	68,891,449	(2,616,133)	69,314,546
Others (3)	1,667,099	(1,256,971)	37,527	4,449,033	74,341	4,971,029
Total liability deferred tax	\$ 109,641,793	\$ (106,192,435)	\$ 37,527	\$ 73,340,482	\$ (2,541,792)	74,285,575
Asset deferred tax, Net	\$ 32,968,992	\$ (40,271,591)	\$ 14,421,612	\$ 5,363,374	\$ 1,572,953	\$14,055,340

(i) As of December 31 of 2016, the reduction in income from the deferred tax includes i) the year deferred tax (\$41,005,119) and the deferred tax of previous years, of \$733,528.

(ii) The increase/reduction from deferred taxes in income includes the effect of the tax reform according to Law 1819 of 2016, which eliminated the equity income tax - CREE together with its surcharge and increased the income tax rate from 25% to 33% from 2017 on, also creating the income tax surcharge of 7% and 4% for 2017 and 2018, respectively.

(iii) Corresponds to the actuarial calculation difference on pensions from Decree 2496 of 2015 for fiscal purposes, and that resulting under the IFRS.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(1) As of December 31, 2016, the following are the asset deferred taxes on account of other reserves:

	Ending balance 31-12-2015	Increase (decrease) on account of deferred taxes on income	Business combination effect	Increase on account of deferred taxes on income due to rate change (*)	Ending balance 31-12-2016
Uncollectible account reserve	\$ 12,957,315	\$ (8,925,393)	\$ 13,170,798	\$ (20,538)	\$ 17,182,182
Provisions for works and services	12,544,770	5,593,886	(3,232,093)	(379,821)	14,526,743
Provision for Labor obligations	10,139,814	(1,892,935)	2,095,322	(307,924)	10,034,277
Provision – claims with third parties	6,000,000	-	-	-	6,000,000
Provision for industry and trade	5,226,991	697,387	1,563,616	-	7,487,994
Others	1,592,875	(76,386)	1,257,758	(119,918)	2,654,329
Provision for quality compensation	1,183,964	(1,183,964)	-	-	-
Provision for dismantling	-	2,831,593	-	-	2,831,593
(b)	-	(\$ 411,969)	10,141,351	-	9,729,381
	\$ 49,645,729	\$ (3,367,781)	\$ 24,996,752	\$ (828,201)	\$ 70,446,499

(2) As of December 31, 2016, corresponds to the difference in accounting and fiscal depreciation from i) depreciation requested in excess on account of additional shifts in 1998, ii) depreciation from a reduction in balances from 2014 on, iii) difference in the cost of assets from technical re-rating, iv) accounting and fiscal differences from the 2004, 2005, and 2006 inflation adjustments, among other lesser.

(3) As of December 31, 2016, corresponds mainly to the deferred tax on account of the difference in the valuation of financial obligations.

As of December 31, 2016, the deferred tax by rate is the following:

	2017		2018	
	Income	Rent and surcharge	Income and surcharge	
Estimated provisions and liabilities	\$ 89,329,777	\$ 98,412,472	\$ (670,083)	
Property, plant and equipment	(184,189,648)	(15,903,535)	(7,602,755)	
Portfolio	2,053,783	41,261,082	-	
Science and technology	(12,082,364)	3,874,798	78,596	
	(104,888,452)	127,644,817	(8,194,242)	
Rate	33%	40%	37%	
	\$ (34,613,189)	\$ 51,057,927	\$ (3,031,870)	
Occasional gains	6,424,717			
Rate	10%			
Tax	642,472			
Total deferred tax debit	\$ 14,055,340			

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)



14. Other Financial Liabilities

	As of December 31 of 2017			As of December 31 of 2016		
	Current		Non Current	Current		Non Current
	Capital	Interests		Capital	Interests	
Issued bonds (1)	\$ 261,660,000	\$ 22,892,111	\$ 1,098,340,000	\$ 391,427,451	\$ 8,161,747	\$ 730,000,000
Bank obligations (2)	42,404,813	6,279,978	402,979,941	44,745,428	6,634,988	435,742,011
Leasing obligations (3)	1,583,945	-	935,671	3,433,484	-	1,987,570
Forwards	-	-	-	-	-	-
	\$ 305,648,758	\$ 29,172,089	\$ 1,502,255,612	\$ 439,606,363	\$ 14,796,735	\$ 1,167,729,581

(1) The following are bond activities from January to December 2017:

(i) A partial repurchase in the secondary market was made regarding the second issuance of ordinary bonds maturing on March 14; this was done in February for \$130,240,000 and in March for \$79,780,000 through Valores Bancolombia, Credicorp Capital, and Corredores Davivienda.

The operation was carried out in order to optimize the Company cash flow.

(ii). The balance, \$181,480,000, of the second issuance of ordinary bonds was paid on March 14 of 2017.

(iii) The first lot of the 5th tranche of the Codensa Ordinary Bonds Issuance and Placement Program was placed on March 9 of 2017. The award was done as follows:

- a. Subseries E2: \$160,000,000 with a 2-year term and a coupon rate of 7.04% E.A.
- b. Subseries E5: \$270,000,000 with a 5-year term and a coupon rate of 7.39% E.A.

Resources were used to refinance obligations and to finance the Company investment plan.

(iv) The first lot of the 6th tranche of the Codensa Ordinary Bonds Issuance and Placement Program was placed on June 8 of 2017. The award was made as follows:

- a. Subseries E7: \$200,000,000 with a 7-year term and a coupon rate of 6.46% E.A.

(v) The following bonds were reclassified from long to short term:

- Second tranche of the Bonds Program, subseries B5, for \$181,660,000 maturing on November 15 of 2018.
- Third issuance of bonds from subseries A10 for \$80,000,000 maturing on December 11 of 2018.

All the Company financial debt in bonds is represented by six current bond issuances in the local market. Following are the main financial characteristics of bonds issued since 2008 and current as of December 31, 2017.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Third bond issuance

With Resolution 332 of March 10 of 2008, the Colombian Financial Superintendence ordered including in the National Securities and Issuers Registry (RNVE) the third issuance of the Codensa ordinary bonds for \$350.000.000, authorizing its public offering.

This issuance was placed in two lots, as follows:

	\$350,000,000, as follows:
	1st lot: December 18 of 2008 for \$270,000,000
	2nd lot: March 27 of 2009 for \$80,000,000
Total value placed	The total amount was placed in 4 subseries as follows:
	Subseries A5: \$ 75,500,000
	Subseries A10: \$80,000,000
	Subseries B2: \$109,000,000
	Subseries B5: \$85,500,000
Balance as of December 31 of 2017	\$80,000,000 (Subseries A10)
Bonds face value:	\$10,000
Issuance term:	Subseries A5: 5 years Subseries A10: 10 years Subseries B2: 2 years Subseries B5: 5 years
Issuance date:	December 11 of 2008 for all subseries
Maturity date	Subseries A5 and B5: December 11 of 2013 Subseries A10: December 11 of 2018 Subseries B2: December 11 of 2010
Issuance administrator:	Deceval S.A.
Coupon rate:	Subseries A5: CPI + 5.99 % E.A. Subseries A10: CPI + 5.55% E.A.
Rating:	Sub-serie B2: DTF T.A. + 2,11 % Sub-serie B5: DTF T.A. + 2,58 % AAA (Triple A) Assigned by Duff&Phelps de Colombia S.A. S.C.V. (today Fitch Ratings Colombia S.A. S.C.V.)

Bond Issuance and Placement Program

With Resolution 194 of January 29 of 2010, the Colombian Financial Superintendence ordered registering in the National Securities and Issuers Registry the Codensa ordinary Bond Issuance and Placement Program for up to \$600,000,000 and its public offering.

With Resolution 624 of April 3 of 2013, the Colombian Financial Superintendence authorized renewing the term of the authorization for the public offering of the program's ordinary bonds for 3 years from the date of such Resolution, i.e. until April 30 of 2016. After meeting the applicable requirements, the issuance and placement program quota was ex increased on March 13 of 2014 with Resolution 407 of 2014 to \$185,000,000, bringing the total global quota to \$785,000,000. It was again increased in October 7 of 2014 with Resolution 1780 of 2014 for \$165,000,000, bringing the quota to \$950,000,000. With Resolution 623 of May 23 of 2016, an additional increase of \$560,000,000 was made, bringing the total quota to \$1,510,000,000, at the same time the public offering authorization term being extended for 3 additional years from

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

the execution date of such resolution, i.e. until June 3 of 2019. Finally, on December 28 of 2017, with Resolution 1893, the following changes to the Company ordinary bonds issuance and placement program were approved: i) inclusion of Papeles Comerciales in the Company ordinary bonds issuance and placement program, its registration before the RNVE, and its public offering, and ii) inclusion of changes arising from article 6.1.1.1.5 of Decree 2555 of 2010 regarding the mechanism used to issue securities, the securities' amortization plan, and the possibility of publishing the offered interest rate separately from the offering notice.

As of December 31, 2017, six issuances have been made under the program. The first tranche was issued on February 17 of 2010, the second on November 15 of 2013, the third on September 25 of 2014, the 4th on September 15 of 2016, the 5th on March 9 of 2017, and the 6th on June 8 of 2017. Following is a description of the current issuances:

Second program tranche

Total value placed	\$375,000,000, as follows: Subseries B5: \$181,660,000 Subseries B12: \$193,340,000
Balance as of December 31, 2017	\$375,000,000
Bond face value	\$10,000
Issuance term	Subseries B5: 5 years Subseries B12: 12 years
Issuance date	November 15 of 2013 for all series
Maturity date	Subseries B5: November 15 of 2018 Subseries B12: November 15 of 2025
Issuance administrator	Deceval S.A.
Coupon rate	Sub-series B5: IPC + 3,92% E.A. Sub-series B12: IPC + 4,80% E.A.
Rating	AAA (Triple A) Assigned by Fitch Ratings Colombia S.A. S.C.V.).

Third program tranche

Total value placed	\$185,000,000, as follows: Sub-series B7: \$185,000,000
Current value as of December 31, 2017	\$185,000,000
Bond face value	\$10,000
Issuance term	Sub-series B7: 7 years
Issuance date	September 25 of 2014
Maturity date	Subseries B7: September 25 of 2021
Issuance administrator	Deceval S.A.
Coupon rate:	Subseries B7: CPI + 3.53% E.A.
Rating	AAA (Triple A) Assigned by Fitch Ratings Colombia S.A. S.C.V.).

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Fourth program tranche

Total value placed	\$90,000,000, as follows: Sub-serie E4: \$90,000,000
Current balance as of December 31 of 2017	\$90,000,000
Bond face value	\$10,000
Issuance term	Subseries E4: 4 years
Issuance date	September 15 of 2016
Maturity date	Subseries E4: September 15 of 2020
Issuance administrator	Deceval S.A.
Coupon rate:	Subseries E4: 7.70% E.A.
Rating	AAA (Triple A) Assigned by Fitch Ratings Colombia S.A. S.C.V.

Fifth program tranche

Total value placed	\$430,000,000, as follows:
Current balance as of December 31, 2017	Subseries E2: \$160,000,000
Bond face value	Subseries E5: \$270,000,000
Issuance term	\$430,000,000
Issuance date	\$10,000
Maturity date	Subseries E2: 2 years
Issuance administrator	Subseries E5: 5 years
Coupon rate:	March 9 of 2017
Rating	Subseries E2: March 9 of 2019 Subseries E5: March 9 of 2022 Deceval S.A. Subseries E2: 7.04% E.A. Subseries E5: 7.39% E.A. AAA (Triple A) Assigned by Fitch Ratings Colombia S.A. S.C.V.

Sixth program tranche

Total value placed	\$200,000,000, as follows:
Current balance as of December 31 of 2017	Subseries E7: \$200,000,000
Bond face value	\$200,000,000
Issuance term	\$10,000
Issuance date	Subseries E7: 7 years
Maturity date	June 8 of 2017
Issuance administrator	Subseries E7: June 8 of 2024
Coupon rate:	Deceval S.A.
Rating	Subseries E7: 6.46% E.A. AAA (Triple A) Assigned by Fitch Ratings Colombia S.A. S.C.V.

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

Payment of subseries A10 of the second Company bond issuance, issued in 2007 for \$391,500,000, was made on March 14 of 2017. All subseries issued under this issuance were canceled with this payment, as of today there being no outstanding payments.

Following are obligations on account of debt bonds as of December 31 of 2017:

Series	EA Rate	Rate Type	Current			Non Current			Total Non Current
			Less than 90 days	Over 90 days	Total Current	1 to 2 years	3 to 5 years	5 to 10 years	
Bonds A10-08	9,90%	Variable	\$ 439,563	\$ 80,000,000	\$ 80,439,563	-	-	-	\$ -
Bonds B5-13	8,20%	Variable	1,862,031	181,660,000	183,522,031	-	-	-	-
Bonds B12-13	9,12%	Variable	2,195,790	-	2,195,790	-	-	193,340,000	193,340,000
Bonds B7-14	7,80%	Variable	268,928	-	268,928	-	185,000,000	-	185,000,000
Bonds E4-16	7,70%	Fixed	313,956	-	313,956	-	90,000,000	-	90,000,000
Bonds E2-17	7,04%	Fixed	691,636	-	691,636	160,000,000	-	-	160,000,000
Bonds E5-17 (*)	7,39%	Fixed	16,290,394	-	16,290,394	-	270,000,000	-	270,000,000
Bonds E7-17	6,46%	Fixed	829,813	-	829,813	-	-	200,000,000	200,000,000
Total Bonds			\$ 22,892,111	\$ 261,660,000	\$ 284,552,111	\$ 160,000,000	\$ 545,000,000	\$ 393,340,000	\$ 1,098,340,000

Interest payments are made quarterly, capital being amortized upon the issuance maturing.

(*) Interests are paid annually on 3/9/2018.

Following are obligations on account of debt bonds as of December 31 of 2016:

Series	EA Rate	Rate Type	Current			Non Current			Total Non Current
			Less than 90 days	Over 90 days	Total Current	1 to 2 years	3 to 5 years	5 to 10 years	
Bonds B102 Trench 1	11,58%	Variable	\$ 147,732,129	\$ -	\$ 147,732,129	\$ -	\$ -	\$ -	\$ -
Bonds B102 Trench 2	11,58%	Variable	245,764,039	-	245,764,039	-	-	-	-
Bonds A10	11,84%	Variable	522,405	-	522,405	80,000,000	-	-	80,000,000
Bonds B5-13	10,11%	Variable	2,280,672	-	2,280,672	181,660,000	-	-	181,660,000
Bonds B12-13	11,05%	Variable	2,643,916	-	2,643,916	-	-	193,340,000	193,340,000
Bonds B7-14	9,70%	Variable	332,081	-	332,081	-	185,000,000	-	185,000,000
Bonds E4-16	7,70%	Fija	313,956	-	313,956	-	90,000,000	-	90,000,000
Total Bonds			\$ 399,589,198	\$ -	\$ 399,589,198	\$ 261,660,000	\$ 275,000,000	\$ 193,340,000	\$ 730,000,000

Interests are paid quarterly, capital being amortized upon the issuance maturing.

(2) On March 17 of 2016, the Company received a loan from The Bank of Tokyo Mitsubishi UFJ for \$200,000,000 and an 8.4931% E.A rate, maturing on March 17 of 2019. On June 10 of 2016, another loan from the same bank entity was obtained for \$162,000,000, with an 8.815% E.A rate, maturing on June 10 of 2020. These funds were used for general Company purposes.

Additionally, as a result of the business combination process the Company recognized 13 treasury loans for \$138,098,600 with Banco de Bogotá, AV Villas, Popular, BBVA, and Agrario, regarding which an appraisal was made of each financial obligation with applicable market rates based on the nature of the loans (13.08% EA), showing a reasonable value of \$128,511,053.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Capital amortizations for \$39,782,607 were made during 2017.

Following is a description of bank loans as of December 31, 2017:

Description	Maturity Date	EA Rate	Current			Non Current			Total Non Current
			Less than 90 days	Over 90 days	Total Current	1 to 2 years	2 to 3 years	4 to 5 years	
The Bank of Tokyo Mitsubishi UFJ	18/03/2019	8,49%	\$ 4,853,333	\$ -	\$ 4,853,333	\$ 200,000,000	\$ -	\$ -	\$ 200,000,000
The Bank of Tokyo Mitsubishi UFJ	10/06/2020	9,01%	-	833,018	833,018	-	162,000,000	-	162,000,000
Banco de Bogotá	12/03/2019	7,72%	2,497,631	7,348,175	9,845,806	2,155,890	-	-	2,155,890
Banco AV Villas	12/03/2019	7,50%	1,271,588	3,742,966	5,014,554	1,099,476	-	-	1,099,476
Banco Popular	01/12/2019	7,45%	724,533	1,977,986	2,702,519	1,660,286	-	-	1,660,286
Banco Popular	01/12/2019	7,44%	1,382,588	3,966,739	5,349,327	4,335,123	-	-	4,335,123
Banco BBVA	21/01/2020	6,21%	285,864	779,997	1,065,861	842,815	210,704	-	1,053,519
Banco BBVA	23/02/2020	6,10%	234,839	668,640	903,479	722,479	180,620	-	903,099
Banco BBVA	25/03/2020	5,96%	122,144	363,390	485,534	392,673	98,168	-	490,841
Banco BBVA	21/04/2020	6,21%	486,232	1,315,405	1,801,637	1,390,183	695,091	-	2,085,274
Banco BBVA	21/05/2020	6,07%	303,742	858,427	1,162,169	907,248	453,624	-	1,360,872
Banco BBVA	22/06/2020	6,03%	277,610	821,416	1,099,026	868,130	434,065	-	1,302,195
Banco BBVA	17/03/2021	6,72%	724,260	2,110,626	2,834,886	2,075,387	2,075,387	518,847	4,669,621
Banco BBVA	21/04/2021	6,86%	393,939	1,021,970	1,415,909	983,696	983,696	491,848	2,459,240
Banco BBVA	23/05/2021	6,75%	566,221	1,566,338	2,132,559	1,507,676	1,507,676	753,838	3,769,190
Banco Agrario	22/08/2021	7,15%	1,923,639	5,261,534	7,185,173	4,958,297	4,958,296	3,718,722	13,635,315
Total bank loans			\$ 16,048,163	\$ 32,636,627	\$ 48,684,790	\$ 223,899,359	\$ 173,597,327	\$ 5,483,255	\$ 402,979,941

Following is a description of bank loans as of December 31, 2016:

Description	Maturity Date	EA Rate	Less than 90 days	More than 90 days	Total Current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total Non Current
The Bank of Tokyo Mitsubishi UFJ	18/03/2019	8,49%	\$ 4,807,111	\$ -	\$ 4,807,111	\$ -	\$ 200,000,000	\$ -	\$ -	\$ 200,000,000
The Bank of Tokyo Mitsubishi UFJ	10/06/2020	9,01%	793,350	-	793,350	-	-	162,000,000	-	162,000,000
Banco de Bogotá	12/03/2019	9,46%	2,555,421	8,073,669	10,629,090	8,121,328	2,449,811	-	-	10,571,139
Banco AV Villas	12/03/2019	9,24%	1,302,642	4,102,172	5,404,814	4,135,829	1,250,000	-	-	5,385,829
Banco Popular	01/12/2019	9,13%	748,902	2,105,995	2,854,897	1,925,620	1,875,000	-	-	3,800,620
Banco Popular	01/12/2019	9,20%	1,360,414	4,359,829	5,720,243	3,511,162	5,000,000	-	-	8,511,162
Banco BBVA	21/01/2020	7,73%	289,455	825,154	1,114,609	633,967	973,960	243,490	-	1,851,417
Banco BBVA	23/02/2020	7,85%	232,996	723,886	956,882	531,876	844,168	211,042	-	1,587,086
Banco BBVA	25/03/2020	7,66%	117,796	401,281	519,077	166,946	463,749	231,875	-	862,570
Banco BBVA	21/04/2020	7,73%	486,950	1,392,860	1,879,810	967,103	1,618,720	809,360	-	3,395,183
Banco BBVA	21/05/2020	7,85%	298,308	929,492	1,227,800	614,667	1,067,360	533,680	-	2,215,707
Banco BBVA	22/06/2020	7,74%	264,763	908,609	1,173,372	314,100	1,032,043	774,033	-	2,120,176
Banco BBVA	17/03/2021	8,49%	658,779	2,362,313	3,021,092	993,351	1,875,000	2,500,000	1,250,000	6,618,351
Banco BBVA	21/04/2021	8,39%	375,319	1,090,673	1,465,992	454,200	1,170,280	1,170,280	585,140	3,379,900
Banco BBVA	23/05/2021	8,51%	523,837	1,727,167	2,251,004	647,562	1,813,077	1,813,077	906,538	5,180,254
Banco Agrario	22/08/2021	8,91%	1,764,599	5,796,674	7,561,273	1,762,617	6,000,000	6,000,000	4,500,000	18,262,617
Total Préstamos Bancarios			\$ 16,580,642	\$ 34,799,774	\$ 51,380,416	\$ 24,780,328	\$ 227,433,168	\$ 176,286,837	\$ 7,241,678	\$ 435,742,011

(3) Following is a description of commercial leasing obligations as of December 31 of 2017:

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate
(In thousand pesos)

Description	Rate	Rate type	Current			Non Current			Total Non Current
			Less than 90 days	More than 90 days	Total Current	1 to 2years	2 to 3years	3 to 4 years	
Banco Corpobanca (Helm)	7,36%	Fija	\$ 20,442	\$ 27,701	\$ 48,143	\$ -	\$ -	\$ -	\$ -
Consorcio Empresarial	7,08%	Fija	288,151	591,194	879,345	-	-	-	-
Equirent S.A.	9,54%	Fija	29,495	92,791	122,286	134,426	96,853	-	231,279
Mareauto Colombia SAS	11,78%	Fija	90,559	268,264	358,823	384,393	299,611	-	684,004
Transportes Especializados JR S.A.S.	9,48%	Fija	6,044	19,011	25,055	20,388	-	-	20,388
Unión Temporal Rentacol	10,80%	Fija	150,294	-	150,294	-	-	-	-
Total Obligaciones por Leasing			\$ 584,985	\$ 998,961	\$ 1,583,946	\$ 539,207	\$ 396,464	\$ -	\$ 935,671

Following is a description of commercial leasing obligations as of December 31 of 2016:

Description	Rate	Rate type	Current			Non Current			Total Non Current
			Less than 90 days	More than 90 days	Total Current	1 to 2years	2 to 3years	3 to 4 years	
Banco Corpobanca (Helm)	7,36%	Fija	\$ 51,314	\$ 105,524	\$156,838	\$ 61,949	\$ -	\$ -	\$ 61,949
Consorcio Empresarial	7,08%	Fija	275,927	849,775	1,125,702	902,075	-	-	902,075
Equirent S.A.	9,54%	Fija	26,832	84,411	111,243	114,534	133,370	108,548	356,452
Mareauto Colombia SAS	10,98%	Fija	52,783	167,672	220,455	205,408	209,558	153,921	568,887
Transportes Especializados JR S.A.S.	9,48%	Fija	11,732	36,903	48,635	50,063	48,144	-	98,207
Unión Temporal Rentacol	10,80%	Fija	548,203	1,222,408	1,770,611	-	-	-	-
Total leasing obligations			\$ 966,791	\$ 2,466,693	\$3,433,484	\$ 1,334,029	\$ 391,072	\$262,469	\$1,987,570

As of December 31, 2017, the Company had \$3,688,382 in loan facilities authorized and not used, jointly with Emgesa S.A. E.S.P. and subject to reassignment among the two companies, regarding which and as required the respective financial entities will update the approval and payment conditions.

Additionally, there is an intercompany loan facility approved with Emgesa S.A. E.S.P. for USD \$100 million, for general Company purposes.

15. Commercial Accounts And Other Accounts Payable

	As of December 31 of 2017	As of December 31 of 2016
Commercial accounts payable	\$ 186,949,180	\$ 195,679,684
Other Accounts Payable	843,199,871	690,223,659
	\$ 1,030,149,051	\$ 885,903,343

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Following are the Company commercial accounts payable and other accounts payable as of December 31 and 17:

	As of December 31 of 2017	As of December 31 of 2016
Accounts Payable for goods and services (1)	\$ 695,215,100	\$ 550,292,958
Energy purchases suppliers (2)	186,949,180	195,679,684
Taxes other than income tax(3)	49,377,510	46,868,306
Collection in favor of third parties (4)	47,576,297	40,834,696
Other accounts payable (5)	34,293,924	35,841,489
Balances in favor of clients (6)	15,564,786	13,579,233
Fees	1,172,254	2,806,977
	\$ 1,030,149,051	\$ 885,903,343

(1) As of December 31, 2017, corresponds mainly to Emgesa S.A E.S.P invoices on account of energy purchases for \$131,100,411, transferred by this generator to Sumitomo Mitsui Banking Corporation through factoring operations, with no responsibility for the seller.

As of December 31 of 2017 and 2016, corresponds mainly to the accounts payable to Banco Colpatria Red Multibanca Colpatria S.A. on account of portfolio collection of the "Crédito Fácil Codensa" business, conciliated and outstanding for \$154,804,892 and \$236,425,940, respectively. This was paid the first week of January 2018 and 2017, respectively.

(2) Following are the main energy providers:

	As of December 31 of 2017	As of December 31 of 2016
XM SA E.S.P. (Compras bolsa de energía)	\$ 71,481,972	\$ 46,353,807
Isagen SA E.S.P.	59,429,400	74,815,308
AES Chivor y Cía. SCA E.S.P.	20,689,320	6,550,149
EBSA S.A. E.S.P.	6,235,878	5,949,737
Empresa URRRA S.A. E.S.P.	5,852,817	5,446,401
EPSA S.A E.S.P.	5,138,305	2,451,380
Empresas Públicas de Medellín S.A. E.S.P.	3,812,414	13,364,512
Generarco S.A E.S.P.	4,061,502	-
Electrificadora del Meta S.A E.S.P	473,566	24,859,517
Termotasajero S.A E.S.P	-	8,430,567

(3) As of December 31, 2017 and 2016, taxes other than income correspond to:

	As of December 31 of 2017	As of December 31 of 2016
Tax payment provisions (a)	\$ 26,321,979	\$ 24,609,391
Territory taxes, municipal and related contributions (b)	23,055,531	22,258,915
	\$ 49,377,510	\$ 46,868,306

(a) As of December 31 of 2017 and 2016, correspond to tax withholding to third parties for \$8,510,604 and \$7,839,995 and self withholdings for \$17,811,376 and \$16,769,396, respectively.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

- (b) As of December 31 of 2017 and 2016, corresponds mainly to the industry and trade tax of \$13,569,824 and \$16,213,596, respectively. The Company is subject to the 0.966% industry and trade tax in Bogotá on its operational revenues, 1.104% on other nonoperational revenues, and 15% for notices and billboards. In other municipalities in which the Company is responsible for the industry and trade tax, payments are made according to rates established by each municipality.
- (4) As of December 31 of 2017 and 2016, corresponds mainly to the liability from agency agreements from subscriptions to newspapers, magazines, and insurance policies for \$23,693,189 and \$21,445,442; Banco Colpatría Red Multibanca Colpatría S.A. for \$13,644,331 and \$10,175,046 for the collection process in the conciliation process carried out by the Company regarding the “Crédito Fácil Codensa” business loan portfolio, sold to the Bank, according to the corporate collaboration agreement. The collection made by the Company is periodically conciliated between the parties, subsequently being transferred.
- In November 2017, the first joint garbage removal invoicing agreement was executed with Trash Global S.A, which provides the basic service in the municipality of Facatativá and has 2105 clients. This agreement will allow evaluating the manner in which to implement joint invoicing in other municipalities in the Codensa area of coverage, so that its development will be carried out according to variables allowing validating the clients' behavior and the Company image and reputation. The agreement's term is 3 years. The outstanding balance pending conciliation as of December 31 of 2017 is \$ 67,135.
- (5) As of December 31 of 2017 and 2016, corresponds mainly to the liability on account of energy distribution areas (ADDs) for \$21,072,936 and \$18,168,022, respectively. The ADDs correspond to the distribution charge of other network operators which, according to regulatory orders, has to be invoiced and collected by the Company from its end users under the distribution area scheme. The distribution area scheme is a regulatory mechanism included in Colombia with Resolution CREG 58-68 and 70 of 2008, whose purpose is fairly distributing the distribution cost end users have to assume in the various regions of the country among all users.
- (6) Corresponds to client positive balances mainly, on account of the greater value paid by them and for invoicing adjustments. During 2016, positive balances correspond mainly to positive adjustments made on account of Resolution 29 of 2016 of the CREG (see paragraph f of Note 7).

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

16. Provisions

	As of December 31 of 2017		As of December 31 of 2016	
	Current	Non Current	Current	Non Current
Legal claims provision	\$ -	\$ 14,374,556	\$ -	\$ 14,388,531
<i>Labor (1)</i>	-	6,238,500	-	6,402,834
<i>Civil (1)</i>	-	8,136,056	-	7,985,697
Dismantling, rehabilitation and restoration costs (2)	7,636,536	12,606,527	10,635,026	11,064,507
Other provisions	837,172	23,075,612	16,422,638	1,375,057
<i>Public lighting (3)</i>	-	22,127,357	15,000,000	-
<i>Nueva Esperanza environmental compensation (4)</i>	808,785	65,159	1,422,638	812,173
<i>Gran Sabana environmental compensation (5)</i>	28,387	-	-	-
<i>Other provisions</i>	-	883,096	-	562,884
Total provisions	\$ 8,473,708	\$ 50,056,695	\$ 27,057,664	\$ 26,828,095

(1) As of December 31 of 2017, the value of the claims before the Company for administrative, civil, and labor litigations and constitutional actions is \$675,539,602. Based on the success probability in the defense of this case, \$14,374,556 have been reserved to cover possible losses. The administration considers that the results of these litigations, corresponding to the non-reserved part, will be favorable to the Company and will not result in significant liabilities that should be accounted for, or which, if so accounted, will not significantly affect the Company's financial position.

Considering the characteristics of risks covered by these reserves, it is not possible to establish reasonable payment times.

Following is the value of claims for administrative, civil and labor litigations and from contractors:

Processes	Rating	No. of processes	Number of processes (undetermined value)	Contingency value (a)	Provision value
Civil	Probable	38	3	8,331,869	\$ 8,136,056
	Possible	158	76	406,706,159	-
	Remote	33	26	1,600,000	-
Total Civil		229	105	416,638,028	8,136,056
Labor	Probable	38	-	6,855,993	6,238,500
	Possible	83	31	7,205,722	-
	Remote	9	-	580,000	-
Total Labor		130	31	14,641,715	6,238,500
Total processes		359	136	\$ 431,279,743	\$ 14,374,556

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

- a) The value of the contingency corresponds to the amount that, according to the lawyers' experience, is the best estimate should the ruling be against the Company. The reserve is established by the lawyers as the value of the loss should the ruling be probable. Processes considered probable are reserved at 100% of the actual contingency value.

Following are the main processes the Company has as of December 31 of 2017, considered probable:

a. Rita Saboya Cabrera process

Starting date: 2010

Value sought: \$2.156.963

Value reserved: \$500.000

Reason for the trial: Injuries from electrocution

Current status: Ready to be sent to the Supreme Court of Justice to resolve the appeal filed against the second instance ruling against the Company.

b. Gloria Amparo Betancourt process

Starting date: 2010

Value sought: \$925.000

Value reserved: \$300.000

Reason for the trial: death by electrocution

Current status: Payment of the ruling is being made upon having been confirmed by the Supreme Court of Justice while resolving the appeal filed against the second instance ruling.

c. Lisandro Burgos Mayorga process

Starting date: 2009

Value sought: \$500.025

Value reserved: \$500.025

Reason for the trial: Death by electrocution

Payment of equity damages and non-equity damages caused by the death of Henry Burgos Mayorga upon touching the distribution g test rid.

Current status: Second instance ruling pending.

d. Edificio Calle 100 P.H. process

Starting date: 2005

Value sought: \$160.000

Value reserved: \$360.000

Reason for the trial: User claim on account of values charged in the electric bill on account of contribution of common areas.

The second instance ruling ordered refunding values charged on account of the contribution, properly indexed. Codensa made a \$297,074 refund, however the building attorney not being in agreement with such payment and requesting the court to calculate amounts owed.

Current status: At the court's office, pending resolution of the counterpart request related to calculation of amounts owed.

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

e. Jhon Fredy Reina Villar and others process

Starting date: 2016

Value sought: \$1.200.000

Value reserved: \$1.200.000

Reason for the trial: Electrocution

Current status: Process conciliated and paid. Pending filing by the office.

f. Luz Angela Álvarez Berrio process

Starting date: 2010

Value sought: \$356.786

Value reserved: \$356.786

Reason for the trial: Death by electrocution

Current status: Second instance ruling by the Contentious Administrative Court pending.

g. Maria Cecilia Guerrero y Otros process

Starting date: 2011

Value sought: \$700.000

Provisionado: \$500.000

Reason for the trial: Injuries from electrocution

Current status: Evidence producing phase.

h. Maria de Jesús Segura process

Starting date: 2012

Value sought: \$1.067.000

Value reserved: \$400.000

Reason for the trial: Injuries from electrocution

Current status: Evidence producing phase

i. Narda Ruth Botero process

Starting date: 2014

Value sought: \$444.000

Value reserved: \$444.000

Reason for the trial: Death by electrocution

Current status: Evidence producing phase

j. Olga Josefina Nieto Avendaño process

Starting date: 2011

Value sought: \$3.825.824

Value reserved: \$1.000.000

Reason for the trial: Death by electrocution

Current status: Unfavorable first instance ruling. Appealed on time. Second instance ruling pending.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

k. Arnold Arnulfo Rincón process

Starting date: 2009

Value sought: \$500.000

Value reserved: \$500.000

Reason for the trial: Recognition and payment of conventional pension.

Current status: First and second instance rulings in favor of the Company. We acted as opponent parties in court.

On November 30 of 2017 the order was given to forward the file to distribution in order for the Supreme Court of Justice to assume it. On December 14 of 2017 the magistrate was changed.

l. Clara Inés Porras de Forero process

Starting date: 2009

Value sought: \$500.000

Value reserved: \$500.000

Reason for the trial: Recognition and payment of conventional pension

Current status: Favorable court ruling. The process is now before the Supreme Court of Justice. We are acting as opponents. On May 30 of 2017 instructions were given to send the file to the Labor Decongestion Room.

m. Elcy Marlen Ayala Anzola process

Starting date: 2009

Value sought: \$500.000

Value reserved: \$500.000

Reason for the trial: Recognition and payment of conventional pension

Current status: Favorable court ruling. The process is now before the Supreme Court of Justice. We are acting as opponents.

On November 30 of 2017 the order was given to deliver the file to the labor decongestion room.

n. Guillermo Mejía Rodríguez process

Starting date: 2008

Value sought: \$300.000

Value reserved: \$300.000

Reason for the trial: Readmission/indemnification for being laid off with no justified reason.

Current status: First and second instance ruling favoring the Company. Currently before the Supreme Court of Justice; we are acting as opponents.

On November 30 of 2017 the order was given to deliver the file to the labor decongestion room.

o. Henry Alonso Velasquez process

Starting date: 2008

Value sought: \$300.000

Value reserved: \$300.000

Reason for the trial: Readmission/indemnification for being laid off with no justified reason.

Current status: First and second instance ruling favoring the Company. Currently in the Supreme Court of Justice; we are acting as opponents.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

p. Jose Gustavo Veloza Zea process

Starting date: 2009

Value sought: \$500.000

Value reserved: \$500.000

Reason for the trial: Recognition and payment of conventional pension.

Current status: Currently before the Court (returned from Court on January 17 of 2018), the Supreme Court of Justice on August 1 of 2017 issued a ruling regarding the ruling issued on August 20 of 2010 by the Bogotá Judicial District Higher Court Labor Room, also ordering the Company to pay the appeal charges of \$7 million.

On November 21, 2017, the Supreme Court of Justice liquidated the August 1 ruling.

q. Adriana Pereira Carrillo and others process

Starting date: 2010

Value sought: \$1.000.000

Value reserved: \$650.000

Reason for the trial: Joint and several payment, work accident.

Current status: On June 29 of 2012 a first instance ruling was issued against the Company. In June 13 of 2013 a second instance ruling was issued, revoking item 2 of the first instance ruling and declaring the exception not to cover the generating fact from the defendant for the insurance policy issued from the Liberty Seguros guarantee call-in and partially revoking items 6, 7, and 8 in order to acquit Liberty Seguros and confirm the rest. An extraordinary appeal was filed against this ruling, regarding which we were successful.

The file is currently at the office, pending a final ruling.

r. Luis Eduardo Sarmiento process

Starting date: 2010

Value sought: \$400.000

Value reserved: \$400.000

Reason for the trial: Recognition and payment of conventional pension.

Current status: On May 10 of 2016 and within times allowed the respective arguments were presented by the Company. The issue is awaiting final decision.

s. Sonia Gualteros process

Starting date: 2010

Value sought: \$300.000

Value reserved: \$300.000

Reason for the trial: Recognition and payment of conventional pension.

Current status: On September 11 of 2013 the appeal before the Supreme Court of Justice was supported, qualified by that office with a document dated November 26 of 2013. On January 13 of 2014, the plaintiff presented its arguments regarding the extraordinary appeal filed by the Company. The issue is currently awaiting a final decision.

t. José Domingo Hernández process

Starting date: 2017

Value sought: \$16.000

Value reserved: \$300.000

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Reason for the trial: Solidarity and payment of labor disbursements and payment of objective liability on account of a work accident.

Current status: The Company replied on time. We are expecting that the reply will be accepted and the guaranty called in.

On December 7 of 2017 the Cenercol S.A. ad litem curator was notified of the demand.

u. Ernesto Arias Olaya process

Starting date: 2017

Value sought: \$16.000

Value reserved: \$300.000

Reason for the trial: Payment of old age pension, Law 33 of 1985.

Current status: Currently in first instance. The Company replied and was admitted.

On September 21, 2017 the court considered the demand replied and called the parties to an audience on April 18 of 2018.

v. Aristóbulo Gamboa Patiño and others process

Starting date: 2010

Value sought: \$300,000

Value reserved: \$57,000

Reason for the trial: Recognition of pension benefits.

Current status: First instance ruling favorable to the Company on September 16 of 2011, against the Company on December 14 of 2012. The Company filed an appeal, which was not accepted. It then filed another appeal and a complaint, which were rejected. An executive process was initiated against the Company, the parties reaching an agreement which, on October 24 of 2017, was sent to the office including the transactional agreement executed by the plaintiffs.

With a document dated November 14 of 2017, the court concluded the process upon payment having been made.

On November 24 of 2017 and order was issued to deliver the payment vouchers to the plaintiffs.

w. Betty del Carmen Ramírez Corredor process

Starting date: 2012

Value sought: \$267.800

Value reserved: \$250.271

Reason for the trial: Electrocution. Payment of equity and extra-equity damages on account of the death of Pedro Agustín Plata Ortiz upon having touched the distribution grid.

Current status: On February 24 of 2015 a first instance ruling was issued against the Company. Previsora SA Compañía de Seguros was required to make the respective payment to Codensa.

On July 24, a second instance ruling favoring the Company was issued, revoking the first ruling and rejecting the plaintiff's requests.

On September 11 of 2017, sent to the office of magistrate Ramiro de Jesús Pasos Guerrero from the State Council to decide on the admission of the extraordinary jurisprudence unification remedy filed by the plaintiff.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

x. María Janeth Pasives Rincón process

Starting date: 2012

Value sought: \$238.745

Value reserved: \$238.745

Reason for the trial: Indemnification for the death of a minor.

Current status: Favorable first instance ruling. In a second instance, the Bogotá Higher Court revoked the ruling and ruled against the Company. Not all deposits or legal titles have been recovered from the court. The process is still before the secretary's office.

y. Gilberto García López process

Starting date: 2013

Value sought: \$500.000

Value reserved: \$500.000

Reason for the trial: The contractor worker claims payments for salaries and social benefits from the Company (work accident).

Current status: on January 24 of 2017 and within the time allowed, the extraordinary appeal was supported before the Supreme Court of Justice, considered by the office on March 15 of 2017. An order was issued, ordering transferring the plaintiff as an opponent, which was appealed by the plaintiff and rejected by the office on August 9 of 2017.

On October 9 of 2017, the plaintiff presented its allegations. The file was transferred to ARL Colpatria on October 13 of 2017. The Supreme Court of Justice rejected the appeal filed by the plaintiff.

The file is currently pending transfer to the defendant ARL Colpatria as of October 13 of 2017 as an opposing party. On October 27 of 2017, Court 27 of the Bogotá Circuit sent a letter signed by Nelson Augusto Roza Salazar. The process was admitted on November 24 of 2017.

z. Sandra Liliana Lancheros process

Starting date: 2003

Value sought: \$400.000

Value reserved: \$240.000

Reason for the trial: Full indemnification for damages caused by the employer's negligence.

Current status: On July 21 of 2011 the appeal was supported by the Company; on August 9 of 2011 the office considered the appeal filed by Codensa. The issue is awaiting final decision.

(2) Considering that, with Law 1196 of 2008, Colombia joined the Stockholm Agreement and that this fact was regulated with Resolution 222 of December 15 of 2011 from the Ministry of the Environment, amended by Resolution 1741 of 2016, the Company recognized the reserve for disposal of transformers contaminated with PCB from 2012, subsequently having updated the obligation considering changes to financial variables and the main assumptions.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Export of contaminated transformers.

An agreement was executed with Lito S.A.S on November 11, 2014, whose purpose was disposing transformers contaminated with PCB, subject to prior authorization to cross the border from the National Environmental Licenses authority. However, in 2015 the shipping Company MAERSK found itself limited during the authorization time to provide the required transportation, considering the existence of the restrictions period related to exclusive transportation of food with destination Europe.

Looking for cost efficiencies and in order to export such transformers, the Company implemented the ultrasound washing technology for such equipment, approved by the Ministry of the Environment and Sustainable Development on a large scale, as a result of the pilot project carried out by the Company together with its collaborating company LITO S.A.S. As such, in August 2016 amendment No. 1 to the agreement with LITO S.A.S. was executed, including handling, packing, loading, transportation, treatment, and final disposal of electric equipment contaminated with PCB with no oil, using the ultrasound washing technique.

On September 9 of 2016, the National Environmental Licenses Authority authorized the cross-border transfer of waste, so that during the last quarter 164 contaminated transformers, with a weight equivalent to 65 tons, were decontaminated using such new technology and representing a 31% savings in costs compared to the traditional export alternative. 23 tons were exported in the traditional manner, which due to their characteristics could not be washed. The export and washing costs during 2016 were \$461,067.

During 2017, the Company washed casings weighing 4.7 tons, with a cost of \$17,256; however, no exports were made taking into account that the contract had expired. LITO S.A.S. was awarded a new contract for handling, packing, loading, transportation, treatment, and final disposal of waste polluted with PCB, for a base value of \$531,220 and a 3-year term. The Company moved its export activities for 2017 to the following periods.

Marking and sampling of inventories.

On December 21 of 2015 agreement No. 5600014180 was executed with Colombia Multiservicios S.A. (hereinafter CAM), with a 3-year term and whose purpose is taking, handling, analyzing, and recording samples and marking equipment in general. On February 2 of 2016, the marking and sampling of mid voltage equipment was started.

In early 2016, the actual norms were updated after the award of this agreement, with an approximate cost of \$4,419 million.

On April 26 of 2016, the EEC signed agreement No. 5600014342 with a 3-year term, whose purpose is taking inventories of the Cundinamarca area. Marking and sampling of mid tension equipment in the area started on September 5 of 2016

On November 2 of 2017, the Company and CAM executed an agreement for each of the above contracts, whose purpose was i) early termination with an ending date of July 31, 2017, ii) recognition of extra costs assumed by CAM with regards to transportation of crews, availability of crews for the service, and equipment. The transaction agreements' value is \$658,123 and \$282,463 of contracts executed by the Company and EEC, respectively.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

As of December 31 of 2017 and 2016, expenditures associated to sampling and marking, including the transaction agreements, are \$3.459.666 and \$3.080.574, respectively.

Regulatory changes.

The Ministry of the Environment issued Resolution 1741 of October 2017, amending articles 4, 5, 6, 7, 8, 9, 14, 26, 29 and 34 of Resolution 222 of 2011 regarding identification, marking, and other aspects associated to obtaining information on equipment held by third parties. This was evaluated and included by the Company in the reserve, for \$962,238.

Changes to other assumptions

During 2016, the reserve had significant changes, associated to the following assumptions: i) savings from the Cundinamarca area assets' stratification implementation, ii) inclusion of costs associated to visits made during the marking activities, iii) inclusion of quality control activities included in the integrated supervision framework, iv) inclusion of labor required for the project, v) price updates on account of the change of the VAT from 16% to 19%, among others.

As of December 31 of 2017 and 2016, following are the projected non-discounted current cash flows:

Year	As of December 31 of 2017	As of December 31 of 2016
2017	-	10,372,306
2018	7,319,367	6,357,168
2019	7,554,627	2,378,154
2020 onwards	6,298,725	3,481,236
	\$ 21,172,719	\$ 22,588,864

As of December 31 of 2017 and 2016, the Company updated the reserve and deducted future cash flows to net present value, at a rate of 6.09% and 7.25% each, generating a financial effect of \$1,068,337 and \$195,698, the most adequate discount rate, considering interest rates of government bonds with maturity times similar to those of the obligation.

(3) As of December 31, 2017, corresponds to the noncurrent reserve made for the public lighting litigation, of \$22.127.356. Following is a brief description of the main facts the litigation is based on:

On April 20 of 1997 an inter-administrative agreement was executed between the District and the BBB (Grupo Energía de Bogotá), guaranteeing to the city the supply of electricity for public lighting, agreement that was assigned to the Company on October 23 of 1997. During that same year, through resolution 99/97 the CREG changed the service rate for the household electric power, explicitly excluding public lighting, regarding which the Company delivered to the District, for 1998 and 1999, invoices in which the Company was making its own and unilateral calculation of the value of the electric power it supplied. The district discussed the rate but paid what it considered to be the fair price. On January 25 of 2002, the parties established a methodology applicable in the future and decided to make a georeferenced inventory, whose result was compared to the existing census so that, in case of differences, the costs and the remuneration for applicable periods of time would be recalculated. The georeferenced inventory (prepared between 2000 and 2003) resulted in 8,661 less lighting fixtures than those the Company charged the district, so that the Company is being required to make a recalculation including late interest charges generated by the greater values paid between 1998 and 2004.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

A first instance ruling was issued on November 9 of 2009, ordering the UAESP and the Company to, within the two months following the date of the ruling, to take the necessary steps to finally establish negative or positive balances, properly updated with the DTF plus interests. Should no agreement be reached, within the following two months the UAESP will make a calculation for the Company's consideration, which may avail of pertinent legal remedies, in case of a nonpayment enforcing the ruling. The second instance ruling confirms what had already been declared and is currently firm, no other remedies being available.

On August 26 of 2014, the UAESP and the Company executed an agreement according to which they made a calculation according to which the Company assumed 50%, equivalent to \$14,432,754. In addition to the Company, this agreement should be authorized by the UAESP Director and confirmed by the Administrative Judge No. 10 of Bogotá.

On June 1 of 2017, the Administrative Judge 14 of the Bogotá Circuit decided not to consider the above agreement considering that it had not been executed within the two months following the date of the September 29 of 2011 ruling, which expired on February 2 of 2012. He requested the UAESP to make a unilateral calculation. However, considering that the judge did not make a decision regarding the approval/rejection of the agreement, it continues to be opposable among the parties.

On August 31, 2017, according to the order of the Administrative Judge the UAESP issued Resolution 412 of 2017, again calculating the public lighting invoicing object of the process for \$141,016,977. The Company filed an appeal as a result of the above.

On December 29 of 2017, the Company was notified of Resolution 730 of 2017 issued on December 18 by the UAESP, with which the appeal filed by the Company was resolved, confirming the decision and reconsidering the recalculation notified in August, using the DTF update according to the decision of the judge in the September 2009 ruling. The new UAESP value is 113,082,893.

The Company lawyers consider that the amount notified by the UAESP is eventual and is not subject to negotiation according to previous agreements and negotiations.

According to the above and the 2014 liquidation agreement, the probable loss under this process is \$14,432,754 plus its update to date. It is expected that it will be resolved during a maximum of 3 years. The Company updated the reserve to net present value, with a 7.33% discount rate, and reclassified the reserve from short to long-term. The value as of December 31 of 2017 is \$22,127,357.

On January 25 of 2018, the UAESP unexpectedly requested the Company to pay the recalculated value of \$113,082,893.

The Company and its legal advisors consider that this requirement is non-applicable. The necessary steps were taken while showing good will to resolve this through conciliation. Codensa will offer paying the UAESP a fair value, i.e. \$22,127,357.

According to its rights and de facto arguments, the Company is currently preparing its case against the decisions made, exercising its validity and reestablishment of rights right against the UAESP.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(4) Corresponds to compensations included in Resolution 1061 and in Agreement 17 of 2013 from the Ministry of the Environment and Corporación Autónoma Regional de Cundinamarca, respectively, approving the substitution of the protective and producing forest reserve of the Bogotá River high basin, committing the Company to perform a compensation and reforestation plan in the construction area of the Nueva Esperanza substation.

Environmental license.

On July 31, 2014, with Resolution 1679 Corporación Autónoma Regional de Cundinamarca – CAR issued an environmental license for the development of the project "Construction of the 500/115 kV Nueva Esperanza Substation, its 115 kV lines, and its connecting modules". However, on August 8 of 2014, the Company filed an appeal against such act based on article 55 of the above Resolution, requesting clarifying and including issues associated to the geographical area, compensations, the census, and others.

On December 30 of 2014, the Company was notified of Resolution 3788 of December 24 of 2014 resolving the appeal and issuing the environmental license for the above. The appeal corrects basic aspects and favorably restores all issues presented by the Company in its appeal. This is essential for the project and allows continuing with the construction license application.

Lifting of the prohibition and reforestation.

On February 20 of 2015 the purchase-sale document between the Company and Álvaro Eduardo Convers for \$1,350,000 was signed for the environmental compensation obligations associated to the construction of the Nueva Esperanza substation. Payment was made 50% in 2015 and 50% in 2016, in compliance with requirements from the competent authorities to obtain the clearance, canceling notes 2 and 3 in the registry affecting the property, and meeting milestones associated to deeds and registration in favor of the Company. The El Pireo property legalization was made on October 4 of 2016 with public deed No. 3333 of Notary 11 of the Bogotá Circle.

Prohibition lifting: Resolution 1702 of July 17 of 2015 "Partially lifting the prohibition and making other decisions", issued by the Ministry of the Environment and Sustainable Development. It partially lifts the prohibition for the taxonomic groups of Bromelias, Orquídeas, Musgos, Líquenes, and Hepáticas and for 5 individuals from the Cyatheacarasacana species, found in the Nueva Esperanza project area of influence, according to the provided coordinates.

The Company was notified of Resolution 2128 of September 30 of 2015 resolving the appeal, associated to the lifting of the prohibition of the Nueva Esperanza project. It corrects essential aspects and favorably resolves all issues included by the Company in the appeal. This fact is essential for the project and allows continuing with the construction of the 115 kV transmission lines.

On December 1, 2015, the environmental compensation agreement between the Company and the Geosíntesis Consortium was executed, whose purpose is using 3,600 trees, establishing, isolating, and maintaining protective forest issues, and ecologically restoring 0.5 ha, the forest management plan of the El Pireo lot, and the design, establishing, and maintenance of a live barrier for the Nueva Esperanza substation, among others. The remaining contract term is 12 months, payments made to date being \$3,718,609, of which \$1,366,606 were made in 2017.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

On December 23 of 2016 the purchase-sale document between the Company and Anselmo Ibañez León was signed for \$433,000, for the purchase of the San Gregorio lot located in the municipality of Sibaté, in order to continue with the reforestation activity requested in the environmental license. 50% was paid on the purchase-sale agreement date, the balance in the first two months of 2017.

Protection of species.

As included in the environmental license commitments, the Company is responsible for protecting the Choloepus Hoffmanni bear species during the construction of the high voltage lines. On December 18 of 2015, an agreement was executed to implement the respective protection plan between the Company and ANTEA Colombia S.A.S, with a 12-month term. As of December 31, 2016 the Company had carried out all activities required, in 2016 having paid \$1,056,729.

Following are the undiscounted projected cash flows:

Year	As of December 31 of 2017	As of December 31 of 2016
2017	\$ -	\$ 1,422,638
2018	808,784	841,945
2019	69,885	72,401
	\$ 878,669	\$ 2,336,984

As of December 31, 2017 and 2016, the Nueva Esperanza reserve was updated to net present value, at a rate of 7.25 EA (IBR + 2,55%) and 11.65% EA (IBR + 4,25%) with a financial effect of (\$92,331) and (\$521,987). The applicable discount rates are interest rates with similar maturity dates as those of the obligation.

(5) On February 6 of 2017, with resolution 263 Corporación Autónoma Regional de Cundinamarca – CAR issued an environmental license for the project "Construction of the Gran Sabana substation, 115 kV lines and connecting modules". The license mainly commits the Company to implement a compensation and reforestation plan in the substation construction area.

In October 2017, Codensa and the Jaime Duque Park signed an agreement according to which the park will use the land for reforestation of 1,100 trees, this way allowing Codensa to meet its environmental obligations.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Following are reserves between January 1 of 2016 and December 31 of 2017:

	Legal claims provision	Dismantling, restoration and rehabilitation costs	Archaeological rescue (b)	Gran Sabana	Nueva Esperanza	Public lighting and others	Total
Balance as of January 1, 2016	\$ 4,627,055	10,942,972	\$ 297,976	-	\$ 6,053,482	\$ 15,549,441	\$ 37,470,926
Increase (Decrease) in provisions (a)	10,388,006	6,986,326	-	-	1,415,862	13,443	18,803,637
Increase (Decrease) in provisions on account of business combination	1,812,937	7,320,818	-	-	-	-	9,133,755
Provision used	(1,781,168)	(3,772,826)	(292,413)	-	(4,712,546)	-	(10,558,953)
Financial effect update	-	222,243	-	-	(521,987)	-	(299,744)
Recoveries	(658,299)	-	(5,563)	-	-	-	(663,862)
Total movements and provisions	9,761,476	10,756,561	(297,976)	-	(3,818,671)	13,443	16,414,833
Ending balance As of December 31 of 2016	14,388,531	21,699,533	-	-	2,234,811	15,562,884	53,885,759
Increase (Decrease) in provisions	1,894,674	1,572,916	-	455,585	147,718	430,301	4,501,194
Provision used	(955,814)	(3,839,176)	-	(428,907)	(1,416,254)	(110,089)	(6,750,240)
Financial effect update	-	1,068,337	-	1,709	(92,331)	7,127,357	8,105,072
Recoveries	(952,835)	(258,547)	-	-	-	-	(1,211,382)
Total movements and provisions	(13,975)	(1,456,470)	-	28,387	(1,360,867)	7,447,569	4,644,644
Ending balance As of December 31 of 2017	\$ 14,374,556	\$ 20,243,063	\$ -	\$ 28,387	\$ 873,944	\$ 23,010,453	\$ 58,530,403

(a) Following are the activities of the legal claims reserve:

Process type	Plaintiff	Purpose of the claim	Value
Adm. direct repair	Omar Elías Ribero Jiménez	Invoicing indemnification	250,000
Adm. direct repair	Hermencia Holguín Álvarez	Death by electrocution	145,000
Ordinary Civil	Maria de Jesús Segura	Injuries by electrocution	400,000
Ordinary Civil	Maria Cecilia Guerrero Rodriguez y Otros	Injuries by electrocution	500,000
Ordinary Civil	Narda Ruth Botero	Death by electrocution	444,000
Ordinary Civil	Jhon Fredy Reina Villar y Otros	Death by electrocution	1,200,000
Labor	Esteban Ramírez Triana	Solidarity salaries and social benefits	300,000
Labor	Freddy Zapata Cubides	Solidarity salaries and social benefits	996,121
Labor	Luis Eduardo Sarmiento	Recognition and payment of conventional pension	400,000
Labor	Sonia Gualteros	Recognition and payment of conventional pension	300,000
Labor	Gilberto Garcia Lopez	Solidarity salaries and social benefits	500,000
Labor	Arnol Arnulfo Rincón	Recognition and payment of conventional pension	500,000
Labor	Clara Inés Porras de Forero	Recognition and payment of conventional pension	500,000
Labor	Elcy Marlen Ayala Anzola	Recognition and payment of conventional pension	500,000
Labor	Guillermo Mejía Rodriguez	Refund / compensation for dismissal without just cause	300,000
Labor	Henry Alonso Velasquez	Refund / compensation for dismissal without just cause	300,000
Labor	Jose Gustavo Veloza Zea	Recognition and payment of conventional pension	500,000
Labor	Oscar Antonio Caicedo Suescun	Pensions law 33	130,000
Ordinary Civil	Ignacio Matamala Señor	Death of livestock	350,000
Ordinary Civil	Lisandro Burgos Mayorga	Death by electrocution	500,025

(b) As of December 31, 2016, the Company has concluded its archaeological rescue activities related to findings in the land property where the Nueva Esperanza substation is being built. The main activities include archaeological monitoring, execution of the public archaeology program, and the holding plan in the project area.

17. Employee Benefit Provisions

	As of December 31 of 2017		As of December 31 of 2016	
	Current	Non Current	Current	Non Current
Social benefits and contributions to social security(2)	\$ 38,156,278	\$ -	\$ 40,866,571	-
Obligations for defined post-employment and long-term benefits. (1)	33,949,786	261,120,766	39,432,712	\$ 272,323,501
Retirement plan benefits (3)	6,825	-	521,515	-
	\$ 72,112,889	\$ 261,120,766	\$ 80,820,798	\$ 272,323,501

(1) The Company has various benefit plans, postemployment obligations, and long-term benefits defined for its active or retired workers, according to previously defined requirements relating to:

Retirement pensions.

The Company has a pension plan that includes defined benefits, regarding which there are no specific assets, except for own resources originating from the Company operational activities. Such plans establish the value of the benefit an employee will receive upon retiring, which usually depends on one or more circumstances such as age, years of service, and salary.

The liability entered in the financial statements with respect to the above plans is the present value of the benefit defined as of the date of the financial statements, together with adjustments made on account of non-recognized actuarial gains or losses. The obligation is calculated by independent actuaries using the projected credit unit method. The present value of the obligation is established by deducting outgoing cash flows, estimated using interest rates obtained from the performance curve of the Colombian government public debt titles denominated in real value units, with terms approximating the terms of the pension obligation until its expiration.

Actuarial gains and losses from adjustments made according to experience, and changes between the actuarial assumptions, are charged or credited to net equity in other comprehensive income during the applicable period of time.

The retired employee base to which this benefit is paid is:

Item	As of December 31 of 2017	As of December 31 of 2016
Retired	1,166	1,167
Average age	66,2	65,6

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Other postemployment obligations.

Benefits to retired employees.

The Company gives the following subsidies to its retired employees: i) education subsidy, ii) energy subsidy, and iii) health subsidy according to the collective workers labor agreement.

The above benefits are in general given to independent employees having worked until their retirement age. Costs expected from these benefits are accrued during the employment time, using a method similar to that of the defined benefit plans. Actuarial gains and losses arising from adjustments from experience and from changes in actuarial assumptions are charged or credited to other comprehensive income during the applicable period of time. These obligations are valued annually by qualified independent actuaries.

The retired employee base to which this benefit applies is:

	As of December 31 of 2017	As of December 31 of 2016
Education subsidy		
Retired employees	201	237
Average age	18,8	18,4
	As of December 31 of 2017	As of December 31 of 2016
Energy subsidy		
Retired employees	1,010	998
Average age	65,9	64,8
Health subsidy		
Retired employees	1520	1,679
Average age	59,5	54,3

Retroactive severance.

Retroactive severance payments, considered being postemployment benefits, are paid to workers belonging to the labor system prior to Law 50 of 1990 and who decided not to participate in the new system. This benefit is calculated for the entire time worked, based on the most recent salary, and is paid regardless of the employee having been dismissed or retired. Actuarial gains and losses arising from adjustments from experience and from changes in actuarial assumptions are charged or credited to other comprehensive income in the applicable period of time.

The employee base to which this benefit applies is:

Item	As of December 31 of 2017	As of December 31 of 2016
Employees	69	70
Average age	52,9	51,9
Seniority	26,6	25,6

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Long-term benefits.

The Company pays to its active employees benefits associated to their time worked, such as every 5 years, consisting in payments made every 5 uninterrupted years of service to workers having been hired prior to September 21, 2005, and to employees previously having worked with the EEC, payable as of the second year according to the collective workers labor agreement.

Costs expected from these benefits accrue during the employment time, using a method similar to that of the defined benefit plans. Actuarial gains and losses arising from adjustments from experience and from changes in actuarial assumptions are charged or credited to other comprehensive income in the applicable period of time. These obligations are valued annually by qualified independent actuaries.

The employee base to which this benefit applies is:

Item	As of December 31 of 2017	As of December 31 of 2016
Employees	173	180
Average age	50,29	49,2
Time worked	23,04	21,9

As of December 31, 2017 and 2016, the actuarial calculation of postemployment benefits was made by Aon Hewitt México, which used the following hypotheses:

Financial hypotheses:

Type of rate	As of December 31 of 2017	As of December 31 of 2016
Discount rate	6,82%	6,54%
Salary increase rate (active personnel)	4,50%	4,50%
Pensions increased rate	3,50%	3,50%
Estimated inflation	3,50%	3,50%
Medical service inflation	8,00%	9,00%

Demographical hypotheses:

Biometric base	
Mortality rate	2008 Colombian mortality rate (valid pensioners)
Disability mortality rate	Internal Enel Table
Total and permanent disability	EISS
Turnover	Eternal Enel Table
Retirement	Men: 62 Women: 57

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

Following are benefits obligations defined as of December 31 of 2017:

	Retired personnel		Active personnel		Defined benefit plan
	Pensions (a)	Benefits	Retroactive severance	5 year priods	
Initial balance as of December 31 of 2016	\$ 230,395,861	\$ 73,258,809	\$ 2,698,139	\$ 5,403,405	\$ 311,756,214
Normal service cost	-	-	119,341	268,132	387,473
Interests cost	14,325,623	4,684,105	175,744	338,262	19,523,734
Contributions paid	(23,729,882)	(3,401,628)	(451,659)	(762,637)	(28,345,806)
(Gains) actuarial losses that arise from changes in financial assumptions	(6,565,033)	(7,397,061)	(64,310)	(75,214)	(14,101,618)
(Gains) actuarial losses that arise from changes in adjustments based on experience	8,398,234	(3,787,556)	436,328	803,549	5,850,555
Ending balance as of December 31 of 2017	\$ 222,824,803	\$ 63,356,669	\$ 2,913,583	\$ 5,975,497	\$ 295,070,552

(a) According to article 4 of Decree 2131 of 2016, which allows applying NIC 19 in order to establish the postemployment benefits liability on account of future retirement pensions, which additionally requires disclosing calculations of pension liabilities according to parameters in Decree 1625 of 2016, which re-assumes conditions in Decree 2783 of 2001, we see that, by applying these parameters as of December 31, 2017 and 2016, the postemployment benefits liability on account of future retirement pensions is \$189,367,502 and \$190,988,274, respectively. The above sensitivity was carried out by Aon Hewitt México, which used the following hypotheses:

Type of rate	As of December 31 of 2017	As of December 31 of 2016
Discount rate	10,82%	9,96%
Technical interest	4,80%	4,80%
Estimated inflation	5,74%	4,93%

Following are obligations on account of defined benefits as of December 31, 2016:

	Retired personnel		Active personnel		Defined benefit plan
	Pensions (a)	Benefits	Retroactive severance	5 year priods	
Initial balance as of December 31 of 2015	\$ 152,204,641	\$ 53,178,270	\$ 1,720,959	\$ 3,827,932	\$ 210,931,802
Normal service cost	-	-	111,126	1,660,346	1,771,472
Interest costs	11,577,404	3,935,203	190,655	273,712	15,976,974
Contributions paid	(18,093,876)	(3,239,103)	(677,497)	(304,014)	(22,314,490)
Increase on account of business combination	57,582,379	17,152,499	1,133,537	527,614	76,396,029
(Gains) actuarial losses that arise from changes in financial assumptions	25,639,285	12,222,305	298,072	264,783	38,424,445
(Gains) actuarial losses that arise from changes in adjustments based on experience	1,486,028	(9,990,365)	(78,713)	(846,968)	(9,430,018)
Ending balance as of December 31 of 2016	\$ 230,395,861	\$ 73,258,809	\$ 2,698,139	\$ 5,403,405	\$ 311,756,214

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

(a) According to article 4 of Decree 2131 of 2016, which allows applying NIC 19 to establish the postemployment benefits liability on account of future retirement pensions, which additionally requires disclosing calculations of pension liabilities according to parameters in Decree 1625 of 2016, which again assumes conditions in Decree 2783 of 2001, we see that, by applying these parameters as of December 31, 2017 and 2016, the postemployment benefits liability on account of future retirement pensions is \$190,988,274 and \$145,357,996, respectively. The above sensitivity was carried out by Aon Hewitt México, which used the following hypotheses:

Rate type	As of December 31 of 2016	As of December 31 of 2015
Discount rate	9,96%	7,82%
Technical interest	4,80%	4,80%
Estimated inflation	4,93%	2,88%

The following chart shows the behavior of the present value of the obligation for each benefit defined, with respect to the percentage variation in 100 basic points above or under the discount rate used for the actual calculation.

As of December 31, 2017:

Discount rate change	Retired personnel		Active personnel		Defined benefit plan
	Pensions (a)	Benefits	Retroactive severance	5 year priods	
- 100 basic points	\$ 248,011,629	\$ 70,479,460	\$ 3,152,300	\$ 6,253,034	\$ 327,896,423
+ 100 basic points	\$ 201,999,266	\$ 57,400,862	\$ 2,698,664	\$ 5,721,540	\$ 267,820,332

As of December 31, 2016:

Discount rate change	Retired personnel		Active personnel		Defined benefit plan
	Pensions (a)	Benefits	Retroactive severance	5 year priods	
- 100 basic points	\$ 256,671,661	\$ 82,625,529	\$ 2,945,754	\$ 5,718,548	\$ 347,961,492
+ 100 basic points	\$ 208,189,707	\$ 65,571,237	\$ 2,476,898	\$ 5,182,110	\$ 281,419,952

(2) As of December 31 of 2017 and 2016, corresponds mainly to bonuses for \$18,530,109 and \$ 24,016,639, vacation and vacation bonuses for \$11,570,623 and \$9,290,545. The Company makes periodical legal payments on account of severances and integral social security: health, professional risks, and pensions, to the respective private funds and to ColPensions, which assumed these obligations in full. As of December 31 of 2017 and 2016, these payments were \$3,966,372 and \$4,167,482, severances and severance interests \$3,866,417 and \$3,261,774, respectively.

(3) Voluntary retirement plans.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

(a) San Jose Retirement Plan.

In November 2015 the Company started communicating and implementing the San Jose Retirement Plan. During its implementation, the plan was presented to 159 workers under an indefinite term work contract and meeting the following group characteristics:

Group 1: Employees participating in the collective workers labor agreement who i) joined the Company prior to January 1 of 1992, ii) have not met pension requirements as of July 31 of 2010 (Legislative Act 1 of 2015), iii) as of the date of the San Jose Retirement Plan still have between 0 and 10 years to reach the legal retirement age.

Group 2: Integral workers and workers participating in the collective workers labor agreement who still have between 0 and 10 years to reach the legal retirement age.

Group 3: Integral workers and workers participating in the collective workers labor agreement who qualify according to the new Company organizational structure.

Between November 2015 and May 2016, 66 workers decided to participate in this plan and initiated their retirement process from December 15 of 2015 to May 31 of 2016, subject to prior conciliation before a labor judge.

The benefits given under this plan are the following:

Temporary income: Consists of a monthly payment of between 70% and 90% of the employee's salary, from the moment the work contract is terminated by mutual agreement until 4 months after the worker meets the age requirement established by the law (62 years for men, 57 years for women). This benefit was paid in full to each participant through the Proteccion S.A pension fund and is not considered a Company asset.

This benefit was offered to workers meeting the Group 1 and Group 2 requirements. As of December 31, 2015, 13 workers accepted the proposal, the Company having made a reserve based on the acceptance probability during Q1 2016. As of March 31, 2016, 3 additional workers had accepted the proposal.

For workers having accepted the liability entered in the financial statements regarding the temporary income, it is the present value of the obligation defined as of the date of the financial statements minus payments made to the pension fund. The defined obligation is calculated by independent actuaries using the projected credit unit method. The present value of the obligation is established by deducting outgoing cash flows, estimated using interest rates calculated based on the Colombian government public debt titles yield curve denominated in real value units, with terms approximating those of the obligation.

As of December 31 of 2017 and 2016, the actuarial calculation of the temporary income was made by Aon Hewitt México, which used hypotheses mentioned in the postemployment benefit plans.

Retirement bonus: Consists of a single payment made to the worker upon the respective conciliation document being signed and the work contract being terminated by mutual agreement and being liquidated considering the worker's salary

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

and seniority. This benefit was offered to workers meeting the Group 3 requirements. As of December 31, 2015, 45 workers had accepted the proposal, the Company creating a reserve according to the acceptance probability during Q1 2016. As of March 31 of 2016, 5 additional workers had accepted the proposal. For workers having accepted the proposal, the Company recognized the effect in the income statement according to the liquidation and the retirement bonus paid.

Other benefits: In addition to the above, the Company offered common benefits to integral workers covered by the collective workers labor agreement after work contract termination by mutual agreement and until December 31, 2016, including prepaid medicine and life insurance benefits, among others.

(b) EEC Voluntary Retirement Plan (hereinafter the PRV for its Spanish acronym).

On August 10 of 2016, EEC started communicating and implementing the voluntary retirement plan, addressed to 96 workers under an indefinite term work contracts and meeting the following group characteristics:

Group 1: Workers participating in the collective workers labor agreement, who on the date of the plan still had between 0 and 10 years to reach the legal retirement age (62 years men, 57 years women) as of the date of the offer and with seniorities of 10 years or more.

Group 2: Integral workers participating in the collective workers labor agreement with variables including basic salary and seniority.

The Company provided a reasonable time for the workers to analyze and accept the offer. As of November 5 of 2016, 72 workers had accepted the offer (70 workers having accepted it as of September 30), who started their retirement process between August 30 of 2016 and March 31 of 2017, subject to prior conciliation before a labor judge.

Following are the benefits offered under the PRV:

Temporary income: Consists of a monthly payment between 90% and 100% of the average salary, from the moment the work contract is terminated by mutual agreement until 6 months after the worker meets the age requirement established by the law (62 years for men, 57 years for women). This benefit was paid in full to each participant through the Proteccion S.A pension fund and is not considered a Company asset.

This benefit was offered to workers meeting the Group 1 requirements. As of November 5 of 2016, 40 workers had accepted the proposal (38 as of September 30), out of 51 offers made. .

Retirement bonus: Consists of a single payment made to the worker upon the respective conciliation document that terminates the work contract by mutual agreement being signed, calculated considering the worker's salary and seniority. This benefit was offered to workers meeting requirements for Group 2. As of November 5 of 2016, 32 workers had accepted the proposal, out of 45 offers made.

Other benefits: In addition to the above, the Company offered common benefits to integral workers covered by the collective workers labor agreement after their work contract termination by mutual agreement and until December 31, 2017, including prepaid medicine and life insurance benefits, among others.

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

As of December 31 of 2017 and 2016, the actuarial calculation of the temporary income was made by Aon Hewitt México, which used hypotheses mentioned in the postemployment benefit plans.

Following are the figures for the retirement plans between January 1 of 2016 and December 31 of 2017:

	Temporary income	Retirement bonus	Other benefits	Total benefits voluntary retirement plan
Ending balance As of December 31 of 2015	3,468,646	691,685	72,327	4,232,658
Year cost (recovery) on account of offer acceptances	(2,325,915)	(1,133,397)	(174,816)	(3,634,128)
Year financial cost	222,079	-	-	222,079
Employer contributions	(8,347,848)	(6,513,909)	(136,207)	(14,997,964)
Increase on account of business combination	2,855,359	6,487,154	648,826	9,991,339
Actuarial (Gains) losses	4,707,531	-	-	4,707,531
Other activities	(579,852)	579,852	-	-
Ending balance as of December 31 of 2016	\$ -	\$ 111,385	\$ 410,130	\$ 521,515
Year cost (recovery) on account of offer acceptances	-	(111,385)	-	(111,385)
Employer contributions	79,102	-	(403,305)	(324,203)
Actuarial (Gains) losses	(79,102)	-	-	(79,102)
Ending balance as of December 31 of 2017	\$ -	-	\$ 6,825	\$ 6,825

Collective Workers Labor Agreements

2015-2018 Collective Workers Labor Agreement.

The direct arrangement phase between the Company and Sindicato de Trabajadores de la Energía de Colombia (hereinafter Sintraelec) ended on July 24 of 2015, with a full agreement between the parties. The collective workers labor agreement was signed on August 5 of 2015 and filed before the Ministry of Work on that same day, when it became effective. The main aspects agreed include a 3-year term for the collective workers labor agreement (2015-2018), keeping the same field of application of the current agreement (beneficiary workers), making an increase to the value of current conventional benefits, and recognizing prerogatives related to savings, free investment, and health.

SINTRAELECOL - EEC 2016- 2018 Collective Workers Labor Agreement

The negotiation process with Sintraelec took place between March and September 2016 (with suspension periods for various legal and extralegal reasons), concluding with the execution of the collective workers labor agreement on September 30 of 2016.

The agreement term goes from January 1 of 2016 until June 30 of 2018 and applies to relations with unionized workers from the EEC, according to international and internal norms. The main purpose of the negotiation was standardizing the conventional benefits the Company had. The 7th and 8th 5-year periods were added to this group of employees.

Codensa Collective Workers Labor Agreement - ASIEB

On May 1 of 2016, the Collective Workers Labor Agreement with the ASIEB Labor Union was signed. This agreement applies to all engineers working for the Company and being affiliated to the engineers union that provides services to energy companies, ASIEB. The agreement's term goes from May 1 of 2016 until December 31, 2019.



18. Taxes Payable

Income tax

The 2015 and 2016 income tax returns are available for review by the tax authorities, together with the 2015 and 2016 CREE income tax returns. Management considers that there will be no significant differences.

Following is the income tax information:

	As of December 31 of 2017	As of December 31 of 2016
Current income tax (1)	\$ 401,408,330	\$ 388,462,916
Advance income payments	(112,264,651)	(100,997,515)
Withholdings and self withholdings	(124,099,211)	(119,431,345)
Tax discount (2)	(580,540)	(762,595)
Positive balance	-	(812,288)
CREE self-withholdings	(73,079,290)	(71,774,654)
	\$ 91,384,638	\$ 94,684,519

(1) The current income tax liability is comprised of:

	As of December 31 of 2017	As of December 31 of 2016
Taxes on gains related to the year income the year income (See note 30)	\$ 397,928,267	\$ 371,164,690
Tax on gains from the business combination	-	13,485,655
Tax on gains related to components of other comprehensive income (See Item 1 Note 32)	3,087,479	3,812,571
Tax discounts on account of investments in science and technology (2)	392,584	-
	\$ 401,408,330	\$ 388,462,916

(2) As of December 31, 2017, corresponds to tax deductions included in the tax reform - Law 1819 of 2016: i) donations to nonprofit organizations according to article 257 of the Tax Code for \$187,956, corresponding to the lesser value of the registered donation; ii) investments in investigation, technological development, or innovation according to article 257 of the Tax Code for \$392,584, corresponding to the lesser value of the current income expense.

As of December 31, 2016, corresponds to the tax deduction on account of the sales tax from the import/purchase of fixed assets and heavy machinery for the basic industry, according to articles 258-1 and 258-2 of the Tax Code.

The main conciliation items between profits before taxes and taxable net income are:

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Item	As of December 31 of 2017	As of December 31 of 2016
Accounting profit before income tax	\$ 1,051,498,610	\$ 953,467,766
Accounting profit before income tax registered in equity on account of business combination	-	27,026,577
Items increasing net income		
Wealth tax	7,796,019	21,305,136
Nondeductible expenses (1)	3,426,856	4,581,549
Nondeductible provisions (2)	(25,568,533)	40,170,167
Contribution to financial transactions	11,433,356	11,253,350
Other items increasing net income	1,725,045	671,202
Nondeductible taxes	31,106	115,909
Presumed interests	32,223	26,509
Total items that increase net income	(1,123,928)	78,123,822
Items that decrease net income		
Fiscal amortization and depreciation	(44,003,982)	(64,897,219)
Gains (losses) on account of new estimations of defined benefits plan and other adjustments made with the NCIF implementation	3,244,682	(5,716,617)
Business combination (3)	-	(3,282,666)
Special deductions	(14,778)	(4,794,676)
Difference of parafiscal contributions and Pensions	(1,833,501)	-
Fiscal profit in the sale of fixed assets	(194,827)	(44,293)
Deductions for hiring disabled	(174,313)	(174,328)
Other items that decrease net income	(3,805,681)	(1,130,522)
Income not taxed (4)	(164)	(8,526,672)
Total items that decrease net income	(46,782,564)	(88,566,993)
Taxable Net income	1,003,592,118	970,051,172
Income tax rate	34%	25%
Income tax	341,221,320	242,512,793
Occasional gains	194,827	44,293
Occasional gains tax rate	10%	10%
Vocational gains tax	19,483	4,429
Total income tax	\$ 341,240,803	\$ 242,517,222

(1) As of December 31, 2017, corresponds to expenses with no cause-effect relationship, such as loan remissions for \$1,435,572, nondeductible expenses from donations for \$563,867, financial expenses from the previous year for \$411,172, and others for \$1,016,246.

As of December 31, 2016, corresponds to expenses with no cause-effect relationship, such as entertainment to employees, sports-related expenses, recreation, and welfare expenses for \$2,276,672, loan remissions for \$525,189, disposal of obsolete materials for \$448,122, subscriptions and affiliations for \$34,167, and others for \$1,297,399.

(2) The change corresponds mainly to i) the industry and trade tax; the 2017 tax reform established the deduction of the industry and trade tax at 100%, provided paid prior to submittal of the income tax return. However, for 2016 only amounts actually paid for the year are considered deductible, i.e. (\$18,719,984) for 2017 and \$5,652,408 for 2016; ii) in 2016 there was the obligation to have a physical invoice on closing day in order to consider it deductible. However, from the effective date of the tax reform services or goods purchased can be deducted even if the invoice is issued during the following period. Values are \$0 for 2017 and \$23,655,726 for 2016.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

(3) Corresponds to negative goodwill for (\$21,244,288) and to the loss of the EEC's prior investment participation valuation for \$17,961,622.

(4) As of December 31, 2016, corresponds mainly to the DECSA accounting participation method on the EEC before the business combination, for \$7,503,095, recuperation of non-taxed costs and expenses for \$672,072, and others for \$261,505.

As a result of the tax reform, Law 1819 of 2016, as of 2017 the equity income tax - CREE was eliminated, the CREE tax surcharge of 6% being replaced by a current surcharge for 2017 equivalent to 6%. Considering the above, the tax effects are shown in a comparatively manner for 2016 and 2017.

Equity Income Tax - CREE

Item	As of December 31 of 2017	As of December 31 of 2016
Ordinary taxable net income	\$ 1,003,592,118	\$ 970,051,172
Plus special deductions		
Donations	-	632,000
Disabled hires	-	174,328
Special deduction investment in science and technology	-	4,794,675
Minus income not taxed and deductible expenses		
Amortization of investment in science and technology	-	(2,334,364)
Presumed interests	-	(26,509)
Taxable net income CREE	1,003,592,118	973,291,302
CREE Tax rate	0%	9%
CREE income tax	-	87,596,217
CREE taxable net income	1,003,592,118	973,291,302
Income overcharge exemption - CREE	(800,000)	(800,000)
Net Taxable income tax on rent - CREE	1,002,792,118	972,491,302
Income overcharge - CREE	6%	6%
Income tax overcharge - CREE	60,167,526	58,349,477
CREE income tax and overcharge	60,167,526	145,945,694
Total income tax, CREE and overcharge payable	\$ 401,408,329	\$ 388,462,916

Equity conciliation

	As of December 31 of 2017	As of December 31 of 2016
Accounting equity	\$ 2,648,818,705	\$ 2,546,177,553
Estimated liabilities and provisions	210,823,821	245,645,727
Fiscal adjustment of assets	(230,651,378)	(201,973,064)
Debtors provision	24,983,221	14,517,512
Others	1,870,002	9,568,211
Monetary correction	(1,428,417)	(1,503,597)
Debit deferred tax	19,649,837	(14,055,340)
Fiscal equity	\$ 2,674,065,791	\$ 2,598,377,003

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Transfer prices

Those responsible for the income tax and performing activities with economic or related parties abroad are required to establish, for the purpose of the income tax, their ordinary and extraordinary revenues, their costs and deductions, and their assets and liabilities, for this considering profit prices and margins used in comparable operations with independent entities. The external advisors prepared the study and the supporting documents related to process corresponding to the 2016 tax year, included with no adjustments in the income tax return. Such information and documents were submitted on July 13 of 2017.

For the 2017 tax year, the external advisors confirmed the operations carried out with each economic related party, starting their studies and preparing the documents in 2017 for submittal in September 2018, the due date.

Management and their advisors consider that the study will be concluded on time and will not involve significant changes in the base used to establish the income tax reserve for 2017.

19. Other Nonfinancial Liabilities

	As of December 31 of 2017		As of December 31 of 2016	
	Current	Non Current	Current	Non Current
Advance payments from clients for network use (2)	\$ 8,278,678	\$ -	\$ 8,613,013	\$ -
Deferred income	437,500	-	1,187,500	-
Contingent liabilities (1)	-	33,081,908	-	29,877,512
	\$ 8,716,178	\$ 33,081,908	\$ 9,800,513	\$ 29,877,512

(1) The EEC recognized labor and civil contingencies for processes considered probable in case of a decision against the Company. According to the IFRS 3 guidelines, those with a possible (low probability) rating should be considered in a business combination. Additionally, fiscal contingencies were fully included considering their nature. Following are the main processes considered:

a. Cooperativa de Ingeniería ISECOOP Process.

Starting date: 2013

Value sought: \$2.916.000

Value reserved: \$2.916.000

Reason for the trial: For item 5 of clause 2 of service provision agreement 37 of October 2 of 2016, executed with the EPC, to be considered null.

Current status: The claim was timely responded. Awaiting a first instance ruling.

b. Cooperativa de Trabajo Asociado SERVICOMTREC Process.

Starting date: 2013

Value sought: \$1.740.380

Value reserved: \$1.740.380

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Object of the trial: Declare that there was a mathematical error in Transportation Service Provision Agreement CPS-019-06 and request its change, clarification, and correction in the amendment and extension executed between SERVICOMTREC and the Company. As a result of the above, adjust the contract value in \$944,341 and other values.

Current status: The claim was timely responded. The Company is in the evidence-provision phase.

c. Dalia Mercedes Lasso and Others Process.

Starting date: 2016

Value sought: \$1.037.000

Value reserved: \$1.037.000

Object of the trial: Carlos Arturo Cortes Sanchez injuries from electrocution.

Current status: The claim was timely responded. The Company is in the evidence-provision phase.

d. Diana Patricia Quintero Osorio Process.

Starting date: 2016

Value sought: \$1.030.000

Value reserved: \$1.030.000

Object of the trial: Nelson de Jesús death by electrocution.

Current status: First instance ruling against the Company. The office declared shared negligence upon the victim being reckless, ordering the Company to pay \$75,757 to the plaintiffs on the following accounts:

\$33.189 for material damages

\$36.886 for moral damages in favor to the plaintiff's wife

\$ 5.533 for moral damages to the minor son

\$ 149 on account of costs.

We appealed the first instance ruling. The office accepted it and forwarded the case to the State Council for its respective process.

e. Luis Humberto Hernandez and Others Process.

Starting date: 2016

Value sought: \$500.000

Value reserved: \$500.000

Object of the trial: There was a fire in August 29 and 30 of 2015 in the rural area of Nocaima, Cundinamarca, due to an alleged short circuit in the low voltage lines in the Loma Larga, Cuñaral, el Cajón, la Florida, Tobia Alta, Conchue, and Baquero sectors. The electric infrastructure is the property of the Company and there were 50 people affected.

Current status: In the evidence phase.

f. Agua de Dios Municipality Fiscal Processes.

The main fiscal litigations the Company had as of December 31, 2017, considered probable, are 6 processes between the municipality of Agua de Dios and the EEC on account of the public lighting tax.

Object of the trial: The municipality believes the Company is a passive subject of the public lighting tax upon having a substation in its jurisdiction. However, the tax obligation is disproportionate with respect to the cost the municipality incurs from the provision of the service. The rate charged based on the substation installed capacity is \$12,000, which is being updated every year. The above seeks to void the public lighting tax invoices issued by the municipality.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Value sought: \$2.147.082.

Value reserved: \$2.147.182.

Current status:

- i. A favorable ruling was obtained for two of the 2015 processes, on October 10 and December 4 of 2017, one for procedural arguments and the other declaring that the Company is not responsible for the industry and trade tax. The municipality filed an appeal in one of these processes; we are waiting for the second appeal.
- ii. For a 2015 process, on June 13 of 2017 the evidence audience was held, transferred for conclusion purposes and filed on June 27 of 2017.
- iii. The temporary suspension was refused in May 3 of 2017 for the 2016 process, regarding the appealed acts, accepting a change in the October 18 of 2017 claim.
- iv. On June 2 and December 18 of 2017, two new claims regarding the March through December 2016 suits were filed. The claim was accepted in one process; for the other, we are waiting for the claim to be accepted. .

(2) Corresponds to advance payments made by the traders according to Resolution 159 of 2018 from the CREG, regulating the hedging mechanisms for payment of charges related to the regional transmission system and the local distribution system. The resolution came into force on July 2016 and its purpose is i) mitigating the risk of payment defaults related to use charges associated to the energy transported by the regional and local transmission systems and ii) ensure service continuity to the end users.

20. Equity

Capital

The authorized capital is represented by 28,378,952,140 shares with a face value of \$100 each. As of December 31 of 2017 and 2016, there are 134,875,450 subscribed and paid shares.

During 2016, the main milestones changing the Company capital structure were the following:

Enersis S.A and Chilectra S.A reorganization

As a result of the Enersis S.A and Chilectra S.A reorganization (Codensa Chilean shareholders), on July 8 of 2016 companies resulting from the spinoff carried out in Chile (Enersis Américas S.A. and Chilectra Américas S.A) were entered to the Codensa shareholders book, managed by Deceval S.A. On December 1 of 2016, the Enersis Américas S.A. y Chilectra Américas S.A. reorganization was formalized, according to which Enersis Américas absorbed Chilectra Américas S.A. and subsequently changed its corporate name to Enel Américas S.A. The entry in the shareholders book was made on January 16 of 2017.

Business combination

As part of the merger process between the Company, EEC, and DECSA, an exchange ratio of 0.000691636463474128 Company shares for each EEC share, and of 0.0000109067464256447 Company shares for each DECSA share was established, equivalent to issuance of 1,668,377 Company shares, formalized on September 30 of 2016 with public deed

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

4063 of Notary 1 of the Bogotá Circle, registered before the Bogotá Chamber of Commerce on that same day.

As a result of the merger, the new Company subscribed and paid capital was increased from \$13,209,327 to \$13,376,165, divided into 133,761,651 shares with a face value of \$100 pesos each.

A share placement premium was recognized for \$105,365,631 as a result of the valuation of the consideration received after deducting the above shares.

Capitalization

On November 11, during an extraordinary meeting the Company General Shareholders Assembly ordered issuing 2,326,747 ordinary shares with a face value of \$100 each, taken from the reserve, to be placed exclusively among the shareholders according to the Shares Placement and Subscription Regulation approved by the Board of Directors.

The shares were offered for subscription in a single round, for \$64,612.56 each, of which \$100 correspond to the ordinary shares face value and \$64,512.56 to the share placement premium. The shares issuance publication was made on November 15, valid until December 5 of 2016.

As a result of the above share issuance process, the subscribed and paid capital was increased by 1,113,799 shares, as follows:

Shareholders	Shares	Subscribed and paid capital	Stock placement premium
Enersis Américas S.A. (a)	898,995	89,900	57,996,469
Chilectra Américas S.A. (a)	214,804	21,480	13,857,556
	1,113,799	111,380	71,854,025

Currently, Enel Américas S.A according to the above reorganization process.

Following is the shareholding composition as of December 31 of 2017 and 2016:

Shareholders	Ordinary shares with no voting rights		Preferential shares with no voting rights		Shareholding composition	
	(%) Participation	Number of shares	(%) Participation	Number of shares	(%) Participation	Number of shares
Grupo Energía Bogotá S.A. E.S.P.	42,84%	49,209,331	100%	20,010,799	51,32%	69,220,130
Enel Américas S.A	56,72%	65,148,360			48,30%	65,148,360
Other minority	0,44%	506,960			0,38%	506,960
	100%	114,864,651	100%	20,010,799	100%	134,875,450

(1) The name change to Grupo Energía Bogotá S.A. E.S.P was approved during the October 6 of 2017 Empresa de Energía de Bogotá S.A. E.S.P. General Shareholders Assembly extraordinary meeting.

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

From the total number of the Grupo Energía Bogotá S.A. E.S.P. ESP shares, 20,010,799 shares correspond to shares with no voting rights and a preferential dividend of US \$0.10 per share.

Distribution of dividends

The March 28 of 2017 General Shareholders Assembly, according to Minutes No. 67, ordered distributing dividends for \$526,470,858 against net profits as of December 31 of 2016.

The 2016 profits dividends, of \$526,470,858 (3,860.16 (*) per ordinary share) were paid as follows: 100% of the preferential dividend and 28.39% of the ordinary dividend on April 27 of 2017, 26.85% was paid on of 2017, 26.85% on October 27 of 2017 and 17.91% on January 15 of 2018.

On March 29 of 2016, the General Shareholders Assembly (Minutes 64) ordered distributing dividends for \$473,905,380 against net profits as of December 31 of 2015.

The 2015 dividends on profits, for \$473,905,380 (3,541.49 (*) per ordinary share) were paid as follows: 100% of the preferential dividend and 40.78% of the ordinary dividend on June 28 of 2016, 34.54% on October 26 of 2016 and 24.68% on January 27 of 2017.

(*) Colombian pesos

Grupo Energía Bogotá S.A E.S.P VS. Enel Américas SA Arbitration Court

On December 4 of 2017, Enel Américas S.A was notified of the Grupo Energía Bogotá S.A E.S.P request to initiate an arbitration proceeding regarding differences related to the 2016 profits distribution to Emgesa S.A E.S.P and Codensa S.A E.S.P, as indicated in the Framework Investment Agreement - AMI.

Grupo Energía Bogotá S.A. E.S.P S.A argues that Enel Américas acted against its own acts (?) upon voting for a 70% profit distribution, in disagreement with clause 3.8 of the AMI which establishes the manner in which to distribute profits and requires the parties to favorably vote a 100% distribution, as applicable during each year.

Following are the claims in this process: i) declare an Enel Américas S.AAMI default, ii) declare the Grupo Energía Bogotá S.A E.S.P faculty to convene an extraordinary Shareholders Assembly, including in the day's agenda the distribution of the outstanding distribution percentage for 2016; and iii) distribution of 100% of the outstanding distribution for each Company.

The court arbitrators were publicly selected on December 12 of 2017. However, the parties wish to elect their own arbitrators, as indicated in the AMI.

This process is being directly handled by the Enel Américas lawyers. Considering the initial phase of the process, the contingency is considered eventual. The administration considers that this situation does not affect the December 31 of 2017 financial statements.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

Other reserves

	As of December 31 of 2017	As of December 31 of 2016
Deferred depreciation reserve (Art. 130 of the Tax Code)	\$ 209,885,531	\$ 170,987,380
Legal reserve	26,454,481	26,454,481
	\$ 236,340,012	\$ 197,441,861

Legal reserve

According to the Colombian law, the Company must transfer, as a minimum, 10% of the annual profits to a legal reserve until reaching 50% of the subscribed capital. The mandatory legal reserve cannot be distributed before Company liquidation, but can be used to absorb or reduce net annual losses. Amounts in excess of 50% of the subscribed capital can be distributed among the shareholders.

Deferred depreciation reserve (article 130 of the Tax Code)

On March 28 of 2017, the General Shareholders Assembly (Minutes 67) ordered creating a reserve on account of the accelerated depreciation established according to article 130 of the Tax Code, for \$38,898,151 against the 2016 net profits.

On March 29 of 2016, the General Shareholders Assembly (Minutes 64) ordered creating a reserve on account of the accelerated depreciation established according to article 130 of the Tax Code, for \$43,029,236 against the 2015 net profits.

On March 26 of 2015, the General Shareholders Assembly (Minutes 60) ordered creating a reserve on account of the accelerated depreciation established according to article 130 of the Tax Code, for \$76,995,746 against the net profits of the period between September 1 and December 31 of 2014

For fiscal purposes, the balance reduction depreciation method will be used from 2014 on, for accounting purposes using the straight line system. Additionally, a 70% reserve was created for previous years regarding the depreciation requested in excess, from 1998 on for tax purposes and for \$50,962,398.

The tax reform, Law 1819 of 2016, derogated article 130 of the Tax Code, so that reserves established up to December 31 of 2016 will revert as the accounting depreciation converges to fiscal depreciation.

21. Revenues From Ordinary Activities

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Regulated markets (1)	\$ 3,639,009,704	\$ 3,342,985,947
Public lighting (2)	109,764,445	93,884,765
Unregulated market (3)	623,088	2,543,635
Spot market (4)	182,637	1,248,831
Energy sales	3,749,579,874	3,440,663,178
Tolls and transmission	429,759,293	404,153,702
Public lighting infrastructure lease	101,305,245	89,176,910
Provision of goods and services to individuals (5)	79,893,461	72,800,406
Mutual support (6)	77,816,704	71,726,394
Commissions (7)	51,977,161	34,212,393
Public lighting infrastructure maintenance	12,411,100	10,616,575
Three connections	12,294,161	6,450,856
Connection service	8,253,936	6,675,150
Sales of measurement equipment	8,132,073	10,979,530
Others	2,105,346	1,458,876
Equipment rentals	1,563,624	1,238,859
Other services provided	785,512,104	709,489,651
	\$ 4,535,091,978	\$ 4,150,152,829

(1) As of December 31 of 2017 and 2016, energy sales in the regulated market were 8,790 and 8,097 Gwh, of which 5,000 and 4,569 Gwh, commercial clients 2,453 and 2,258 Gwh, industrial clients 1,066 and 1,038 Gwh, and official clients 270 and 231 Gwh, respectively. The change corresponds mainly to rate increases during 2017 and to the Empresa de Energía de Cundinamarca client integration, which served 297,716 clients in the regulated market as indicated in the business combination note (see Note 1.5).

(2) As of December 31 of 2017 and 2016, energy sales on account of public lighting were 301.1 and 252.5 Gwh, mainly on account of the capital district's consumption of 216.3 and 213.3 Gwh and other municipalities of 84.8 and 49.2 Gwh, respectively.

(3) As of December 31 of 2017, corresponds to 2.2 Gwh used by the six clients in the non-regulated market, in the portfolio managed by the EEC, which were integrated into Codensa from September 30 of 2016 on upon the merger being formalized. As of today, contracts with non-regulated clients have been terminated.

(4) As of December 31 of 2017 and 2016, energy sales on account of the energy pool are 0.5 and 4.2 Gwh, respectively.

(5) Supplies of goods and services to private persons are:

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Collaboration agreements and goods and services financing (a)	\$ 38,763,067	\$ 37,771,405
Electrical works	13,629,264	10,039,155
Technical checks	9,341,799	7,498,901
Christmas lighting	7,586,039	7,574,441
Other aggregate value services (b)	4,250,676	4,847,113
Equipment installations	2,913,846	2,331,583
Seal installation and and the calibration	2,200,188	1,882,452
Electric mobility services and energy efficiency	875,293	360,842
Induction stoves	333,289	494,514
	\$ 79,893,461	\$ 72,800,406

(a) As of December 31 of 2017 and 2016, corresponds to revenues from invoicing and collection of the "Crédito Fácil Codensa" program, according to the corporate collaboration agreement executed with Banco Colpatria Red Multibanca Colpatria S.A. for \$31,916,367 and \$32,387,917, respectively. It also includes revenues from financing services and electric work provided by the Company to third parties, for \$6,846,700 and \$5,383,488, respectively.

(b) As of December 31 of 2017 and 2016, corresponds mainly to the "product in your hands", for \$3,896,381 and \$2,202,097, respectively (the purpose of the service is offering a 24 additional hours payment commitment to clients the moment the technician suspends the service. Additionally, it includes the provision service recognition in order to guarantee service availability, for \$270,231 and \$2,310,230, respectively. The change corresponds to construction and installation work in 2016 for the Productos Naturales de la Sabana (Alquería) clients, for \$ 736,510, Edificio 100 Street for \$414,101 and Citibank for \$310,576.

(6) Corresponds to revenues from the lease of electrical infrastructure, such as posts and inspection manholes, mainly to Empresa de Telecomunicaciones, in order to allow service line installation. The change is the result of an increase in the number of leased posts and the increase in the lease rate, resulting mainly from the increase in the CPI.

(7) Corresponds mainly to commissions recognized under the agency agreement the Company has with the subscription business partners. On February 1 of 2017, Mapfre and Codensa amended the mercantile offer accepted on December 2016, eliminating the marketing fund created with a Mapfre contribution, whose purpose was performing promotional activities allowing to commercially develop the insurance product. From that moment on, Codensa assumed the promotional activities and the advertising deployment, according to which the remuneration percentage increased by 6.81% on the received collections.

22. Other Operational Revenues

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Recovery of energy losses (1)	8,042,055	4,897,894
Others (2)	5,680,652	7,791,179
Fines and penalties (3)	4,350,582	2,198,952
Sale of obsolete materials	3,442,838	2,565,861
Compensation for claims (4)	-	844,920
Negative Goodwill (See note 1.5.5.)	-	21,244,288
	\$ 21,516,127	\$ 39,543,094

(1) The change corresponds mainly to i) implementation of Unified Opinion No. 34 from the Superintendence of Public Household Utility Services on November 10 of 2016, extending the recovery cost in case of willful misconduct and reducing due process times, and ii) greater effectiveness upon recovering energy losses.

(2) Corresponds mainly to the contractors' recognition of the operation's missing materials.

(3) As of December 31 of 2017 and 2016, corresponds mainly to fines and sanctions applied to contractors for contractual defaults, for \$4,308,263 and \$2,216,903, respectively.

(4) Corresponds mainly to the insurance companies' recognition of the following claims during 2016:

Claim	Claim date	Insurance company	Type of claim	Value in pesos
Guacheta substation	June/2014	Mapfre	Construction	\$ 150,160
Concordia substation	November/2013	Seguros Bolivar	Fire	170,421
Inmel merchandise	June/2015	Mapfre	Theft	472,095

23. Supplies And Services

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Energy purchases (1)	\$ 1,874,417,202	\$ 1,792,225,688
Transportation costs (tolls and transmission)	468,024,137	405,884,761
Other variable supplies and services (2)	234,731,883	203,843,541
	\$ 2,577,173,222	\$ 2,401,953,990

(1) As of December 31 of 2017 and 2016, energy purchases are 10,330 and 9,597 Gwh; purchases for the regulated market have a 97.5% participation, resulting in contracts with 8,002 and 8,073 Gwh and pool purchases for 2,064.3 and 1,279 Gwh. The remaining 2.5% corresponds to purchases for the non-regulated market, with 263 and 245 Gwh, respectively.

(2) Following is a description of other variable supplies and services:

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Costs of providing goods and services to individuals (a)	\$ 73,686,295	\$ 48,026,849
Industry and trade tax	52,615,464	51,200,554
Public lighting maintenance and others	39,985,569	39,070,570
Costs related to measurements equipment	33,824,764	31,817,871
Quality service compensation	15,036,327	16,755,027
Cut and reconnection costs	12,112,650	11,086,000
Contributions of regulation entities	5,733,995	4,061,803
Other local taxes related to sales	1,736,819	1,824,867
	\$ 234,731,883	\$ 203,843,541

(a) As of December 31 of 2017 and 2016, corresponds mainly to costs associated to value added service deals, such as electric work, Christmas lighting, and subscriptions to magazines, insurance, and other products. On February 1 of 2017, Mapfre and Codensa amended the mercantile offer accepted on December 2016, eliminating the marketing fund created with Mapfre contributions, whose purpose was performing promotional activities allowing to commercially develop the insurance product. From that moment on, Codensa assumed promotional and advertising activities, as a result of this new activity the remuneration percentage having increased by 6.81%. The contractual change has increased costs, in addition to payments resulting from the growth of the above products and the update of supplier prices.

24. Personnel Expenses

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Wages and salaries (1)	\$ 146,865,321	\$ 127,563,574
Social security service and other social charges	34,788,485	30,420,399
Expense (income) on account of the post-employment benefits obligation(2)	1,191,022	924,504
Expense (income) for retirement plans obligation (3)	-	(3,634,128)
Other personnel expenses (4)	656,915	5,858,192
	\$ 183,501,743	\$ 161,132,541

(1) As of December 31 of 2017 and 2016, corresponds to wages and salaries, for \$113,314,456 and \$95,706,541, bonuses for \$10,028,989 and \$13,126,550, vacation and vacation bonus for \$10,813,892 and \$8,711,938, service bonus for \$4,642,575 and \$3,669,541, severance and severance interests for \$4,028,745 and \$3,007,591, amortization of employee benefits for \$4,036,665 and \$3,341,411, respectively.

(2) As of December 31 of 2017 and 2016, corresponds to the cost of the current service of active personnel associated to the retroactive severance benefit for \$119,341 and \$111,126, 5-year periods for \$268,132 and \$1,660,346, respectively. As of December 31 of 2017 and 2016, as a result of the actuarial calculation made by Aon Hewitt, México the effect of actuarial losses is included in 5-year periods, arising from changes of variables for \$803,549 and \$(846,968), respectively.

(3) As of December 31 of 2016, corresponds to expenses (recoveries) associated to voluntary retirement plans (see Note 17).

(4) The change corresponds mainly to payments recognized in 2016 under labor litigations susceptible to rating changes according to the analysis made by the lawyers, for \$5,093,121 (see Note 16).

25. Other Fixed Operational Expenses

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
External, Independent and other professional services (1)	\$ 171,113,116	\$ 132,972,418
Repairs and conservation (2)	76,746,047	57,170,651
Other supplies and services (3)	19,830,263	20,658,171
Leases and rent	11,232,970	8,167,119
Taxes and fees (4)	9,914,849	21,703,952
Insurance premiums	4,642,866	6,405,766
Advertising, promotion and public relations	4,267,319	4,159,303
Transportation and travel expenses	2,672,016	2,363,997
	\$ 300,419,446	\$ 253,601,377

(1) Following are the itemized independent professional services, outsourced services, and others:

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Maintenance services, software and computer applications development (a)	\$ 29,435,701	\$ 13,030,997
Market recovery agreements (b)	26,333,313	16,442,015
Readings (b)	21,281,726	17,649,701
General Management Expenses	16,645,217	17,566,351
Collection Agrrements (b)	14,274,371	11,927,471
Client service agreements (b)	13,541,111	9,543,969
Other management and operation agrrements	9,855,919	8,370,375
Diagnostics, inspection and maintenance of substations, grids and electrical installations.	8,200,950	8,713,954
Inventories and materials logistic operator agreements	4,727,279	3,167,613
Telecommunications services	4,149,636	2,296,489
Transportation services management (b)	4,172,773	2,959,279
Fees	4,070,283	4,960,745
Invoices delivery	3,943,909	3,823,728
Industrial safety	3,078,726	2,118,773
Unpaid management contracts (b)	2,650,764	1,248,266
Losses in claims	1,816,825	1,042,611
Mess hall and cafeteria	994,051	483,406
Temporary personnel service	988,467	846,584
Office supplies and materials	856,864	858,285
Civil and administrative litigations (c)	95,231	5,921,806
	\$ 171,113,116	\$ 132,972,418

(a) The 2017 increase corresponds mainly to the contracting and implementation of services associated to cloud architecture, resulting in benefits for the Company regarding end user availability, portability, and flexibility. For the provision of the service, in 2017 the Company made agreements with Amazon Web Services and Enel Italia.

Codensa S.A. E.S.P. Notes to Financial Statements – Separate

(In thousand pesos)

- (b) The increase in these items corresponds mainly to operations carried out in the Cundinamarca area, integrated to Codensa, which up to September 30 of 2017 had been managed by the former EEC.
- (c) The change corresponds mainly to the 2016 payments under civil litigations subject to changes in their rating according to the analysis made by the attorneys, for \$5,765,768 (see Note 16).
- (2) Corresponds mainly to grid, line, and duct maintenance of the Cundinamarca area operations integrated to Codensa, which as of September 30 of 2016 were managed by the former EEC.
- (3) As of December 31 of 2017 and 2016, corresponds mainly to electrical material for \$2,569,609 and \$4,451,780, security and surveillance services for \$6,557,111 and \$7,166,226, mail services for \$2,329,191 and \$1,139,256, studies and projects for \$649,702 and \$919,797, respectively.
- (4) As of December 31 of 2017 and 2016, corresponds mainly to the 2015 wealth tax of \$7,796,019 and \$19,539,631, respectively, according to Law 1739 of 2014 which created the wealth tax for 2015 through 2017 for legal persons. The reduction of the wealth tax for 2017 and 2016 corresponds to the change to the 0.4% and 1% rates, respectively.

26. Depreciation, Amortization, And Impairment Loss Expenses

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Depreciations (Nota 12)	\$ 296,554,427	\$ 248,947,545
Amortizations (Nota 11)	16,949,794	15,108,837
Depreciations and amortizations	313,504,221	264,056,382
Reversion from impairment of financial assets (1)	9,174,751	6,075,377
	\$ 322,678,972	\$ 270,131,759

- (1) As of December 31 of 2017 and 2016, corresponds mainly to i) the energy pool for \$7,664,830 and \$5,692,793, variation of the public lighting clients' aging. Among the most important clients are the municipality of Agua de Dios for \$1,576,212, (ii) the supplementary business portfolio for \$1,491,771 and \$309,135. Included in this change is the client Prodesa S.A. for \$784,116, debt that originated from work carried out in the Chía-Cota housing project, not approved by CAR (Corporación Autónoma Regional de Cundinamarca); according to the legal area's opinion, it is not possible to pursue legal actions.

27. Net Financial Income

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Cash revenues and other equivalent revenues(1)	\$ 13,789,298	\$ 11,952,666
Interest on arrears	8,619,453	8,058,690
Interests on employee loans (2)	5,149,899	4,214,690
Other financial income (3)	1,699,335	3,238,345
Interests on client financing	1,167,587	1,565,675
Financial income	30,425,572	29,030,066
Financial obligations (4)	(136,795,987)	(141,942,003)
Post employment benefits obligation	(19,448,520)	(16,463,837)
Tax on financial transactions	(22,866,713)	(21,288,534)
Other financial costs (5)	(13,754,284)	(6,070,323)
Financial leases (Leasing)	(320,234)	(572,335)
Financial expenses	\$ (193,185,738)	\$ (186,337,032)
Revenues from exchange rate differences	3,291,773	7,135,966
Expenses from exchange rate differences	(5,191,513)	(8,039,038)
Net exchange rate difference (6)	(1,899,740)	(903,072)
Total financial result, net	\$ (164,659,906)	\$ (158,210,038)

(1) Corresponds mainly to financial revenues, in national currency, from deposits and investments in various entities such as Alianza Fiduciaria, Avvillas, BBVA, Banco Bogotá, Caja Social, Citibank, Colpatria, Corficolombiana, Corpbanca, Corredores, Pichincha, and Valores Bancolombia.

(2) As of December 31 of 2017 and 2016, corresponds to financial interests from housing loans for \$894,195 and \$804,084 and the financial effect of loans to employees, at differential market rates, for \$4,255,703 and \$3,410,605, respectively.

(3) As of December 31 of 2017, corresponds mainly to the VAT portfolio's financial update for public lighting infrastructure for \$1,131,387. As of December 31 of 2016, corresponds mainly to the contingent liability update of the Rio Negro hydroelectric station for \$1,525,536 and the financial update of the Nueva Esperanza substation environmental compensation for \$521,986.

(4) Corresponds to interests from bonds issued and generated under the Company issuance and placement bond program, as follows:

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

Issuance	Year ending on December 31 of 2017	Year ending on December 31 of 2016
A10-07 bonds interest	\$ 7,360,081	\$ 49,067,912
Bank of Tokyo loans (a)	31,349,749	21,536,282
B12 bonds interests	17,117,586	23,665,543
E5-17 bonds interests (c)	16,236,395	-
B5-13 bonds interests	14,523,620	20,657,828
B7-14 bonds interests	14,425,122	19,985,257
Other commercial loans (b)	13,936,425	4,122,648
E2-17 bonds interests (c)	8,932,436	-
A10-08 bonds interests	7,764,277	10,221,851
E7-17 (c) bonds interests	7,123,213	-
E4-16 bonds interests	6,741,000	1,976,616
B604 bonds interests	-	2,271,661
Total	145,509,904	153,505,598
Interest capitalization	(8,786,465)	(11,927,334)
A10-07 bond issuance premium amortization	72,548	363,739
	\$ 136,795,987	\$ 141,942,003

(a) Corresponds to interests of credits obtained from The Bank of Tokyo Mitsubishi UFJ on March 17 of 2016 for \$200,000,000 with an agreed effective annual rate of 8.4931 %, on June 10 of 2016 for \$162,000,000 with an effective rate of 8.8150%.

(b) Corresponds to interests from bank loans secured for the business combination (see Note 14).

(c) Corresponds to interests from the 2017 bond issuances (see Note 14).

As of December 31 of 2017, corresponds mainly to the financial updates of: i) the provision for the public lighting litigation for \$7,127,356, ii) the contingent liability of the Rio Negro hydroelectric station for \$2,416,788, and iii) the financial update of the PCB dismantling compensation for \$ 953,509 (see Note 16).

(5) As of December 31 of 2016, corresponds mainly to the update to the public lighting VAT current value for \$3,943,093 as a result of the reclassification from short to long-term (see Note 7).

Codensa S.A. E.S.P.
Notes to Financial Statements – Separate

(In thousand pesos)

(6) The origin of the effects on income from exchange differences corresponds to:

	Year ending on December 31 of 2017	
	Revenues from exchange rate differences	Expenses from exchange rate differences
<i>Cash on hand</i>	\$ 28,118	\$ (113,619)
<i>Balance in banks</i>	67,173	(274,075)
Cash and cash equivalents	95,291	(387,694)
Current accounts receivable	178,973	(124,735)
<i>Inventories</i>	-	(2)
Total assets	274,264	(512,431)
<i>Accounts payable for goods and services</i>	1,813,303	(2,685,821)
<i>Commercial creditors</i>	1,204,206	(1,993,261)
Total liabilities	3,017,509	(4,679,082)
Net income	\$ 3,291,773	\$ (5,191,513)

	Year ending on December 31 of 2017	
	Revenues from exchange rate differences	Expenses from exchange rate differences
Cash on hand	\$ 8,114	\$ (36,313)
Balance in banks	832,135	(90,408)
Cash and cash equivalents	840,249	(126,721)
Cuentas por cobrar Currents	265,876	(114,492)
Total assets	1,106,125	(241,213)
Accounts payable for goods and services	5,929,359	(7,652,825)
Advance payments to clients	100,482	(145,000)
Total liabilities	6,029,841	(7,797,825)
Net income	\$ 7,135,966	\$ (8,039,038)

28. Income From Other Investments

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Loss on account of previous participation (1)	\$ -	\$ (17,961,622)
Dividends of associated investments (2)	164	1,129,958
Participation method (3)	(94)	(2,629)
	\$ 69	\$ (16,834,293)

(1) On September 30 of 2016, the Company recognized a loss from its previous participation in DECSA for \$(17,961,622) as a result of the evaluation at reasonable value required by IFRS 3 "Business Combination" (see Note 1.5.2).

(2) As of December 31 of 2016, corresponds to dividends declared on March 2016 by DECSA S.A E.S.P in favor of the Company.

(3) Corresponde al método de participación aplicado sobre Inversora Codensa S.A.S.

29. Income From The Sale And Disposal Of Assets

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Property, plant and equipment(1)	\$ 8,000,887	\$ 6,635,740
Materials (2)	2,521,020	4,186,291
Intangible assets	716,950	-
Others	-	13,443
	\$ 11,238,857	\$ 10,835,474

(1) Corresponds mainly to disposal of equipment from substations, lines, and grids, distribution transformers, and public lighting fixtures on account of obsolescence, damages, and replacement.

(2) Corresponds mainly to invoicing of materials to collaborating companies as a result of a physical inventory.

30. Gains Tax Expense

The provision for the year income, for income tax purposes, CREE, and the income surcharge is the following:

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Income current tax	\$ 397,928,267	\$ 231,673,758
CREE current tax	-	139,490,932
	397,928,267	371,164,690
Previous years' income tax (1)	(3,275,949)	724,882
Deferred tax (1) (See note 13)	28,720,448	39,432,166
Previous years' deferred tax (1) (See note 13)	4,639,893	(733,528)
	\$ 428,012,659	\$ 410,588,210

(1) As of December 31 of 2017 and 2016, corresponds to the reduction of the net deferred tax for \$33,360,341 and \$38,698,638, which includes (i) the year's deferred tax for \$28,720,448 and \$41,005,119 (ii) the deferred tax of previous years for \$4,639,893 and (\$733,528) (iii) the effect from rate changes as a result of the tax reform for \$- and (\$1,572,953), respectively.

Following is the conciliation between the income tax that would result from applying the current general tax rate to the "income before taxes" and the entered expense equivalent to an effective rate on profits as of December 31 of 2017 and 2016 of 40.71% and 43.6%, respectively:

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Effective tax rate reconciliation	Year ending on December 31 of 2017	Rate	Year ending on December 31 of 2016	Rate
Year profits	\$ 623,485,951		\$ 542,879,556	
Gains tax expense	428,012,659		410,588,210	
Gains before tax	1,051,498,610		953,467,766	
Legal rate of current tax	40%		40%	
Tax according to current legal rate	(420,599,444)	(40%)	(381,387,106)	(40%)
Permanent differences:				
Nondeductible taxes (1)	(4,585,785)	(0,44%)	(4,547,704)	(0,48%)
Nondeductible wealth tax (2)	(3,118,408)	(0,30%)	(8,522,055)	(0,89%)
Expenses without a causal relationship and other non-deductibles (3)	(1,019,728)	(0,10%)	(1,524,709)	(0,16%)
Expenses from previous years	(164,469)	(0,02%)	(307,910)	(0,03%)
Net effect estimated liabilities movement and permanent provisions	1,713,985	0,16%	(4,818,749)	(0,51%)
Presumed interests	(12,889)	0%	(6,627)	0%
Additional disabled persons deduction	69,725	0,01%	43,582	0%
Dividends not taxed	66	0%	452,209	0,05%
ot tax-related revenues and greater science and technology tax deduction (4)	-	0%	3,937,239	0,41%
Business combination (5)	-	0%	1,313,067	(0,14%)
Other permanent differences (6)	83,842	0,01%	(16,841,045)	(1,77%)
Rate differences adjustment - previous years deferred adjustment	936,390	0,09%	1,572,952	0,16%
Income statement adjustments (7)	(1,363,944)	(0,13%)	8,646	0%
CREE Overcharge of adjustment effect	48,000	0%	40,000	0%
Total permanent differences	(7,413,215)	(0,71%)	(29,201,104)	(3,06%)
Gains tax expense	\$ (428,012,659)	(40,71%)	\$ (410,588,210)	(43,06%)

(1) As of December 31 of 2017 and 2016, corresponds to the effect on the income tax and the CREE from the tax on financial activities for \$4,573,342 and \$4,499,967 and the vehicles tax for \$12,443 and \$47,737, respectively.

(2) The reduction in the wealth tax for 2017 and 2016 corresponds to the change to the 0.4% and 1% rate, respectively.

(3) As of December 31 of 2017 and 2016, corresponds mainly to the effect on the income tax, the CREE, and surcharges from expenses with no cause-effect relationship, such as donations, loan remissions, and others.

(4) For 2016, corresponds to the tax benefit from science and technology, representing an additional deduction of 75% of the value invested, for \$513,715, non-taxed revenues from profits using the participation method for \$3,001,238, among others.

(5) Corresponds to the tax associated to business combination items, negative goodwill for \$8,497,716, and the loss of the prior participation valuation of the EEC investment for (\$7,184,649).

Codensa S.A. E.S.P
Notes to Financial Statements – Separate

(In thousand pesos)

(6) As of December 31, other permanent differences correspond to i) the non-offset deferred tax for \$18,451,535, ii) adjustments to other permanent losses entered to equity from the business combination, for \$1,055,546, and iii) the recalculation of deferred taxes, for \$554,944.

(7) The variation corresponds to the difference between the income provision calculation and values included in the income tax return. These differences result in changes both in the current tax and in the deferred tax. The main items causing the variation are i) the difference between the accounting and the fiscal depreciation, ii) invoices arriving before the income tax return being filed and having been previously considered not deductible in the income provision, and iii) differences between the fiscal and accounting portfolio provisions.

31. Per-Share Profits

The basic per-share profits are calculated by dividing profits attributable to the shareholders, adjusted with preferential dividends after taxes, by the weighted average of common outstanding shares in the year. As of December 31 of 2017 and 2016, common and diluted shares are the same, there being no shares acquired by the Company.

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Year profits attributable to owners	\$ 623,485,951	\$ 542,879,556
Preferential dividends (1)	5,971,222	6,004,661
Year profits attributable to owners adjusted by preferential dividends	617,514,729	536,874,895
Weighted average of outstanding shares	134,875,450	134,875,450
Per basic and diluted share profits (*)	\$ 4,578,41	\$ 3,980,52

(*) In COP

(1) Of the total number of Grupo de Energía de Bogotá S.A. ESP shares, 20,010,799 correspond to shares with no voting rights and annual preferential dividends of US \$0.10 per share.

32. Other Comprehensive Income

	Year ending on December 31 of 2017	Year ending on December 31 of 2016
Components of other comprehensive income that will not be reclassified to the year income		
Losses on account of new defined benefits plan measurements (1)	\$ 9,058,500	\$ (34,284,141)
Losses from new measurements of financial instruments, measured at reasonable value with changes in the ORI (2)	(15,441)	18,080
Gains (losses) for cash flow hedges	-	29,247
Other comprehensive income that will not be reclassified to the year income, tax net	9,043,059	(34,236,814)
Components of other comprehensive income that will be reclassified to the year income, before taxes		
Gains (losses) for cash flow hedges	15,314	64,570
other comprehensive income that will be reclassified to the year income, before taxes	15,314	64,570
Deferred and gains tax related to the components of other comprehensive income that will not be reclassified to the year income		
Tax effect due to losses in new measurements of defined benefit plans (1)	(3,426,791)	10,646,567
Cash flow hedges tax effect	-	(11,699)
Total gains tax related to the components of other comprehensive income that will not be reclassified to the year income	(3,426,791)	10,634,868
Gains tax related to the components of other comprehensive income that will be reclassified to the year income		
Cash flow hedges tax effect	(5,524)	(25,828)
Total gains tax related to the components of other comprehensive income that will be reclassified to the year income	(5,524)	(25,828)
Total other comprehensive income	\$ 5,626,058	\$ (23,563,204)

(1) Corresponds to the effect of actuarial losses determined by Aon Hewitt México. As of December 31 of 2017 and 2016,

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

losses affecting equity are the following:

	Year ending on December 31 of 2017			Year ending on December 31 of 2016		
	Pensions and Benefits	Retroactive severance	Temporary income	Pensions y Benefits	Retroactive severance	Temporary income
Initial balance	\$ (61,311,831)	\$ 303,394	\$ (2,824,518)	\$ (27,917,885)	\$ (957,467)	\$ -
Increases (Decreases) on account of business combination (See note 1,5,6)	-	-	-	(12,727,861)	1,407,832	-
Actuarial Gain (loss)	9,351,416	(372,017)	79,101	(29,357,251)	(219,359)	(4,707,531)
Current tax	(3,087,480)	-	-	(5,695,584)	-	1,883,013
Deferred	(462,077)	122,766	-	14,386,750	72,388	-
Ending Balance	\$ (55,509,972)	\$ 54,143	\$ (2,745,417)	\$ (61,311,831)	\$ 303,394	\$ (2,824,518)

The value of losses is directly transferred to accrued gains, not being reclassified to the equivalent annual income.

(2) As of December 31 of 2017 and 2016, gains/losses from the investment in Electricaribe S.A E.S.P as a result of the valuation were entered to comprehensive income, for (\$15,441) and \$18,080, respectively. The value of the losses is directly transferred to accrued gains, not being reclassified to the equivalent annual income.

33. Assets And Liabilities In Foreign Currency

Colombian norms allow for free negotiation of foreign currency through banks and other financial institutions, at free exchange rates. However, most transactions in foreign currency require compliance with certain legal requirements.

Summary of assets and liabilities presented in foreign currency:

	As of December 31 of 2017		
	(EUR)	(USD)	(Thousand pesos)
Cash and cash equivalents	€ 5,411	US\$ 23,812,762	\$ 71,076,669
Debtors	94,042	53,999	498,101
Accounts payable	(2,692,117)	(2,526,354)	(17,184,981)
Net active (passive), position	€ (2,592,664)	US\$ 21,340,407	\$ 54,389,789
	As of December 31 of 2017		
	(EUR)	(USD)	(Thousand pesos)
Cash and cash equivalents	€ 5,743	US\$ 715,592	\$ 2,165,465
Debtors	110,714	27,285	432,334
Accounts payable	(4,280,631)	(3,816,649)	(25,002,738)
Net (passive) position	€ (4,164,174)	US\$ (3,073,772)	\$ (22,404,939)

34. Sanctions

The Company was notified of the following sanctions between January 1 and December 31 of 2017:

- > On February 2017, the Company was notified the sanction applied through Resolution 85653 of 2016 from the Industry and Trade Superintendence, for 350 minimum current monthly legal salaries, equivalent to \$241,309, as a result of a complaint filed by Claudia Milena Muñoz Triviño upon considering that the Company had violated the personal data protection norms by publishing in Twitter personal information. On March 6 of 2017, an appeal was filed against such sanction. On July 14, the Superintendence of Industry and Trade notified the Company the resolution confirming the sanction applied to Codensa, continuing with the appeal. On December 13 of 2017, the Superintendence notified Resolution 6323 of October 4 of 2017 deciding on the appeals filed against Resolution 85653 of 2016 and confirming the fine for COP \$241,309. This fine was paid on December 20 of 2017.
- > On June 2017, the Superintendence of Public Utility Services revoked the fine applied on May 24 of 2016 for \$160,643, included in file 2015240350600100E, related to problems with the electric power service. The entity considered that the ITAD and IRAD quality indicators, reported by the Company, were not affected, so that there had been no problem with the electric power service.
- > On June 2017, the Superintendence of Industry and Trade confirmed the sanction against Codensa for not following instructions given by such entity regarding the information requirement of 2013 related to the terms and conditions of the coupon called 24 hours 7454-123 free home delivery service. As a result of the above, Codensa paid \$11,031.
- > On July 26 of 2017, the Superintendence of Public Utility Services decided to apply a fine of \$1,475,434 (approx. US\$491,811.33) upon considering that the quality indicators had been indeed violated, as included in file 2016240350600015E and established in Resolution CREG 097 of 2008. The sanction was appealed and is currently awaiting a decision.

On October 3 of 2017, the Company was notified of the following sanctions by the Superintendence of Public Utility Services:

- > The sanction applied through resolution 20172400171635 of 2017 for \$ 1,490,188 upon considering that the Company had defaulted its obligation to report fatal accidents to the SUI Information System, related to the death by electrocution of a pedestrian upon falling into a public lighting manhole and considering that electric safety norms had not been followed, as established in the Technical Regulation of Electric Installations, and the existence of a problem with the service upon a manhole missing the cover and not having protections to prevent electrocution. The sanction was appealed and is awaiting a decision.
- > The Superintendence of Public Utility Services decided to apply the fine according to resolution 20172400172775 of 2017 for \$ 981,163, upon considering that the fall of a wooden post and its respective live electric lines in the rural area of Sasaima failed to meet the electric risk mitigation and safety obligations contained in the RETIE risk prevention norms, as well as a problem with the service upon the Company not having acted diligently to prevent it. The sanction was appealed and is awaiting a decision.

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

As of December 31 of 2016, the Company was notified of the following sanctions:

- > On June 8 of 2016, the Superintendence of Industry and Trade applied a sanction for \$11.031 as a result of late delivery of the information required by such entity. An appeal was filed.
- > On December 2 of 2016, through resolution 20162400064595 the Superintendence of Public Utility Services confirmed a fine for \$20,619, applied on November 17 of 2015 with resolution 20152400051515, upon considering the inadequate application of the rate to the "Hardbody" gym and considering that the Company, as grid operator, should have had information on the assets' ownership from the moment the service was connected.

35. Other Insurance Policies

In addition to policies mentioned in the properties, plant, and equipment note (see Note 12), the Company has the following policies:

Good/person insured	Covered risks	Insured value Figures in thousands	Maturity	Insurance company
Transportation of merchandise	Loss or damage of transported goods	Limit \$5,000	31/07/2018	Generali Colombia
Employees with direct contract (a)	Death, permanent and total disability	Maximum individual insured value: \$1,800	01/01/2019	Generali Colombia
Counselors or managers	Civil responsibility of directors and managers	USD \$ 5,000	10/11/2018	SBS Seguros (formerly AIG Seguros)

(a) The Company renewed the employees' policy with a direct contract for 2018, according to the following:

Insured good	Covered risks	Insured value (figures in thousands)	Maturity	Insurance company
Employees with direct contract (a)	Death, permanent and total disability	Maximum individual insured value: \$1,800	01/01/2019	Generali Colombia

36. Commitments And Contingencies

I. Purchase commitments

As of December 31 of 2017, the Company had the following energy purchase commitments:

Year	Commitments with third parties	Commitments with Emgesa S.A. E.S.P.	Total
2018	1,078,559,028	681,144,228	1,759,703,256
2019	666,600,542	1,018,517,775	1,685,118,317
2020	754,113,961	919,651,301	1,673,765,262
2021	697,984,303	1,109,934,943	1,807,919,246
	\$ 3,197,257,834	\$ 3,729,248,247	\$ 6,926,506,081

The purchase commitments related to the supply of materials as of December 31 and 2017 are the following:

Period	Value
2018	\$ 51,188,223
From 2019 to 2020	92,286,360
	\$ 143,474,583

Following is the summary of the service purchase commitments:

Year	Commitments with third parties
2018	\$ 22,834,077
From 2019 to 2020	170,421,555
From 2021 to 2022	3,916,941
From 2023 to 2024	352,539
	\$ 197,525,112

II. Litigations and arbitration

The Company is subject to litigations, considered possible or eventual and regarding which management - with the support of its internal and external counsel - estimates that the results corresponding to the non-provisioned portion will be favorable for the Company and will not result in significant liabilities that should be accounted for, or if so that they will not significantly affect its financial situation.

Litigations considered eventual

The main litigations the Company is subject to as of December 31 of 2017, considered eventual, are:

Codensa S.A. E.S.P

Notes to Financial Statements – Separate

(In thousand pesos)

a. Centro Médico de la Sabana PH and others process

Starting date: 2014

Value sought: \$337.000.000

Object of the trial: For the Company to refund amounts allegedly charged in excess upon not applying rate benefits to such users belonging to the Voltage One Level, which in addition are the owners of the distribution assets.

The claim itself is based on the fact that the Company is illegally getting rich upon not affording any rate benefit to users belonging to this level and being the owners of the infrastructure, according to Resolution 82 of 2002, amended by Resolution 97 of 2008. The plaintiff establishes the value of this process based on the fact that the situation affects some 550,000 users, each one being entitled to indemnification.

Current situation: A conciliation audience was held, which failed. The evidence decree is pending.

On September 8 of 2017, the office accepted the plaintiff's request to include in the initial group of plaintiffs four legal representatives of Edificio Office Class, Centro Comercial Minicentro, Edificio Santa Ana II, and Edificio Beatriz, which are included in the group not as direct plaintiffs but as the group affected by the circumstance, entitling them to benefits possibly achieved by the claim in case of a favorable decision.

The process is in progress and the evidence decree is pending.

b. Asociación de Propietarios del Centro Urbano Antonio Nariño process

Starting date: 2009

Value sought: \$15.000.000

Object of the trial: The Association demands reappraisal of a land property located inside its facilities, where a Codensa power substation operated. Codensa answered by demanding application of statute of limitations regarding the land property or the easement.

Current situation: Persons with unknown addresses, and unspecified persons, were summoned in order to apply the effects of an eventual decision to all those subject to claiming real rights in the process. The judge is currently reviewing this.

c. Asociación de Propietarios del Centro Urbano Antonio Nariño process

Starting date: 2011.

Value sought: \$15.000.000

Object of the trial: Asocúan demands annulment of the permit granted by the Ministry of Culture to Codensa to intervene a cultural interest property, alleging that Codensa was not the property owner.

Current situation: The demand was replied to. We are currently in the evidence phase.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Litigations as plaintiffs

As of December 31 of 2017, the Company is acting as a plaintiff in four litigations that, if successful, could generate assets. These litigations correspond to annulment and reestablishment of rights claims filed against resolutions based on which the Superintendence of Public Household Utility Services calculated the special contribution mentioned in article 85 of Law 142/9090 for the tax years of 2013, 2014, and 2015 involving a taxable base in excess of that contained in the law. In case of a favorable decision, this Superintendence will refund amounts indicated by the judge. The values under discussion are: for 2013 \$3,237,619; for 2014 \$3,339,604, and for 2015 \$5,102,330.

On November 8 and 29 of 2017, section 4 of the Contentious Administrative made a decision favorable for the Company regarding the 2014 special contribution and the 2012 special contribution calculations. According to the above, in 2018 the Company will start collecting these values, for \$679,853 and \$2,571,395, respectively.

37. Risk Management

The Company is exposed to several risks, which are managed by applying identification, measurement, concentration limitation, and supervision mechanisms.

Included in the basic principles defined by the Company for its risk management policy are the following:

- > Meeting good corporate governance norms.
- > Strictly following all Company norms.
- > Each manager, corporate area, and business line defines:
 - a. The markets they may operate in, based on their knowledge and sufficient capabilities to guarantee an effective risk management.
 - b. Criteria on counterparts.
 - c. Authorized operators.
- > The managers, the corporate areas, and the business lines establish their risk exposure for each market they operate in, in a manner coherent with the defined strategy.
- > All activities by the managers, the corporate areas, and the business lines are carried out according to limits approved for each case.
- > The managers, the corporate areas, and the business lines establish management controls for identified risks in order to ensure that all transactions in the markets will be carried out according to Company policies, norms, and procedures.

Interest rate risk

Interest rate variations change the reasonable value of assets and liabilities subject to fixed interest rates, as well as cash flows of assets and liabilities referenced to a variable interest rate.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

The purpose of the interest rate risk management is reducing the volatility of the financial expense reported in the income statements.

Depending on Company estimates and the objectives of the debt structure, hedging activities are carried out by contracting derivatives in order to mitigate these risks. Instruments that can be used are rate swaps establishing variable and fixed rates. Currently, the Company has no interest rate hedges.

Following is a sensitivity analysis of the financial expense associated to the issued debt with respect to the percentage variation of the interest rate indexes:

Interest rate	As of December 31 of 2017		As of December 31 of 2016	
	Variation (pbs)*	Sensibility and thousand COP	Variation (pbs)*	Sensibility and thousand COP
IPC	+/- 5,59 %	(+/-)\$ 37,318,249	+/- 2,69 %	(+/-)\$ 29,041,815
DTF	+/- 2,76 %	(+/-)\$ 2,479,664	+/- 2,19 %	(+/-)\$ 2,858,859

(*) The changes in the interest rates are calculated based on their historical volatility during a 3-year period (2015-2017 and 2014-2016 for the 2017 and 2016 calculations, respectively), using twice the standard variation of the series.

Exchange rate risk

Exchange rate risks could basically arise in the following cases:

- Company debts in currencies other than the one its cash flows are indexed to.
- Payments to be made from the purchase of materials associated to projects, in currencies other than the one its cash flows are indexed to.
- Revenues directly related to the evolution of currencies other than the one its cash flows are indexed to.

Considering that the Company's functional currency is the Colombian peso, it is necessary to mitigate this risk by minimizing the exposure of its cash flows to the exchange rate variation risk.

Instruments that can be used are exchange rate forwards and swaps. The Company currently has exchange rate hedging in place to cover invoice payments from the purchase of assets in foreign currency.

Commodities risk

The Company is exposed to the commodities price variation risk, basically on account of energy purchase-sell operations carried out in local markets.

The Company makes most of its energy purchases under contracts, for which a price has been previously agreed, this way mitigating this risk.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Liquidity risk

The Company has a liquidity policy consisting in obtaining long-term credit facilities, cash flows, and temporary financial investments in amounts sufficient to support the expected needs during the respective period of time, according to the debt and capital markets' expectations.

The available resources should cover the financial debt service expected needs (principal plus interests), net, i.e. after financial derivatives.

Following are contractual cash flows from financial liabilities with third parties until their maturity dates, not discounted.

Concept	Current			Non Current			
	Less than 90 days	More than 90 days	Total Current	1 a 3 years	3 a 5 years	5 a 10 years	Total Non Current
Issued bonds (capital + Interests)	\$ 40,250,196	\$ 324,067,669	\$ 364,317,865	\$ 389,128,270	\$ 561,660,435	\$ 440,115,717	\$ 1,390,904,422
Bank loans (capital + Interests)	20,508,468	58,318,427	78,826,895	423,547,796	5,679,044	-	429,226,840
Financial Leasing obligations (capital + Interests)	642,283	1,112,676	1,754,959	1,036,971	-	-	1,036,971
Commercial accounts payable and other Accounts payable	1,030,149,051	-	1,030,149,051	-	-	-	-
Total	\$ 1,091,549,998	\$ 383,498,772	\$ 1,475,048,770	\$ 813,713,037	\$ 567,339,479	\$ 440,115,717	\$ 1,821,168,233

Credit risk

The Company has carefully followed up its credit risk.

Commercial accounts receivable

In order to mitigate significant non-payment risks in the electric business, we have implemented a robust preventive payment system, based on which our clients prioritize payments with no delays. In case of nonpayment, the electric service will be suspended and direct collection activities initiated in case of high values, subsequently assigning such collection to specialized firms, this way diminishing the possibility of significant portfolio impairment. The portfolio evolution is followed up, this way allowing defining special recovery management plans for values and situations subject to causing significant damages to the Company.

Financial assets

Investment of resources available for the Company (treasury investments), generated by the operation, in other nonoperational revenues, and operations of financial derivatives, will be carried out with first rate national and foreign financial entities meeting the minimum risk rating required by the Company.

The minimum risk rating of the Company's financial counterparts should be international long-term investment grade, or its equivalent in the local scale, taking into account the minimum international rating in foreign currency of the Republic of Colombia. Investments will be made in counterparts with lower ratings only according to limits established for risks for counterparts not with investment grade, or subject to prior approval with a current risk waiver. Local risk ratings should be made by a recognized risk rating agency legally established in Colombia, for international risk ratings those from Moody's, S&P, and Fitch being acceptable. Should a financial counterpart have more than one rating, the lowest will be used.

Codensa S.A. E.S.P.

Notes to Financial Statements – Separate

(In thousand pesos)

Surplus liquidity operations will meet the following general criteria:

Security: In order to protect the investment portfolio value, resources to be placed will meet credit rating requirements contained in this document.

Liquidity: Instruments being part of the investment will have high liquidity in the market.

Profitability: The highest ROI should be sought for all investments, within the allowed risk limits.

Diversification: Avoid risk concentrations in a specific type of issuer or counterpart.

Transparency: All operations and commitments involving available resources will be explicitly recorded and supported and will be subject to current norms and procedures.

Risk measurement:

Regarding the exchange rate risk, the Company calculates the effectiveness of currency forwards, 100% replicating the underlying cash flows and covering the Colombian peso variation risk with respect to foreign currency.

The effectiveness is calculated with a retroactive and prospective test. The prospective test is defined as the quotient between the quarterly difference of the fair value of the actual forward and the quarterly difference of the fair value of the hypothetical forward.

The hypothetical derivative is defined as the forward that, on contracting day, fully diminishes the exchange rate risk and fully replicates the underlying cash flows for the respective period. On each evaluation, i.e. quarterly, the quotient should be within the range of 80-185% for the forward to be considered effective, consequently being considered an accounting hedge.

The prospective effectiveness test is made by comparing changes in the fair value and the actual derivative that has been contracted and a hypothetical derivative, for various cases of exchange rates. This simulation consists in taking the forward exchange rate to two hypothetical scenarios: +20% and -20%. The variations in the fair value of both instruments will be compared, having to be within a range of 80%-125% in order to apply accounting hedging. This will demonstrate that changes in the exchange rate will affect the fair value of the hypothetical derivative and the actual derivative in the same manner.

38. Information On Reasonable Values

The reasonable value of financial assets and liabilities is entered as the value at which an instrument could be exchanged in a current transaction between the parties, by mutual agreement, and not in a forced or liquidation transaction, according to the defined policy.

Following are financial assets and liabilities with differences between their book value and their reasonable value, as of December 31 of 2017:

Financial assets (1)	Value and books	Reasonable value
Commercial accounts and other accounts receivable, net	\$ 611,235,794	\$ 611,667,461

	Values and accounting books	Reasonable values
	As of December 31 of 2017	
Financial liabilities (2)		
Issued bonds	\$ 1,382,892,111	\$ 1,466,093,849
Bank loans	451,664,732	478,903,850
Leasing obligations	2,519,616	2,763,124
Total liabilities	\$ 1,837,076,459	\$ 1,947,760,823

(1) The Company evaluates accounts receivable and other long-term accounts receivable based on parameters such as interest rates, the risk factors of each particular country, client solvency, and the risk characteristics of each financed portfolio. Based on this evaluation, provisions are made to account for expected losses.

(2) Financial obligations and leases are estimated by deducting future cash flows, using rates available for debts with similar risk conditions and maturities. The Company uses discount rates of the 0 coupon curves according to each issuance maturity.

Reasonable values of cash flows and cash equivalents, and of commercial accounts payable, are

As of December 31 of 2017, the Company reports the following financial assets and liabilities in its financial statements, measured at reasonable value and classified by levels according to the defined policy (see Note 3.14):

Financial assets	Level 3
Financial investments - companies not listed or with low liquidity levels	\$ 21,341
	Level 2
Derivative instruments (see Note 5)	\$ 20,044

39. Subsequent Events

On January 29 of 2018, the Energy and Gas Regulatory Commission - CREG, issued Resolution 15 of 2018 establishing the methodology to remunerate the electric distribution activity in the national interconnected system and respecting the existing assets base remuneration and remunerating the execution of investments, improving the remuneration of operation and maintenance expenses, and defining attainable and profitable paths to reduce losses and improve the service quality.

40. Financial Statements' Approval

The Company December 31 of 2017 general-purpose financial statements were approved by the Board of Directors in Minutes No. 269 of February 22 of 2018, for submittal to the General Shareholders Assembly according to the Trade Code.

